STRATEGIC MARKETING

Marketing Strategies for Sri Lankan Business Entities

LEWIE DIASZ

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To Romayne & Jacqueline Diasz

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Preface

This is the first edition of Strategic Marketing and it attempts to make a powerful case for Marketers and Marketing as a role in driving Sri Lankan entities towards success by establishing it on a sound intellectual basis. It is the first of its kind in Sri Lanka, where theories are contextualised and explained using Sri Lankan corporations whilst simplifying complex Management theory.

This book aims at emphasizing Marketing's contribution to long-term shareholder value creation, which is a critical discussion today. For marketing professionals the book provides a practical introduction as to how Strategic Marketing can lead to an organisations sustainable competitive advantage. Students who use this book can benefit from the thought provoking, insightful Sri Lankan case studies and attempt to peruse theory when answering the questions at the end of the chapter.

Many senior managers have noticed a paradox in how firms perceive marketing and every chief executive's mission statement puts marketing at the very top of the agenda. Getting closer to customers and meeting their needs is seen as the cornerstone of building a world class company. If managers can show that marketing will increase returns to shareholders, marketing will obtain a much more prominent role in the boardrooms of industries. The discipline itself will also obtain more respect for its greater rigor and direction.

A market orientation is regarded the essential coordinating focus for all disciplines and processes of a business. At the same time, marketing professionals, marketing departments, and marketing as a qualification are not highly regarded. Few chief executives are from a marketing background. Most companies do not have a marketing director on the board, and marketing qualifications are often not treated seriously.

This book is intended for readers in the academic, professional and practitioner markets who are linked by the need for an up-to-date understanding of the meaning and scope of marketing strategy. The material covered will be of direct importance to students of marketing strategy in both postgraduate and undergraduate programmes as a marketing strategy textbook. It is also useful to those undertaking professional qualifications in marketing and business and who need to build their understanding of marketing as a strategic issue. I believe that this book will be of value to marketing practitioners who wish to explore new ways of looking at the marketing process, their target markets; with a view to managing marketing better as a route to gaining an edge over their competitors.

About the author

Lewie Diasz was awarded the Youngest Fellow member in the world by the Chartered Institute of Marketing in 2012 and has been recognized for his teaching and research in Marketing and Business Strategy. He is a Chartered Marketer and has produced Double World Prize Winners for Emerging themes (a final stage CIM subject) and many Sri Lankan prize winners over the years.

He is a founding Partner of Strategy College of Business and Marketing which is a top ranking business college located in the heart of Colombo, Sri Lanka. He has been a mentor and has coached MBA, post graduate and under graduate students for over 12 years and is on the faculty's of reputed universities such as the University of Colombo, ACBT, American National College, University of Southern Queensland, SLIM and the University of Wales in Sri Lanka as a senior tutor, examiner and research supervisor.

He has worked with top global brands such as American Express, Boston Consultancy Group (BCG) and local giants such as The John Keells Group and managed large marketing budgets whilst being accountable for Retail Banking ROI. He holds an MBA from the University of Wales and was the former Vice President at the Sri Lanka Institute of Marketing.

During his career, Lewie Diasz ran over 30 in house and public executive programs for senior managers throughout Sri Lanka and was voted "Outstanding Teacher" on numerous university and corporate courses. He is a Certified Professional Marketer in the Asia Pacific Region and considers himself a student of social research whilst reading for his Doctorate at the University of Colombo.

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Lewie Diasz May 2013

CHAPTER 1

An introduction to Strategic Marketing

Marketing Defined

1 An Introduction to Strategic Marketing

"The best way to predict the future is to create it."

- Peter Drucker

Nearly a century ago, marketing scholars began defining the term "marketing" and today, the debate continues. Despite the simplicity of the question, the answer is complex. Various authors, have defined the term Marketing and many still continue to do so.

The forefathers of Marketing Theodore Levitt, Phillip Kotler and David Ogilvy defined marketing in an era where baby boomers and the generation X prevailed. Marketing has profoundly evolved ever since and the evolution can be classified into different eras. The evolution begins from a hunter-gatherer orientation to agriculture orientation and then the early 1900's where demand exceeded supply leading into the production era or industrialization which is a term coined by economists. History then records the product era - until the 1960's, the sales era - in the 1970's, the marketing era – 1970's and beyond, the societal marketing era - 1980's to a value based marketing era in the 1990's. Although marketing has evolved to what it is today, it is evident that many organisations are still engrossed in an earlier orientation and often strategically drift away from business reality.

In the first edition of his textbook Kotler defined marketing as "analyzing, organizing, planning and control of the firm's customer-impinging resources, policies, and activities with a view to satisfying the needs and wants of chosen customer groups at a profit" (Kotler 1967, p. 12). However, in the 1972 edition, he distinguished marketing from marketing management. By 1972, he was defining marketing as the "set of human activities directed at facilitating and consummating exchanges" (p.12) and marketing management as "the analysis, planning, implementation, and control of programs designed to bring about desired exchanges with target audiences for the purpose of personal or mutual gain. It relies heavily on the adaptation and coordination of product, price, promotion, and place for achieving effective response" (p. 13). At the same time, he introduced the societal marketing concept, which he defined as "customer orientation backed by integrated marketing aimed at generating customer satisfaction and long-run consumer welfare as the key to satisfying organisational goals" (p. 26).

Unilever Sri Lanka was one of the first company's to recognise the strategic role of marketing in the early 1950's thus introducing the first marketing department and distinguishing between marketing and sales. "Sales repping" or a sales representatives job in the company was tactical and was male centric. Sales was also a profession that one would consider a profession after exploring all other options and you would find it hard to convince your bride's parents if you were a sales rep. We have come a long way since then to be one of the fastest growing professions in the world.

Marketing Defined…

- The American Marketing association (2007) explains marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

- CIM UK (1992) approves marketing as the management process responsible for identifying, anticipating and satisfying customer requirements profitably.

- Kotler (1972) defines Marketing is a science and art of exploring, creating, and delivering value to satisfy the needs of a target market at a profit. Marketing identifies unfulfilled needs and desires. It defines, measures and quantifies the size of the identified market and the profit potential. It pinpoints which segments the company is capable of serving best and it designs and promotes the appropriate products and services.

- Ogilvy explains marketing is an intelligent and creative discipline, which involves delivering meaningful value for consumers and finding authentic ways to communicate with them on a personal level, which will help to educate, inspire and take action.

- Levitt exclaims "Selling concerns itself with the tricks and techniques of getting people to exchange their cash for your product. It is not concerned with the values that the exchange is all about. And it does not, as marketing invariably does, view the entire business process as consisting of a tightly integrated effort to discover, create, arouse, and satisfy customer needs."

- Hunt (1976) illustrates that the conceptual domain of marketing includes micro and macro marketing, positive and normative theories of marketing, and profit and not-for-profit marketing.

- Grewal and Levy (2008) defines marketing as an organizational function and a set of processes for creating, capturing, communicating and delivering value to customers and for managing customer relationships in ways that benefit and the organization and its stakeholders.

- Lamb, Hair McDaniel (2004) explains marketing as the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational goals.

- Marketing is a process by which companies create value for customers and build strong customer relationships, in order to capture value from customers in return. (www.wikipedia.com)

- An aggregate of functions involved in moving goods from producer to consumer. (www.webster.com)

The difference of opinion amongst marketing scholars further reinforces the point that what begins as a simple response to the question of what marketing is can quickly unfold into a heated discussion about the complex nature, scope, and meaning of marketing. The widely used definition of Marketing (The CIM UK definition above borrowed form Kotler) has remained unchanged for the past 30 years and does not do justice to the important role of strategic marketing in modern business. The popular definition, which describes marketing as a management process responsible for identifying, anticipating and satisfying customer requirements at a profit and later added the phrase "in a socially responsible manner".

→ Does the above definition encompass and reflect strategic marketing in the 21st century? Should it be an academic definition or a guide to practitioners?

→ Will satisfying a customer be sufficient today or should the post purchase experience "delight" the customer rather than the pre purchase expectation?

→ How can the marketer attempt to reduce the consumer's cognitive dissonance by augmenting the products and services with tangible, explicit value that would delight rather than merely satisfy?

1.1 How has the world changed?

Let us reflect for a moment on the numerous ways in which the world has changed in the past 30 years. If Facebook were a country, it would have been the 3rd largest in the world with over a billion active users (which may lead to being the largest eventually), an era of space tourism; digital living and globalization; cloning; to the shorter industry life cycles and faster adaptation and diffusion of technology. The internet (e commerce, e mail), mobiles phones and PDA's (SMS, MMS) did not exist when most of these definitions were proposed whilst digital, satellite TV, video on demand was unheard of and we lived in a world without Starbucks, Google, Body shop, and Blackberry was just a fruit.

The consumer of the future will be dwelling in a "Converged digital home and workplace" savvy with astonishing technologies of the future such as nano-technology, cloud computing, morphing, 3D printing, near field communication, holographic technologies and social media platforms that will change the nature of what it means to be human. By 2030, the world will be more complicated, divided between a broad American sphere of influence in Europe, the Middle East and South Asia; as well as a Chinese sphere in East Asia and Africa.

The current definition may also need to clearly classify customer requirements into customer needs, wants and demands. As articulated by Abraham Maslow, needs are a generic condition which pre exist and wants are what marketers create through brands, advertising messages, sales promotions and other forms of encoding. Demands are wants backed by the ability to purchase. You may want many brands but might only be able to demand (afford) a few.

1.2 How should marketing change?

What should be the role of marketing? Can marketing professionals unlearn, converge, challenge or reinvent what we have learnt thus far and craft a new definition, which is right for the times? Bibb and Simkin (2006) states that marketing is an evolving management discipline and the definition must evolve taking in to account the strategic role it needs to play in business in fuelling corporate strategy.

I recall, as the Vice President of the Sri Lanka Institute of Marketing, we approached the Organisation of Professional Associations (OPA) a few years ago and made a formal request to the esteemed association to include marketing as a profession. The immediate reaction amazed me and the formal response explained that Marketing could not be recognized as a profession in Sri Lanka especially to be kept on par with other professions that had obtained membership already. When we examined this further there were other professions such as engineers, lawyers, gemmologists, doctors, accountants, architects, secretaries, economists, quantity surveyors, bankers and nurses. If marketing needed to obtain greater recognition, the profession had to be highlighted as a core business function and should be relevant taking into account how marketing is expected to change in the next 10 years. Marketers may need to re evaluate themselves and look at the skill and competency gaps and learn the art of playing a strategic role to fuel corporate strategy rather than focus on marketing as a tactical function (Marketing execution).

1.3 Marketing Creativity Vs. Marketing Accountability

A handful of marketers gauge the financial impact of their marketing strategies and are not familiar with analytic's, predictive and measurement tools such as the balance score card, decision trees, predictive modeling (multiple regression analysis), time series analysis, cluster analysis, scenario planning, hypothesis testing and marketing ratio's such as ROMI (the return on Marketing Investment). They prefer to choose power point rather than excel to present a business case and fail to effectively project their creative ideas into commercial business opportunities. The CFO (Chief Financial officer) feels the pulse of the investor whilst CMO (Chief Marketing officer) dwells in the comfort of customer proximity. Marketers need to move out of this silo and unleash their creative instincts to learn investor lingo that fuel corporate strategy without floundering when questioned on the financial impact of their strategies.

Richard Slaughter a specialist in future studies argues that firms need to develop the capability of "Strategic Foresight" to succeed. Slaughter views foresight not as a process of trying to predict the future, but of projecting what future marketers want, then shaping present concepts and actions to move towards it!

1.4 A *Value based approach*

Strategic marketers will need to align all organisational resources so that it ensures the creation of superior customer value, which will eventually result in the creation of sustainable shareholder value. The definition of marketing does not articulate this clearly and it has been the missing link in marketing for a long time.

Marketing has evolved from been a transactional to a relationship to a value based approach today where creating sustainable shareholder value is the aim of the marketing division through the creation of superior customer value. However, some of the widely used marketing techniques are outdated and might send marketers in the wrong direction. Many of the marketing academics in the early 1960s were economists, where marketing was more of an art than a science. Strategic models and theories such as the Ansoffs matrix, developed by Igor Ansoff, based on the business acquisition of companies in Chicago in the 1930's are designed to go to infinity in both directions, and it has been vastly simplified into the 2 by 2 matrix we see today. AIDA was developed in 1924 in a book titled "The Psychology of selling insurance" but is loosely used in marketing communications today without any evidence of it being tested. Consider the many flaws in concepts like the product life cycle and the Maslow's hierarchy of needs.

The conventional marketing tutor might request you to listen to customers because they know what they want and tell you that you do not know what they want. We call this market research! However, Jobs (2010), who lead Apple into its peak performance, laments, "Apple does not listen to its customers and that's the success of Apple". He goes on to say, "customers don't know what they want, and it's our endeavor at Apple to introduce a product and tell them they want it!" "Surprisingly they keep believing us!" (Bloomberg documentary on Steve Jobs) Take for example the new "Mac Book wheel" that has been introduced by Apple, which replaces the conventional keyboard! Did we want our keyboard replaced? Or will Apple convince us. (Log on to Youtube and see for yourself!). However, will the marketer attempt to satisfy the customer at the expense of profit? In the credit card business, high end customers that spend a lot of money and settle their bills at the end of the month in full without paying interest are the most demanding customers but at the same time the most unprofitable. According to Doyle (2010) Strategic marketers will need to align all organizational resources so that it does create superior customer value, which will eventually result in the creation of sustainable shareholder value. The definition of marketing does not articulate this clearly and it has been the missing link in marketing for a long time.

1.5 *Marketing, an art or science*

Do marketers understand business? Marketers need to earn their respect in the boardroom and soul search to identify any gaps in boardroom skills and competencies.

According to Ward (2004) The modern marketer may need to master the skill of measuring marketing more effectively and be metric, dashboard or ratio oriented in an attempt to move away from being a mere creative geniuses and progress to being accountable and responsible marketers. "Marketing finance" is a new term coined to bridge this divide.

Importantly marketers are perceived by the finance department as unaccountable and irrational, claiming the focus is on expenditure instead of revenue and sustainable profitability. Some other departments claim that marketers promise too much and deliver too little internally and externally where as accountants are perceived to be less novel, routine and mundane with their ideas. The 21st century marketer needs to be a lateral thinker as termed by Edward De bono. Be visionary and be unconventional in approach whilst being insight driven as opposed to mere information driven. What is an insight? It's something that's "in sight" and under your nose but you don't see it.

McDonald and Mouncey (2009) states the successful marketer may need to be a "right brain" creative as well as a "left brain" scientist. Increasingly all creative, intuitive or qualitative concepts of marketing are metric driven. Take the example of services marketing, which has moved into customer life-cycle management from acquisition, engagement, and churn to customer lifetime value metric's. Brand management, which is to manage the functional aspects of the product and the emotional perceptions of the user, is extended into the science of valuing brands through analytical projections or quantitative valuations rather than mere opinions and perceptions. Marketers are failing to engage both analytical and creative sides of their brains. Take the age old debate of creativity versus effectiveness between the advertising and marketing fraternity where practicing marketers today will question the advertising cost per inquiry (call, visit or web), advertising cost per sale and profit per ad to instill marketing accountability and a move towards a science with a clear rationale and justification than an art.

Drummond, Ensor & Ashford (2001) suggest that strategic marketing specialists must think beyond the sub functions of marketing execution and must be equipped with the right ammunition to deliver customer value, which will result in the creation of superior shareholder value. This then will move our profession from being perceived as a tactical function to a strategic function. We will never be classified as a strategic function if we don't link our efforts to balance sheet growth, dividends and the appreciation of the share price. One proposal is to sub divide marketing into specialism's like a scientist may draw a distinction between chemistry, biology and physics which are in turn sub divided in to hundreds of sub disciplines. Will this ensure marketers becoming experts in their field rather than expecting them to be a jack-of-all-trades and then criticized for not understanding operations and finance?

My initial exploratory research carried out on a cross section of a sample of marketers revealed some interesting insights. To my amazement many didn't understand the question at first and to those who did, almost all of them responded in favor of marketing being more of an art or practice rather than a science. The sub functions within marketing which are functions requiring more of creativity such as branding, new product development, sales promotions, PR & advertising suggest marketing is more of an art and increasingly R & D, segmentation, marketing research, data analysis, marketing metric's justify marketing to be more of a rational science.

Longman (1971, p.10) deplores "the rather remarkable lack of scientific methods employed by scientists of marketing." However Hunt (2003) suggest that marketing researchers are at least as committed to the method of science as are researchers in other disciplines and concludes that the study of the positive dimensions of marketing can be appropriately referred to as a science on par with physics, chemistry and biology as opposed to a art or a practice which resembles engineering, medicine or architecture.

1.6 Sustainable Competitive Advantage

The current definition of marketing does not encourage us to think about outperforming competitors! This makes the widely used definition irrelevant because everything we do in business is about outperforming competitors and earning disproportionate profits.

A competitive advantage is the means by which a company can outperform its competitors and earn the share of hearts, minds, markets and higher than average profits. Every firm needs one! Should marketing take on the accountability to craft and deliver a competitive advantage that is sustainable or should it be left to another department within the company? Davidson argues that a competitive advantage can be derived from a superior product benefit, a perceived advantage, low cost operations through scale advantages, a unique product feature or benefit amongst many others. Doyle & Stern (2006) explains that a competitive advantage needs to be meticulously crafted over a period of time by channeling the organisations resources and selecting carefully crafted marketing strategies as opposed to turbo marketing! The current definition of marketing does not encourage us to think about outperforming competitors! This in my opinion makes the widely used definition irrelevant because everything we do in business is about out performing competitors and earning disproportionate profits.

We live in an era of MACRO uncertainty, which gives many CEOs and investors a deep sense of unease and fear on the return of their investments. How can the marketer understand and build on this vulnerability and use the principles of marketing to be an architect of competitive advantage, which will make the marketers function a strategic job.

1.7 A *futuristic definition of Strategic Marketing*

So what next? Predicting the future marketing concept. How insightful would marketing have to be?

Throughout this book, an attempt is made to demonstrate the importance of the function of marketing towards organisational success. However, this importance has not always been understood. It is only over the past 40 years or so that significant proportions of producers, wholesalers, retailers and nonprofit organisations adopted "Marketing Practices". Instead of focusing only on production or selling activities, it is now a must for organisations to focus on customers and try to integrate organisation wide efforts to satisfy customer needs.
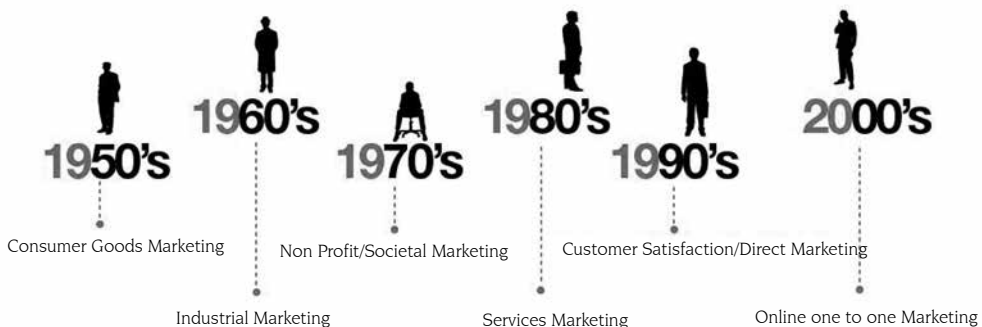
Is strategic marketing considered the core strategy that everyone in the organisation must be engaged in, or merely the marketing department; or is it largely becoming a sales promotional and advertising discipline, with much of marketing's territory stolen by finance, operations and HR?

Consider the organisational structure of the large modern trade retailing giants in Sri Lanka and you would see that the sales function or distribution is aligned to the operations department with marketing playing the branding and Marcom roles. However, the function on managing the promotional Mix is a dominant part of the marketing function and in most cases the only "P" managed and influenced out of the 7 P's. Physical evidence is managed by the service, logistics or operations teams and all people related decisions are sphere headed by HR and processors are managed and re engineered by the operations team. The concept of market orientation is broader in scope than marketing orientation.

Wilson and Gilligan (2011) state that the strategic marketing mind-set is a business philosophy and must not be confined to a particular division within the company. Everyone's job is to be a part-time marketer and full time marketers must play a strategic role and fuel corporate strategy. Narver and Slater (1990) in their paper "The effect of market orientation on business profitability" defines market orientation as a culture where beating competition through the creation of superior customer value is the paramount objective throughout the business". It goes on to add that a company must be customer

oriented, competitor orientated, responsive to change, display cooperation amongst functions and have an emphasis on profit rather than turnover to be classified as a market led organisation.

Another behavioral definition is put forward by Kohil and Jaworski (1990), which explain market orientation as "an organisation wide generation of market intelligence, dissemination of its intelligence across departments, and organisation-wide responses to it."

The proposed definition of market orientation is a combination of the above definitions and is less complex. An organisation is market led when "the philosophy of marketing is practiced throughout the organisation in all departments". This is easier said than done! Marketing orientation is usually confined to a vertical pillar in the business and the challenge to a market led CEO is to break this paradigm and encourage all functions in the organisation to be part-time marketers. Nigel Piercy argues that in a truly market led organisation the marketing department will disappear!

A student once wanted me to name the best book in marketing so that he may purchase it and I had no hesitation to say that it was the Oxford Dictionary instantly because some of the most complex words in management or marketing (including 'marketing') is simplified and crisply defined in the Oxford than in any other text book.

Consider words such as strategy, diversification, dissonance, stimuli, rejuvenation and globalization to name a few examples. The Chartered Institute of Marketing introduced a new definition in 2007 and encouraged a debate, which defined Marketing as "a strategic business function that creates value by stimulating, facilitation and fulfilling customer demand. It does this by building brands, nurturing innovation, developing relationships, creating good customer service and communicating benefits. With a customer centric view, marketing brings positive return on investment, satisfies shareholders and stakeholders from business and the community, and contributes to positive behavioral change and a sustainable business future".

The new definition proposed above captures some important changes. However, it may not be widely used because of its length and may also have a few overlaps. It takes courage to be different and marketers need to start by attempting to define marketing appropriately and may even have their own definition of marketing to unleash the professions true promise, marketers need accountability, creativity and courage; but the greatest of these is courage.

Here's a bold step in that direction and I wish to propose the following as an alternative to what has been presented so far. I have kept it short, crisp and attempted to capture concepts that may guide us practicing marketers and students.

"Strategic Marketing is a process of creating superior customer value resulting in the creation of superior shareholder value and a sustainable competitive advantage" Diasz (2012)

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ODEL – *The pride of Sri Lanka's retailing landscape*

ODEL

Enjoying its twenty second year and at the helm of the retail landscape in Colombo, ODEL has built its brand over the years on strong promotional principles that have kept ODEL at the top of its game. With its oversubscribed IPO a few years ago, the now public quoted company has branched out to 18 stores island wide; ODEL is a model example of a successful retail-clothing store that has branched out into various complementing categories and enjoyed success in almost every area of business.

The story of ODEL is not only famous in Sri Lanka but amongst everyone who visits this paradise island. From humble beginnings, CEO Otara Gunewardene's determination backed by a huge surge of passion ensured her vision in a short period of time.

What has been ODEL's secret to success and its magic in consistently redefining its image and staying abreast with the turning of seasons and trends? Backed by an energetic team of over 900 individuals, Otara leads her team with strategic foresight and clarity. Numerous foreign trips to trade shows and shopping capitals influence and shape the inspiration in the product offering and promotions that ODEL formulates each year. With innovative campaigns every year, promoting different categories and its private brands within the main ODEL umbrella, there is always excitement brewing in the stores. ODEL's advertising campaigns are the benchmark of local retailers and have been quite a following amongst the youngsters in Colombo. ODEL's Christmas campaign is much awaited and is the only store that goes all out to decorate in the spirit of Christmas. Each year, throngs of shoppers visit the flagship store in Ward Place to catch a glimpse of what ODEL's theme is for the biggest shopping season.

ODEL has been at the forefront of influencing style choices and trends in the local industry and continue to do so with the aid of their effective advertising campaigns and irresistible visual merchandising techniques. Their advertising campaigns maintain an element of local charm yet aspire to the international markets that many Sri Lankans are exposed to. Winning several local

advertising campaign awards, ODEL's brand campaigns aren't just about using pretty faces and shooting at exotic locations; their campaigns have translated in to huge sales turnover and have consistently built its brand image to what it is today.

ODEL's brand is estimated to be worth USD 500,000 and keeps growing. What's more Otara as a business and style icon is also making waves in Colombo. Otara has many self branded fashion lines such as Otara Jewellery in collaboration with Colombo Jewellery Stores, Otara Jeans that was launched at the HSBC Colombo Fashion Week 2012, O Tone – a personalized Gym and line of exercise gear and a cause that's closest to Otara's heart – Embark. Embark is more than a CSR initiative that rescues and relocates street pooches and strays. Embark has grown in popularity as its endeavours and volunteer base has increased tenfold since its launch. Embark also has a fashionable line of clothes for women, men and kids in addition to essentials for pooches themselves.

With a dedicated buying team working concurrently with the visual merchandising team, ODEL ensures their products undergo a stringent quality test before it appears on the clothing racks

at any outlet. Women's, men's and kid's clothing are trend and season driven catering to both local and international shoppers. Despite, ODEL's majority of clientele being the local shopaholics, every tourist has ODEL on his/her itinerary of 'Places I Must Visit'.

ODEL does things differently and has no qualms about setting itself apart from the rest – this can be obviously attributed to their success as they ensure a high level of brand association, image and quality. ODEL associates and partners with other high calibre brands and services that complement their brand image. ODEL's buyers source from the best suppliers the world over and ensure garments are trendy, durable and complement the tropical weather of the country.

The experienced visual merchandising team has ensured that ODEL's shopping experience is casual, easy and enjoyable. Attractive displays ensure shoppers get to scan the shopping floors easily and find what they want – fast. Visual merchandising, one of ODEL's key drivers in promotion also ensures shoppers to buy on impulse and shop for complementing items in the same floor. For example, the newly refurbished Ladies wing will ensure that a shopper can easily pick up a top and find the perfect bottom to pair it with.

The culture and people at ODEL is purely an extension from within, of what we see from the outside; the same principles of maintaining quality and image stems from its people and culture. Team ODEL practises good work life balance, work ethics and possess a pride in working for the retail giant.

ODEL's brand ethos 'MIND, BODY & SOUL' is a 360° sensory experience for both shoppers and workers. ODEL's values and mission are ingrained in the hearts of all workers and they in turn strive to recreate this magical shopping experience in the stores. Every store is carefully chosen, as location is one of the key factors in the decision making process when outlets are being set up. With ODEL being its flagship store and the central hub of activity, the rest of the sixteen stores are scattered in strategic locations across the Island to give as many Sri Lankans the chance to experience ODEL. The company had to make a strategic decision a few years ago and decide whether it will be the Harrods or Marks and Spencer of Sri Lanka in terms of its distribution and product offering. ODEL made a conscious decision to use a Hub and spoke model of expansion where it became Harrods to the affluent consumers in the heart of Colombo with its flag ship store and operate the spoke model with its other urban outlets reaching

the mass affluent consumer.

The ODEL shopping experience has no parallels in the local industry and can be a sensory brand image on its own. The chilled out atmosphere, the laid back music, lighting, friendly service and amenities provided in the ODEL shopping experience has yet to be challenged in the retail space. This sensory stimulus is what lends a hand to the tangible product offering in store. This combination is the secret in ODEL's huge success as it offers its shoppers a conducive atmosphere to shop in. Shoppers want to be seen here and hold a high regard for the shopping experience at ODEL as opposed to any other retail space in the city.

Offering superior quality and a unique shopping experience doesn't come at a bargain! ODEL maintains its price points and ensures a certain standard on pricing. Quality certainly comes with a price tag and ODEL has ensured that shoppers get their monies worth. ODEL recently launched its own loyalty card, offering special privileges and rewards schemes for ODEL cardholders. Adding value to the shopping experience, ODEL has also opened its doors to related merchants such as Colombo Jewellery Stores, Alankara, Foot Rub, Exclusive Lines, Spa

Ceylon, Spice Island, Deli France, Dilmah Tea and a host of eateries that comprise the mini food court to haunt after a long day of shopping. Each related merchant fit into the overall shopping experience perfectly and grows along with the ODEL brand and the popularity it has created in the world of fashion.

Case Questions

Question 1.

Identify the critical success factors (CSF's) to succeed in the department store industry?

Question 2.

Explain ODEL's tactical marketing strategy using the Marketing mix (4 product P's and 3 Service P's)?

Sources : www.odel.lk

Interview with Mr. Upendra Gunawardane
Head of Marketing - ODEL

CHAPTER 2

Creating a Market Oriented Organization Culture

2 Creating a Market Oriented Organisational Culture

"**Education is a progressive discovery of our own ignorance.**"

- Will Durant

Is marketing the core philosophy that everyone in the organization must be engaged in, or merely the marketing department or is it largely becoming a sales promotional and advertising discipline, with much of marketing's territory stolen by Finance, operations and HR? Consider the 4 P's by Vrooms and McCarthy (1960) where most P's intended to be used and influenced by Marketing are left to other departments. For an example, most company CEO's or the R & D head in the central operations team engineers new products and re engineers the old with marketing involved in campaign development. Marketers generate pricing options but the finance department sets the policies, costing and margins. Distribution is a role increasingly controlled by the logistics or expansion teams in the operations department. Consider the organizational structure of the large modern trade retailing giants in Sri Lanka and you would see that the sales function or distribution is aligned to the operations department with marketing playing the branding and Marcom roles. However the function on managing the promotional Mix is a dominant part of the marketing function and in most cases the only "P" managed and influenced out of the 7 P's. Physical evidence is managed by the service, logistics or operations teams and all people related decisions are sphere headed by HR and processors are managed, re engineered by the operations team.

Narver and Slater (1990) in their paper "The effect of market orientation on business profitability" defines market orientation as a culture where beating competition through the creation of superior customer value is the paramount objective throughout the business".

The concept of market orientation is broader in scope than marketing orientation. The marketing mind-set is a business philosophy and must not be confined to a particular division within the company. Everyone's job is to be a part-time marketer and the full time marketers must play a strategic role and fuel corporate strategy.

It goes on to add that a company must be customer oriented, competitor orientated, be responsive to changes, display cooperation amongst functions and have an emphasis of profit rather than turnover to be classified as a market led organization.

Another behavioral definition is put forward by Kohil and Jaworski (1990), which explain market orientation as "an organization wide generation of market intelligence, dissemination of its intelligence across departments, and organization-wide responses to it."

The definition proposed by me on market orientation is a combination of the above definitions and is less complex. An organization is market led when "the philosophy of marketing is practiced throughout the organization in all departments". This is easier said than done! Marketing orientation is usually confined to a vertical pillar in the business and the challenge to a market led CEO is to break this paradigm and encourage all functions in the organization to be part-time marketers. Nigel Piercy (1999) argues that in a truly market led organization the marketing department will disappear!

Hunt and Morgan (1995) in defining market orientation suggests that, to achieve competitive advantage, and, thereby, superior financial performance, firms should systematically (a) gather information on present and potential customers and competitors and (b) use such information in a coordinated way across departments to guide strategy recognition, understanding, creation, selection, implementation, and modification.

2.1 *Types of business orientations*

The strategic marketer may need to gauge the current orientation of the business by recognizing the characteristics and the contexts in which each orientation may thrive. As illustrated in figure 2.1 below there may be several business orientations.

Orientation	Characteristics	May be found in
Sales Orientation	• Sell what is produced • Operational targets expressed as turnover not profit • Sales function powerful	• Volume-driven markets with high fixed costs • Small/young organisations
Production/Operations Orientation	• Priorities determined by drive for efficiency and internal factors rather than customer needs • Operations function powerful	• Manufacturing (where investments and set-up times are high) • Not-for-profit-sectors
Technology Orientation	• Products/Services driven by what technology can deliver • 'Technical' function powerful	• Computer and hi-tech markets
Market orientation	• 5 key characteristics (Narver & Slater)	• Service or competitive markets where customer preference counts

Figure 2.1 Different Business Orientations

2.2 Understanding an organisations culture through the cultural web

Stacey (2003) defines organisational culture as a set of beliefs, customs, practices and ways of thinking that they have come to share with each other through being and working together. According to Aaker (2009) organisational culture involves (a) A set of shared values of dominant beliefs that define an organisation's priorities (b) A set of norms of behavior, and (c) Symbols and symbolic activities used to develop and nurture those shared values and norms. Johnson et al (2011), provides a helpful framework, or a paradigm, with which a person may understand the underlying assumptions that govern organisational behavior. The factors are as follows;
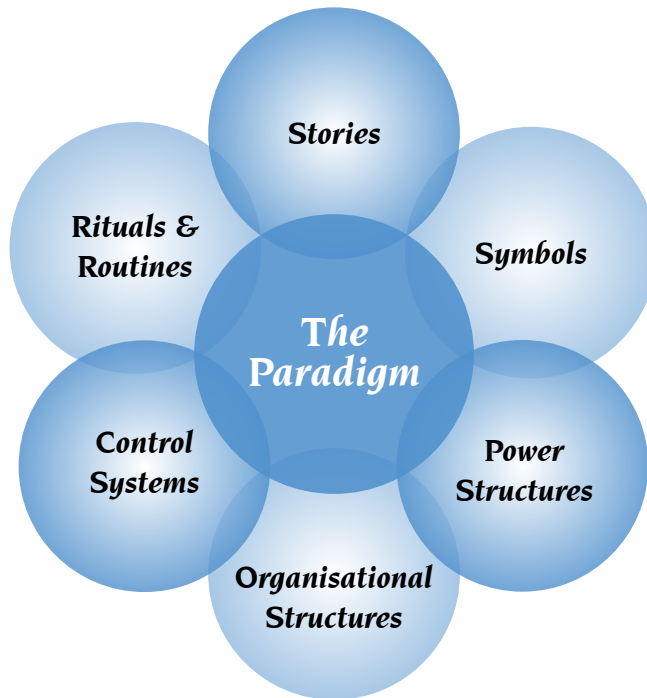
Figure 2.2 *Understanding an organisations culture through the cultural web*

Reviewing or studying the various organisational structure	
Control systems	Targets and rewards
Power structures	Levels of authority
Rituals and routines	Weekly team meetings
Stories	To new members of staff or about important members of organisation
Symbols	Such as allocation of cars, office space and resources

Cultural web applied for wood coating company in Sri Lanka	
Stories	• Frequent inter functional conflicts and employees dislike to change • Lack of product knowledge in, in-house staff • Skillful employees frequently leave the company
Symbols	• The skillful and talented employees are not integrated into decision-making, they are not trained on customer care and are not been rewarded for achievements; which de-motivated staff and minimizes efficiency of the overall structure.
Rituals and routines	• The company defines itself as the No 1 Frequent inter functional conflicts and employees dislike to change • Customer requirements are not delivered on time due to the lack of coordination and synergy between divisions. (Sales, Finance, warehouse and factory staff should collaborate to deliver orders to customers efficiently)
Organizational structure	• Hierarchical structure and autocrat management, time consuming decision making • Transactional and Autocratic leaders • Not allowing creative input from employees for planning
Control Systems	• Employee performance on creating customer satisfaction is not assessed • The Marketing Information System is not updated • Unavailability of up-to-date market and consumer information
Power Structure	• Managing Director and Sales Director have the highest authority and bargaining power

Figure 2.3 The cultural web by Johnson et al

Culture often becomes the focus of attention during periods of organisational change when companies merge and their cultures clash, for example, or when growth and other strategic change mean that the existing culture becomes inappropriate, and hinders rather than supports progress. In more static environments, cultural issues may be responsible for low morale, absenteeism or high staff turnover, with all of the adverse effects those can have on productivity.

Hence, for all its elusiveness, corporate culture can have a huge impact on an organisation's work environment and output. This is why so much research has been done to pinpoint exactly what makes an effective corporate culture, and how to go about changing a culture that isn't working.

The Cultural Web, developed by Johnson and Scholes (1992), provides one such approach for looking at and changing your organisation's culture. Using it, you can expose cultural assumptions and practices, and set to work aligning organisational elements with one another, and with your strategy.

Symbols
Reserved Parking
Bock door for staff
Dress code

Stories
Leadership style
Characters
How things used to be

**Power &
Structures**
Chief Officer
Triumvirate
Committees
Elected Members

Paradigm
Good Service
Professional Standing
Problem solvers

**Rituals &
Routines**
Committees
Formal induction
Deference
Blame someone

**Organisational
Structures**
Functional
Hierarchical
Autocratic
Devolved branches

**Control
Systems**
Budgetary
Service Plan
Complaints
Contract
Compliance

Figure 2.4 The cultural web applied in context of a service company in Sri Lanka

Symbols
Cars
Office Location
Stats & Terminology
Lunch

**Stories &
Myths**
Mud doesn't stick!
Golden Child
Quick Promotion
No Loyalty
Expensive

**Power &
Structures**
Research Withheld
They must be right!
Jargon
Credit taken if successful

Paradigm
Unaccountable
Untouchable
Slippery
Expensive

Rituals
Planning & Organising
Delegating
Deadlines
Off site Meetings

**Organisational
Structures**
Lack of Structure
Internal focus
Always in meetings

**Control
Systems**
9-4.30
Lunch/travel/entertaining
Networking for self

Figure 2.5 The cultural web applied in context of a manufacturing company in Sri Lanka

The organisations cultural life cycle

| Power culture | Role Culture | Task Culture | Person Culture |

- An organisation's culture must support it in aligning with the environment and successful strategies are to be pursued. However, as organisations develop and evolve, they tend to progress through a cultural life-cycle.

- Stacey (2003) suggests that cultural evolution goes hand in hand with structural evolution. Initially, a 'power' culture is appropriate when the organisation is in its infancy. It then becomes more appropriate for a 'role' culture to be implemented to operate a functional structure effectively. As the organisation grows and expands a divisional structure is used and in this context a 'task' culture is most appropriate.

Cultural classifications

- **Power culture** – with the owner manager/ entrepreneur acting with complete authority. Such people are risk takers and tend to see administrative processes and procedures as getting in the way. They are the source of power and an entrepreneurial organisation relies on trust, empathy and personal communication for its effectiveness. They do not encourage organisational systems and procedures that legitimize action as in larger, long-established organisations.

- **Role culture** – organisations are highly bureaucratic with people specializing on a functional basis. Order and hierarchy are important whilst procedures, rules and regulations are respected set by the functions of specialists in, for example, finance, purchasing and production. The work of, and interaction between the specialists is controlled by procedures and rules, and coordinated at the top by a small band of senior managers.

- **Task cultures** – highly focused on work and project driven using a matrix organisational structure where highly motivated/ highly skilled knowledge workers collaborate to complete carefully defined tasks or projects. Task culture seeks to bring together the right resources and people, and uses the unifying power of the group. Influence is widely spread and based more on expert power than on position or personal power.

- **Person cultures** – this is where personal goals, satisfaction and interest drive organisational behavior. This is most commonly manifested in organisational divisions where technical specialists predominate – for example engineers, accountants, lawyers etc. They see their work as a vehicle for personal expression rather than simply getting the job done. Here the individual is the central focus and any structure exits to serve the individuals within it. When a group of people decide that it is in their own interests to share office space, equipment or clerical assistance, for example, then the resulting organisation would have a person culture.

Six Thinking Hats by Dr. Edward de Bono
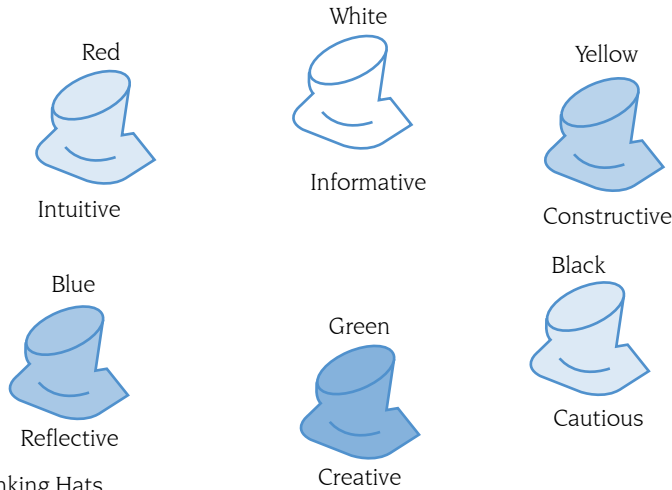
Figure 2.6 Six Thinking Hats

'Six Thinking Hats' is an important and powerful technique. It is used to look at decisions from a number of important perspectives. This forces you to move outside your habitual thinking style, and helps you get a more rounded view of a situation.

This tool was created by Edward de Bono in his book '6 Thinking Hats'. Many successful people think from a very rational, positive viewpoint. This is part of the reason that they are successful. Often though, they may fail to look at a problem from an emotional, intuitive, creative or negative viewpoint. This can mean that they underestimate resistance to plans, fail to make creative leaps and do not make essential contingency plans.

Similarly, pessimists might be excessively defensive, and more emotional people may fail to look at decisions calmly and rationally. If you look at a problem with the 'Six Thinking Hats' technique, then you will solve it using all approaches. Your decisions and plans will mix ambition, skill in execution, public sensitivity, creativity and good contingency planning.

How to use the tool:

You can use 'Six Thinking Hats' in meetings or on your own. In meetings, it has the benefit of blocking confrontation that happen when people with different thinking styles discuss the same problem.

Each 'Thinking Hat' is a different style of thinking. These are explained below:

■ **White Hat**: With this thinking hat you focus on the data available, look at the information you have, and see what you can learn from it. Look for gaps in your knowledge, and either try to fill them or take account of them. This is where you analyze past trends, and try to extrapolate historical data.

- **Red Hat**: Wearing the red hat, you look at problems using intuition, gut reaction, and emotion. Also, try to think of how other people will react emotionally. Try to understand the responses of people who do not fully know your reasoning.

- **Black Hat**: Using black hat thinking is looking at all the negative points of the decision. Look at it cautiously and defensively. Try to see why it might not work. This is important because it highlights the weak points in a plan. It allows you to eliminate them, alter them, or prepare contingency plans to counter them. Black Hat thinking helps make your plans 'tougher' and more resilient. It can also help you spot fatal flaws and risks before you embark on a course of action. Black Hat thinking is one of the real benefits of this technique, as many successful people get so used to thinking positively that often they can't see problems in advance.

- **Yellow Hat**: The yellow hat helps you think positively. It is the optimistic viewpoint that helps you see all the benefits of the decision and the value in it. Yellow Hat thinking helps you keep going when everything looks gloomy and difficult.

- **Green Hat**: The Green Hat stands for creativity. This is where you can develop creative solutions for a problem. It is a freewheeling way of thinking, in which there is little criticism of ideas. A whole range of creativity tools can help you here.

- **Blue Hat**: The Blue Hat stands for process control. This is the hat worn by people chairing meetings. When running into difficulties because ideas are running dry, they may direct activity into Green Hat thinking. When contingency plans are needed, they will ask for Black Hat thinking, etc.

A variant of this technique is to look at problems from the point of view of different professionals (e.g. doctors, architects, sales directors, etc.) or different customers.

Management Roles

A manager may fulfill many different roles every day. From leading a team, to resolving conflict, negotiating new contracts, representing your department at a board meeting, or approving a request for a new computer system. Put simply, the manager will be required to constantly switch roles as tasks, situations, and expectations change.

Mintzberg (1973) argued that there are ten primary roles or behaviors that can be used to categorize a manager's different functions. And the theory can be used as a frame of reference when thinking about developing ones own skills and knowledge.

Belbin (1981) introduced the concept of team roles describing characteristics of each member in a team and the positive and negative qualities associated with each definition whilst Tuckman (1965) introduced the 4 stages a team may go through to fulfill a goal. These 3 theories and their application are explained in detail over the next few pages.

Management Roles

Rote category	Rote	Indicative behavior
Interpersonal	Figurehead	Performs ceremonial and symbolic duties such as greeting visitors, signing legal documents
	Leader	Sets the strategic direction of the organization, motivates managers and
	Liaison	Maintains information links both inside and outside the organization
Informational	Monitor	Seeks and receives information, scans periodicals and reports, maintains personal contacts
	Disseminator	Forwards information to other organization members, sends memos and reports
	Spokesperson	Transmits information to outsiders through speeches, reports and memos
	Entrepreneur	Initiates improvement projects, identifies new ideas, delegates responsibility to others
Decisional	Disturbance Handler	Takes corrective action during disputes or crises, resolves conflicts among subordinates, adapts to environmental crises
	Resource Allocator	Decides who gets resources, scheduling, budgeting, sets priorities
	Negotiator	Represents department during negotiation of contracts, sales, purchases, budgets

Figure 2.7 Mintzberg offered a view of management based on 'roles'

Belbin's named roles	Characteristics	Positive qualities	Allowable weaknesses
Company worker (amended to 'Implemented)	Conservative, dutiful and predictable	Organising ability, common sense in practical work, hard-working and self-disciplined	Lacks flexibility, unresponsive to unproven ideas - tends to stick to the orthodox
Chairman (amended lo 'the Coordinator)	Calm, self-confident and controlled	Accomplished in encouraging and obtaining contributions from team members without judgement. A strong sense of objectives	No more than ordinary in terms of intellect or creative ability. Tends to take credit for the effort of the team.
Shaper	Highly strung, outgoing, dynamic	Has great drive and a readiness to challenge inertia, ineffectiveness, complacency or self-deception	Prone to provocation, irritation and impatience
Plant	Individualistic, serious minded, unorthodox	Possesses 'genius', imagination, intellect and knowledge	Inclined to disregard practical details. Tends to be preoccupied with ideas and has a strong sense of their ownership
Resource investigator	Extroverted, enthusiastic, curious, communicative	Good at developing contacts and exploring opportunities. Possesses an ability to respond to challenge	Liable to lose interest once the initial fascination has passes
Monitor-evaluator	Sober, unemotional and prudent	Judgement, discretion and hardheadedness	Lacks inspiration or the ability to motivate others
Team worker	Socially orientated, rather mild-mannered and sensitive	Possesses an ability to respond to people and situations and to promote team spirit	Indecisive at moments of crisis
Completer-finisher (Amended to 'Completed)	Painstaking, orderly, conscientious and anxious	A perfectionist with a capacity to follow through. Delivers on lime	A tendency to worry about small things. A reluctance to 'let go' -perhaps somewhat obsessive

Figure 2.8 Belbin's Team Roles

Stages of Team Development
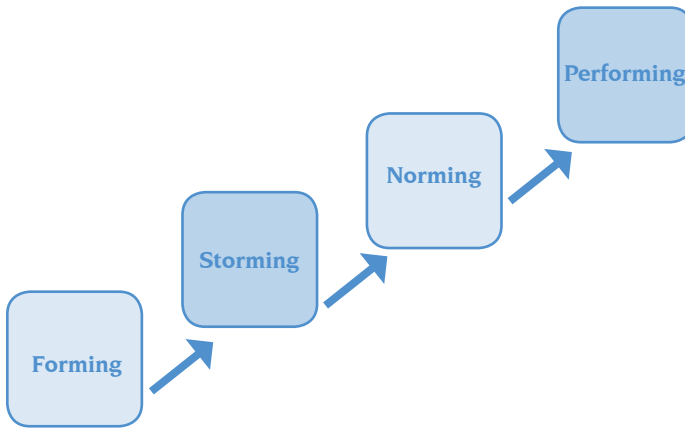
Figure 2.9 Teams go through various stages after formation (Tuckman, 1965)

	Team Member Behavior	Environment	Individual Objective	Leadership Challenge
Forming	Polite Mistrust	Stressful	Establish personal identity	Encourage interaction Avoid interference
Storming	Conflicts Ego clashes	Hostile Impatient	Individual interrelations Personal agendas	Keep it constructive Avoid destructive conflicts Do not try to solve all problems
Norming	Compromises Respect Relationships	Common Values, norms, practices	Common goal	Clarity of goals and roles Get team buy in
Performing	Flexibility	Trust	Team Performance	Cheerleader harmonize efforts

Figure 2.10 Teams member behaviour for each stage of team development (Tuckman, 1965)

It is also imperative to understand the emphasis of the marketing department versus other departments in the organisation. These are the typical signs and characteristics displayed by functional specialists and may sediment into norms of behavior. This phenomena can be classified as different departmental mind sets or syndromes, which must be managed so that it results in increased productivity.

2.3 The Functional Syndromes

■ **The Marketing Syndrome**: Deliver customer value at any cost.

■ **The Finance Syndrome**: The "Annual report syndrome" focuses on having a perfect annual report and increase shareholder value at any cost.

■ **The Operations syndrome:** Simplify processors and increase productivity at any cost

■ **The HR syndrome**: Creating the most sort after employer brand at any cost.

■ **The IT syndrome**: Be the gatekeeper of systems & information and the organisations technological advancements at any cost.

Department	Emphasis	Marketing Dept. Emphasis
Production	Standard Orders Long lead times Long runs	Customized Orders Short lead terms Frequent model changes
Inventory Management	Economic Stock level Fast moving terms Narrow stock range	Large stock levels Broad product range
Accounting	Standard transaction	Special terms and discounts
Finance	Firm Budgets Price to cover total costs	Flexible budgets for changing needs Price for market growth
Credit	Lower credit risks Tough credit terms Tough collection procedures	Medium Credit risks Easy credit terms Easy collection procedure

Figure 2. 11 Marketing versus other department emphasis

2.4 *Why market orientation?*

Strategic Marketers must begin with the end in mind. This requires strategic foresight and ability to envision the future and hold a set of credible assumptions. Most market -oriented firms appear to be performing better than those that lack such orientation. But there is more to this bland statement than a simple matter of performance. Market orientation is not just about the collection of information, it is about dissemination and the right response. Market orientation requires a whole organisation to pull in the same direction so that the true north is found. Every employee must take on a part time marketing role and the implications of this "whole organisation" response is considerable. Piercy (1999) notes that, it is insufficient for senior management to "make a commitment" to market orientation. Marketing leadership within the organisation has to sell the idea of market responsiveness through every functional area of the business.
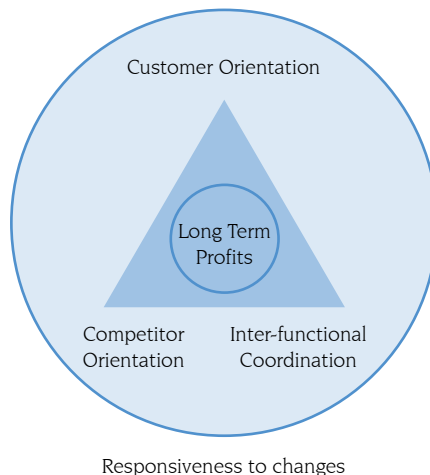
Figure 2.12 Narver and Slater model on Market orientation

Narver and Slater (1990) define "Market orientation as an organisational culture where beating competition through the creation of superior customer value is the paramount objective throughout the business". The following characteristics are introduced as typical behaviors displayed in a truly market led organisation.

- Collective customer orientation

- Alert to the competitive situation

- A high degree of co-operation between functions

- Emphasis on profit, not turnover

- Expeditious responsiveness to changes

Institutionalizing the above characteristics in an organisation may be a daunting challenge. One may overcome this challenge if the CEO that steers the ship is a Marketer. The tendency for all functional heads to believe in the philosophy of marketing may have a greater chance. Here are a few ways in which marketers may lead this process of change and institutionalize the above factors in an organisation.

- **Collective customer orientation** - Introduce a customer charter or credo

- **Alert to the competitive situation** - Introduce a competitor intelligence system

- **A high degree of co-operation between functions** - Team work

- **Emphasis on profit, not turnover** - Practice entrepreneurial leadership

- **Expeditious responsiveness to changes** - Reaching execution excellence

Kohli and Jaworski (1990) define market orientation as "The organisation wide generation of market intelligence, dissemination of its intelligence across departments, and organisation-wide responses to it." This behavioral definition has three dimensions. The generation of market information about the needs of customers and external environmental factors; the dissemination of such information across organisational functions and the development and implementation of strategies in response to the information.

The idea of market orientation traces to the marketing concept, which has been considered, a marketing cornerstone since its articulation and development in the 1950's and 1960. According to Hunt (2003), the marketing concept maintains that, (a) all areas of the firm should be customer oriented, (b) all marketing activities should be integrated, and (c) focus on profits, not just sales should be the objective.

Marketers and business professionals use the word market orientation and marketing orientation interchangeably. It is much like the use of terms market research and marketing research, which may be significantly different from each other. Therefore, one must be cautious and attempt to understand the meaning of market orientation, which is far more complex and difficult to achieve than Marketing Orientation. Consequently, 'marketing led' is an outdated term implying that somehow the marketing department leads the organisational direction. However, being market-led is a process that is owned by everyone.

Piercy (1999) suggests that rather than marketing residing in a specialist department in the organisation, it should reside in everyone and in every place in the organisation, and has the status of a sort of organisational soul. Part of everyone's job is to be a part-time marketer, with the marketing specialists designated as 'full-time' marketers. Therefore, the task of ensuring stronger market orientation becomes organisation wide and consequently potentially far more problematic to achieve in practice. In a company that is market-oriented, all departments (not just the marketing department) would be customer focused, and the aim of providing superior customer value would be seen as everybody's responsibility (i.e. that everybody is seen as a part-time marketer).

Piercy (1999) advocates quite a fundamental change in thinking on what it is that marketing should deliver. Marketers still bring their knowledge and skills to the organisational table, just like accountants, engineers, general managers etc. However, he advocates a different context for marketers as a philosophy rather than as a functional discipline located within, and only in, a marketing department. It may be argued that marketing departments could disappear in a truly market-oriented organisation but marketing execution, which is the responsibility of the marketing department, will always endure.

A useful survey to gauge the current orientation of the organisation is proposed by Narver and Slater (1990) using the five characteristics of market orientation. (Refer Appendix 1) The results of the survey may provide indicative decisions to a manager and may be used as the preliminary step in orienting an organisation towards a re invigorated market orientation.

Orientation	Findings	Average Score
Customer Orientation	• Information about customer needs are not regularly collected and monitored an is at a very low level.	2/5
	• Employees feel that corporate objectives and policies are aimed directly at satisfied customers at a moderately high level.	4/5
	• Assessment of the level of customer satisfaction is also at a low level where corrective actions to improve measure are infrequent.	2/5
	• The recognition of distinct groups or segments in the market and the adaptation of offerings to meet those needs is at a moderate level.	3/5
	• ABC Company places relative importance on building stronger relationships with key customers and customer groups	4/5
Summary	*ABC Company has a moderate level of customer orientation*	**15/25**
Competitor Orientation	• Information about competitors is frequently collected.	2/5
	• Regular benchmarking against competitors is rarely conducted at ABC Company.	1/5
	• ABC Company is extremely slow to respond to competitor actions	2/5
	• Emphasis on differentiation the organization from competitors on factors that are important to customers is at a low level	2/5
Summary	*ABC Company has an extremely low level of competitor orientation*	**7/20**
Long-term perspectives	• ABC Company does not prioritize on long-term market share or short-term profits	3/5
	• The organization places greater importance on improving market performance than on its internal efficiencies	4/5
	• Decisions in the organization is neither based on long-term or short-term considerations	3/5
Summary	*ABC Company moderately focuses on long-term perspectives*	**10/15**
Inter-functional coordination	• Poor communication on information about customers throughout the organization.	2/5
	• Departments in the organization do not effectively work together to achieve customer needs.	2/5
	• Tensions and departmental rivalry get in the way of serving customers effectively.	2/5
	• The organization is inflexible and unable to effectively seize opportunities.	3/5
Summary	*Inter-functional coordination within ABC Company is a an extremely low level.*	**9/20**
Organizational Culture	• All employees recognize their role in helping to create satisfied customers.	4/5
	• Reward structures are related to external market performance and customer satisfaction	3/5
	• Senior management in all functional areas gives importance to treating satisfied customers.	4/5
	• Senior management gives moderate priority to discussing issues that affect customers.	3/5
Summary	*Organizational culture is at a moderately high level in the organisation*	14/20
Total		**55/100**

Figure 2.13 Results of a market orientation survey by Narver & Slater

In an effort to understand what influences this unique market oriented culture Kohli and Jaworski (1993) proposed the antecedents and consequences model of market orientation. The research focused on outcomes such as why are some organisations more market oriented than others? What effect does a market orientation have on employees and business performance and to bring about understanding the linkage between a market orientation and business performances dependence on the environmental context?

The findings suggested that to be successful in introducing a market orientated culture to an organisation was related to the top managements emphasis on the orientation, top management risk aversion, interdepartmental conflict and connectedness, centralization and reward system orientation. Finally, the linkage between market orientation and performance appears to be robust across environmental contents that are characterized by varying degrees of market turbulence, competitive intensity and technological turbulence.

Antecedents and Consequences of Market Orientation
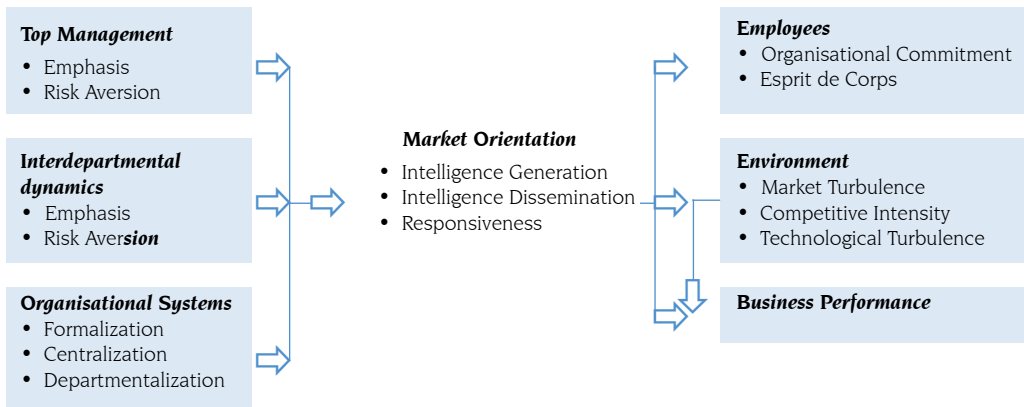
Figure 2.14 Antecedents and consequences of market orientation by Kohli and Jaworski.

2.5 Barriers to market orientation

Things do not just happen in businesses. You got to make it happen. Senior managers must be able to zero in from 50,000 feet to 20 feet and manage with entrepreneurial instincts. Because market orientation requires an external focus from all people in an organisation, there is no place for matters that lead to internal attention. This is not to say that internal matters, communications, budgets, etc. are not important. But such internal considerations are slaves to the objective of understanding and serving the market.

An attitude change across the organization is key to successful implementation of market orientation. If people perceive that their personal success within an organisation will come from sucking up to the right set of senior managers, working long hours and participating in political power games, then market orientation would simply be a distant dream.

The first task in any strategy aiming for market orientation is to sell the concept to staff. They must believe that, by a collegiate, less formal approach to business and a focus on the market as well as the customer, personal success will come. The key question is how willing and able companies are to move effectively and efficiently through the stage of cultural change to the high profitability of a fully implemented market orientation. Hooley, Piercy and Nicoulaud (1998) put forward the following questions in an attempt to gauge management readiness to implementing a market-oriented mind set in an organisation.

Are senior managers across functions committed to market orientation? Are these senior managers willing to promote the concept of market orientation throughout the organisation? Is the concept understood? Is there an agreed definition of market orientation accepted by all? Does informal contact with front-line employees take place? Are these front-line employees encouraged to give feedback and information from customers? Do they understand the purpose of such information gathering and dissemination? What are the sources of internal conflict? Do these conflicts relate to personalities, systems of function priorities? Is it possible to make the market orientation strategy a priority in every function? Does the payment, career or promotion approach contribute to political wrangling? Are there changes needed to other areas of business strategy, human resources, finance, operations needed to reduce the potential for politics to scupper the market orientation aim? Are meetings and other interactions between employees formal and rigid? Does this formality contribute to conflicts, or is it a way of covering over political differences?

Independent Effects Model of Relationships Between Market Orientation, Business-Specific Factors, Market-level Factors, and performance
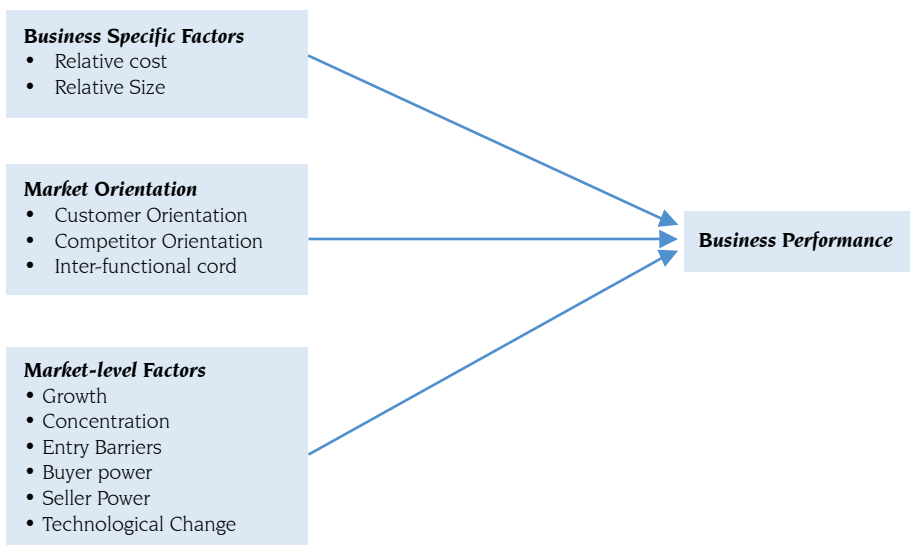
Figure 2. 15 Relationship between Market orientation and business performance

Narver and Slater (1990) developed an empirical model to test the correlation between business specific factors, market orientation, market level factors and business performance. The results that were revealed whilst relative costs and market growth appear to be an important determinant of profitability, the drivers of market orientation indicated a strong relationship.

2.6 What is a Vision Statement?

- Vision is a realisable dream and an art of seeing the invisible!

  It is not achieved but realized and is long term in nature!

  E.g. I have a dream! Martin Luther king Jr. That someday the black man will walk in the streets with his head held high!

- A vision is a long term aspiration or ambition.

- A picture of what you want to be.

- Steven covey (1989) implored us to "begin with the end in mind"

Vision statements

- A vision statement is concerned with the desired future state of the organisation; an aspiration that will enthuse, gain commitment and stretch performance.

- A vision statement should answer the question :'What do we want to achieve?'

Mission statements

- A mission statement aims to provide employees and stakeholders with clarity about the overriding purpose of the organisation

- A mission statement should answer the questions: 'What business are we in? How do we make a difference? Why do we do this?'

Building Your Company's Vision

Core Ideology
- Core values
- Core purpose

Envisioned Future
- 10 to 30 year BHAG (Big, Hairy, Audacious Goal)
- Vivid description

Figure 2.16 by James C. Collins and Jerry I. Porras

Harvard Business Review
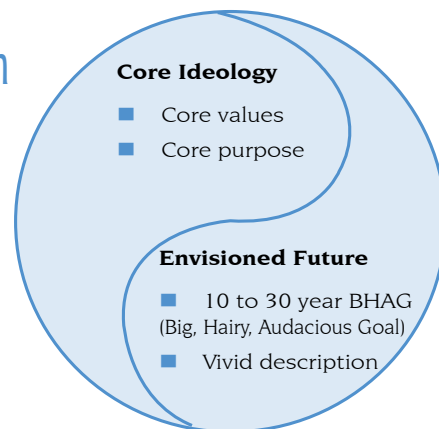
Core Values are a Company's Essential Tenets

Sony

- Elevation of the Japanese culture and national status

- Being a pioneer-not following others; doing the impossible

- Encouraging individual ability and creativity

Walt Disney

- No cynicism

- Nurturing and promulgation of "wholesome American values"

- Creativity, dreams, and imagination

- Fanatical attention to consistency and detail

- Preservation and control of the Disney magic

Core Purpose Is a Company's reason for Being

- **3M**: To solve unsolved problems innovatively
- **Cargill**: To improve the standard of living around the world
- **Fannie Mae**: To strengthen the social fabric by continually democratizing home ownership
- **Hewlett-Packard**: To make technical contributions for the advancement and welfare of humanity
- **Lost Arrow Corporation**: To be a role model and a tool for social change
- **Pacific Theatres**: To provide a place for people to flourish and to enhance the community
- **Mary Kay Cosmetics**: To give unlimited opportunity to women
- **McKinsey & Company**: To help leading corporations and governments be more successful
- **Merck**: To preserve and improve human life
- **Nike**: To experience the emotion of competition, winning, and crushing competitors
- **Sony**: To experience the joy of advancing and applying technology for the benefit of the public
- **Telecare Corporation**: To help people with mental impairments realize their full potential
- **Wal-Mart**: To give ordinary folk the chance to buy the same things as rich people
- **Wait Disney**: To make people happy

Big, Hairy, Audacious Goals Aid Long-Term Vision

Target BHAGs can be quantitative or qualitative

- Become a $125 billion company by the year 2000 (Wal-Mart, 1990)

- Democratize the automobile (Ford Motor Company, early 1900's)

- Become the company most known for changing the worldwide poor quality image of Japanese products (Sony)

- Become the most powerful, the most serviceable, the most far-reaching world financial institution that has ever been (City Bank, predecessor to Citicorp, 1915)

- Become the dominant player in commercial aircraft and bring the world into the jet age (Boeing, 1950)

Putting it all together: Sony in the 1950's

Core Ideology

Core Values

- Elevation of the Japanese culture and national status
- Being a pioneer-not following others; doing the impossible
- Encouraging individual ability and creativity

Purpose

To experience the sheer joy of innovation and the application of technology for the benefit and pleasure of the general public

Envisioned Future

BHAG

Become the company most known for changing worldwide poor-quality image of Japanese products

Vivid Description

We will create products that become pervasive around the world. We will be the first Japanese company to go into the U.S. market and distribute directly. We will succeed with innovations that U.S. companies have failed at-such as the transistor radio. Fifty years from now, our brand name will be as well known as any in the world and will signify innovation and quality that rival the most innovative companies anywhere. "Made in Japan"will mean something fine, not something shoddy.

The vision, inspiring commitments and leadership principles

Vision	→	Value through innovation
↓		↓
The five inspiring commitments	→	1. Changer in the market represent opportunities 2. Added value will be our competitive advantage 3. Innovation in everything will be our challenge 4. Waste is our enemy 5. Our distinctive character is our strength
↓		↓
Leadership principles	→	1. Realizing our vision is our objective 2. Improvement is our ambition 3. Teamwork is our task 4. Creativity is our character 5. Communication is our key 6. The delivery of results is our goal

Figure 2.17 The vision, inspiring commitments and leadership principles (Wilson & Gilligan 2005)

2.7 Strategic Vision

■ Vision = Senior management's "strategic intent."

The importance of the Mission

■ A vision provides a business aim while mission provides business principals.

■ A mission comes from the Latin word mittere which is "to send"

■ A mission is a task, duty or purpose. Hence corporate mission can be understood as the basic drivers sending the corporation along its way and consists of the fundamental principals that mobilize and propel the firm in a particular direction.

Components of mission
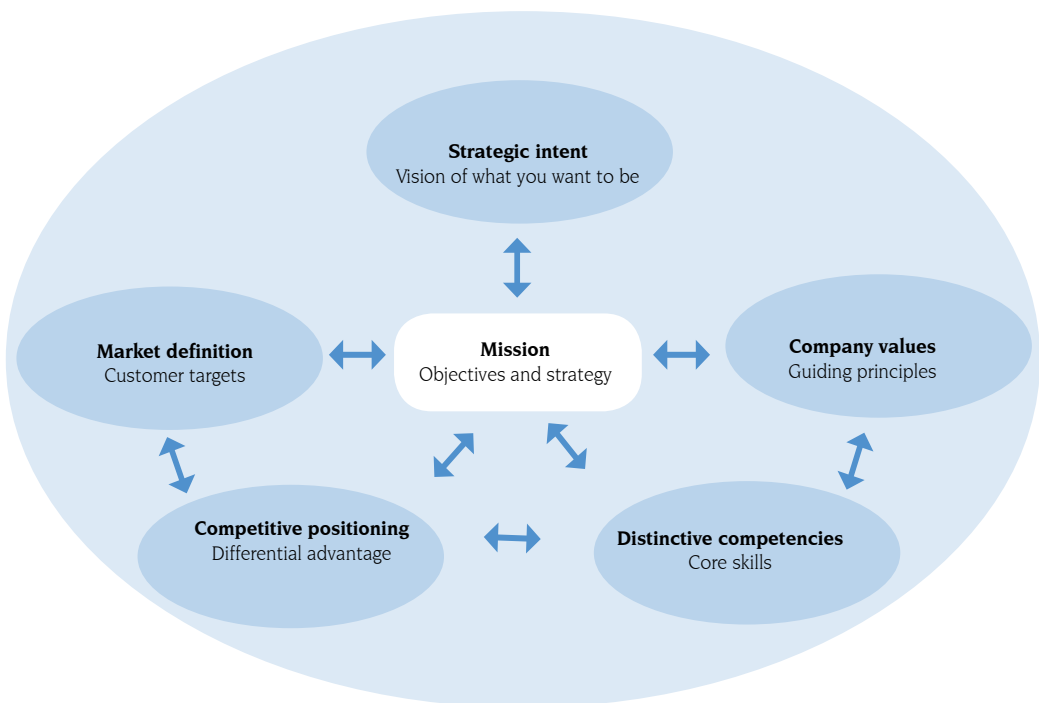
Figure 2.18 Components of mission by Hooley, Piercy, Nicoulaud (2008)

The Ashridge Mission model

Why the company exists

Purpose

The competitive position
and distinctive competence

Strategy   Values

What the company believes in

Behavior
standard's

The policies and behavior patterns
that underpin the distinctive
competence and value system
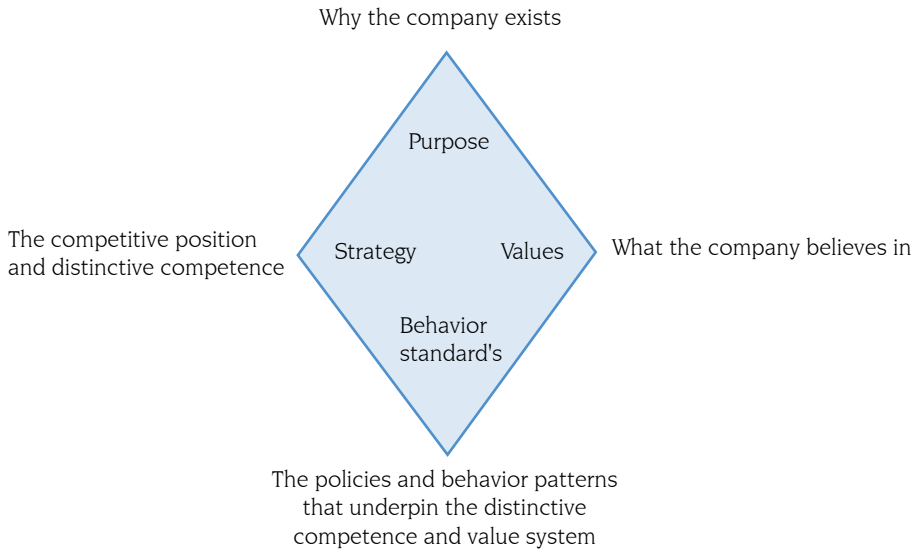
Source: Yeung and Campbell 1991

Figure 2.19 The Ashridge mission model

Influence on an organization's mission and objectives

Corporate governance
- Whom should the organization serve?
- Accountability and regulatory framework

Stakeholders
- Whom does the organization serve?
- Balance of power and influence of the various stakeholders

- **Mission**
- **Objectives**

Business ethics
- Social responsibility
- Expectation of individuals ethical behavior

Cultural context
- What aspects of the mission are prioritized?
- Influence of the cultural environment

Source: Adapted from Johnson and Scholes, 1999)

Figure 2.20 Influence on an organization's mission and objectives

What is organisational purpose?

- It can be defined as the reason why an organisation exists.

- More often than not a managers view of the organisations purpose will be part of a broader set of business principals that steers strategic thinking.

- Is it this set of principals that form the base of a firms identity and guides its strategic decision making that is often referred to as the organisational (or corporate) mission.

- When a consistent and compelling mission is formed this can ignite the organisation with sense of purpose and create an emotional bond as well as a rational reason, for emerging the member's work in a manner consistent with the mission.

Delivering an effective mission statement

- Ask your self the right questions
- Say it clearly
- Decide what makes your organisation different
- Build your brand
- Keep it short and sweet
- Be honest
- Make it a joint effort
- Polish the language
- Spread the word
- Revise if needed

2.8 American Express Core & Periphery Values

Figure 2.21 American Express Values

Brand Values

- **The Red Cross has three core values**

  Humanity, unity and independence and these drive its staff to go into disaster stricken areas to help others.

- **Virgin's brand values**

  Virgin Atlantic's has its values fun, value for money, sense of challenge, innovation and quality. By contrast British Airways values encompass safe and secure, responsible and honest, innovative and team spirit and finally global and caring.

  Now think of the different styles of behavior you can expect from the two airlines cabin crew in terms of the cluster of values they may portray?

The six markets framework to analyze relationships
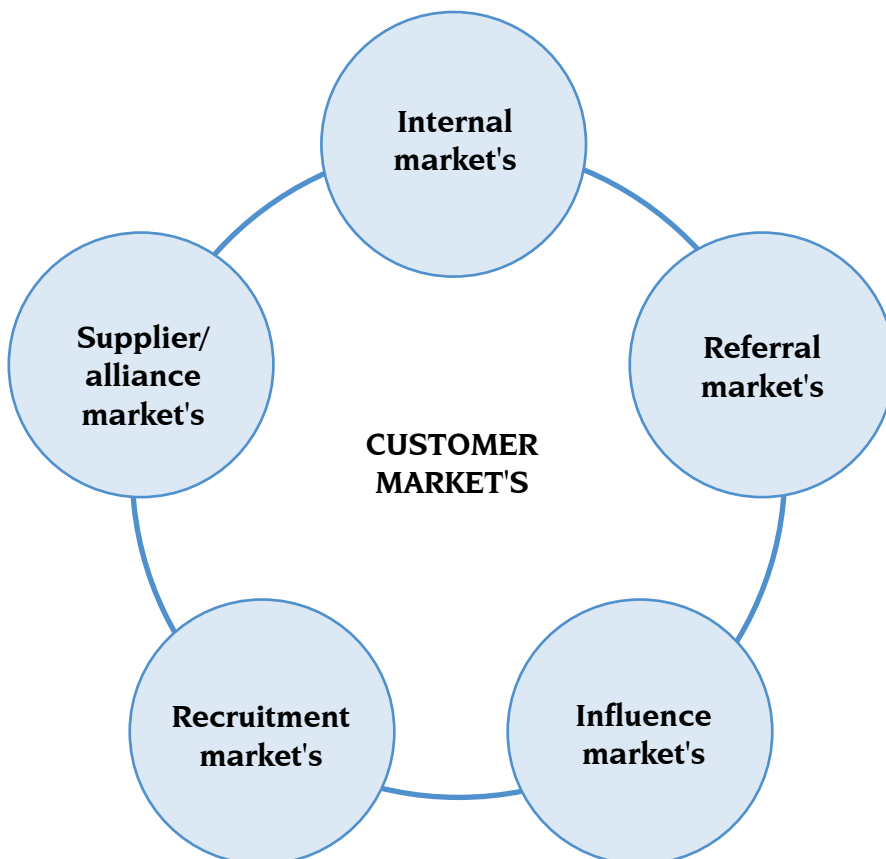
Figure 2.22 The six markets framework by Christopher, Payne and Ballantryne (2002)

Six market model analysis: Euro Disney

Initial service delivery failed to meet customer expectations

Very strong corporate values at Disney obstruct cultural signals

Internal market's

Failure to contain certain costs led to low margins

Supplier/ alliance market's

Referral market's

Poor value for money experience and unsatisfactory service damaged early referral market

CUSTOMER MARKET'S

Despite extremely high standards of recruitment Disney failed to create a programme to effectively train staff

Recruitment market's

Influence market's

Negative media coverage influenced the thinking of others

Source: developed from Cranfield MBA Presentation

Figure 2.23 Six market model analysis: Euro Disney by Christopher, Payne and Ballantryne (2002)

A Relationship Marketing network diagram
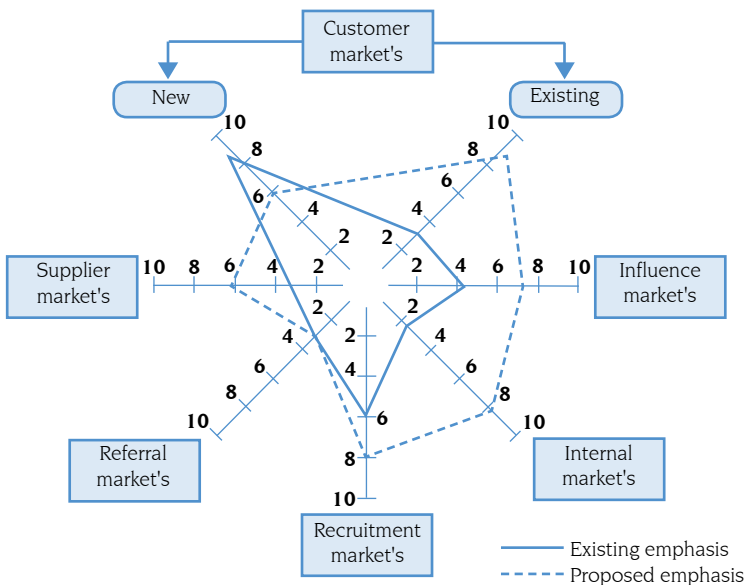
Figure 2.24 A Relationship Marketing network diagram by Christopher, Payne and Ballantryne (2002)

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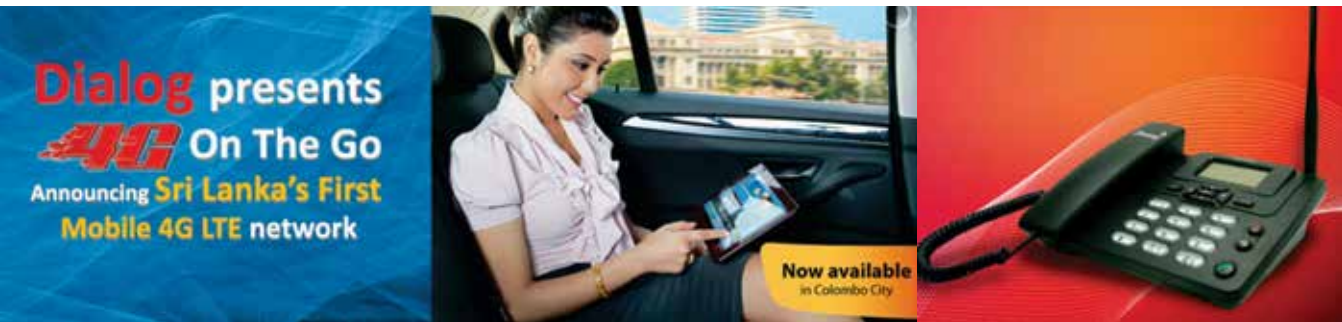
The Pulse of million's Sri Lankans - Dialog the Future, today!

Dialog Axiata PLC, operates 2.5G, 3/3.5G and 4G mobile communication networks supporting the very latest in multimedia and mobile internet services and most recently obtained the necessary spectrum to launch mobile 4G LTE services in Sri Lanka. Dialog has the distinction of being the first 3G and HSPA+ service operator in South Asia and is an ISO 9001 certified company. Its local coverage spans all provinces of Sri Lanka, whilst international roaming is provided in over 200 destinations. The company is also the largest and fastest growing cellular service provider in Sri Lanka, which operates Dialog television a direct-to-home satellite TV service and Dialog broadband network providing backbone and transmission infrastructure facilities, and data communication services, serving a subscriber base in excess of 7.8 million Sri Lankans.

With over Rs. 56,345 million in revenue (Year ended 31st December 2012), market capitalization of Rs.67.6 billion (2012), with prepaid customers of 6,827,000 and postpaid customers of 900,200, Dialog Axiata is the largest mobile telecommunication company in Sri Lanka. The company's vision is to be the

undisputed leader in the provision of multi-sensory connectivity resulting always, in the empowerment and enrichment of Sri Lankan lives and enterprises. The Mission of the organisation, is to lead in the provision of technology enabled connectivity touching multiple human sensors and faculties, through committed adherence, customer driven, responsive and flexible business processes, through the delivery of quality service and leading edge technology unparalleled by any other, spurred by an empowered set of dedicated individuals who are driven by an irrepressible desire to work as one towards a common goal in the truest sense of team spirit. The company firmly believes that values and ethics form the strong foundation upon which the organisation has built itself. Their values are total commitment to their customers, dynamic and human-centered leadership, commitment to task & excellence, uncompromising integrity, professionalism and accountability, teamwork, foremost respect for concern & care.

The parent company Axiata is one of the largest telecommunication companies in Asia with the fastest growing Asian footprint and a vision of

becoming a regional champion. Advancing Asia is Axiata's goal and they aim to achieve this through bringing affordable connectivity, innovative technology and world-class talent to the entire region. AXIATA, previously TMI, is one of the largest Asian telecommunication companies; focused on high growth, low penetration emerging markets. AXIATA has a controlling interest in Malaysia, Indonesia, Sri Lanka, Bangladesh and Cambodia with significant strategic stakes in India and Singapore. India and Indonesia are some of the fastest growing markets in the world. In addition, the Malaysian grown holding company has assets in telecommunication operations in Thailand, Pakistan and Iran. The Group's mobile subsidiaries and associates operate under the brand name 'Celcom' in Malaysia, 'XL' in Indonesia, 'Dialog' in Sri Lanka, 'AKTEL' in Bangladesh, 'HELLO' in Cambodia, 'Idea' and 'Spice' in India, 'M1' in Singapore and 'MTCE' in Iran (Esfahan).

Since the late 90's Dialog Mobile spearheaded the exponential growth of the country's mobile telecommunication sector, propelling it to a status on par with the developed world. Dialog operates on 2.5G, 3.5G and 4 G communications network that support the very latest in multimedia and mobile internet and in April 2013, the company secured the distinction of becoming the first service provider in South Asia to launch mobile 4G FD-LTE services. With a customer base of over 7.8 million, Dialog provides the best in mobile coverage, with over 2,500 base stations (2G) and 1,740 3G base station sites spanning all provinces. In addition, customers are linked to over 200 global destinations via international roaming, including 3G services.

Dialog Television (Private) Limited (DTV) operates Dialog Satellite TV, a direct-to-home satellite entertainment service. Bringing the best of international content, DTV's offering includes CNN, BBC, HBO, Cinemax, AXN, ESPN, Discovery, MTV (Music Television) and Cartoon Network, amply demonstrating the diversity of its entertainment. This is in addition to a wide portfolio of Sri Lankan channels such as Citi Hitz, Channel C and The Buddhist. Currently, Dialog television has a subscriber base of 100,000 island-wide.

Dialog Broadband Networks (Private) Limited (DBN) is a key player in the provision of broadband internet, fixed-telephony, data networks and converged solutions in Sri Lanka. Dialog CDMA combines affordability and connectivity, offering subscribers the best spectrum and a network free of congestion. Dialog CDMA also provides subscribers with a host of other benefits such as

call holding/waiting, SMS, CLI, call transfer, call forward, voice mail, fax, three-way calling and call conferencing facilities. DBN also provides broadband internet, powered by 4G WiMAX technologies, featuring pre-packaged high-speed Internet solutions, together with unlimited usage for a fixed monthly subscription. DBN has positioned itself as the best value for money service provider.

DBN is Sri Lanka's second largest fixed telecommunications provider. DBN serves residential and enterprise customers with voice, broadband, leased lines and customized telecommunication services. DBN has the distinction of being the first telecommunications operator in Sri Lanka to launch 4th Generation LTE High Speed Broadband Services. DBN is also a leading provider of Radio and Optical Fibre based transmission infrastructure facilities. DTV operates a Direct-to-Home (DTH) Digital Satellite TV service and is the market leader in Sri Lanka's Pay TV sector. DTV supports a broad array of international and local content in both Standard Definition (SD) and High Definition (HD) formats alongside a wide portfolio of Sri Lankan television channels and delivers high quality infotainment to a viewer base in excess of DTV subscriber base 264,000 Sri Lankan households.

Dialog Global, the international arm of Dialog provides a rich portfolio of international services with access to major submarine cable systems, satellite earth stations and state-of-the-art gateway facilities. Networked globally through its parent company, Axiata, and its partnership with 'Tier-1' international carriers, plus, the domestic support of Dialog Broadband Networks, Dialog Global is positioned to play an integral part in meeting the demands of retail and wholesale international voice and data services.

The company also provides a comprehensive suite of international roaming services across a global footprint comprising of more than 200 countries, and operates a wide portfolio of international telecommunication services, including but not limited to retail and wholesale international voice and data services. Dialog also recently entered into an agreement with the Bay of Bengal Gateway (BBG) consortium as part of the organisation's plans to boost the delivery of international bandwidth to Sri Lanka via a submarine cable to be landed in South Colombo, triggering the single largest infusion of international bandwidth to Sri Lanka by 4th Quarter of 2014.

Dialog Tele-Infrastructures (DTI) is Sri Lanka's leading provider of telecommunication
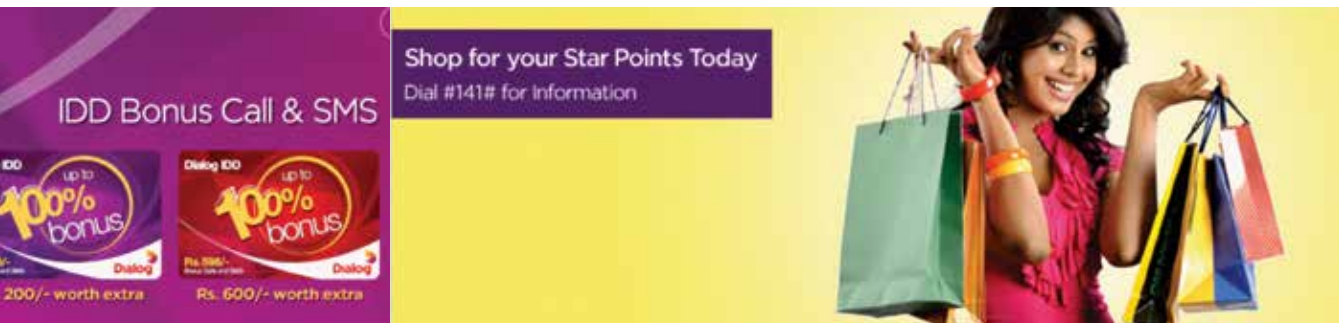
infrastructure, providing state-of-the-art transmission and co-location facilities to licensed operators. DTI's vision is to develop and maintain an advanced, universal infrastructure for operators of all kinds.

Delivering world-class customer service to Customer service to approximately 8Mn subscribers, Dialog's state-of-the-art Customer Contact Centre is the country's largest and most modern Contact Management Facility powered by a dedicated staff of over 1,000 service professionals. Dialog's service agents are available round the clock via person-to-person interaction, web-based chat or email to support the growing customer base.

Dialog's service team continuously evolves to maximize potential in terms of knowledge, technology know-how, efficient customer contact and transaction processing. This dedication to frontline service has resulted in a host of accolades and international recognition for world-class service. Dialog has received numerous local and international awards including the National Quality Award, Sri Lanka Business Excellence Award, and 3 successive GSM World Awards. Dialog was the first South Asian company to receive Customer Service Quality Standard

(CSQS) certification by the Asia Pacific Customer Service Consortium (APCSC), in recognition of its achievements and high level of compliance to CSQS – Level III standards in Contact Management. Dialog received the 'Service Centre of The Year 2006' award and was recognized as 'Best in Class for Proactive Service Management' at the Customer Relationship Excellence Awards, held in Hong Kong 2007. The company was also honored at the annual GCCRM Customer Management Awards 2007, held in China, with awards for Customer Management Strategy Award – Asia Pacific, Customer Management Technology Award – Asia Pacific and the Retail Customer Experience Award – Asia Pacific.

More recent international accolades include the World Summit Awards – Mobile in 2010 for Tradenet under the category of mobile inclusion. The company has also earned the distinction of retaining the No. 1 position on Sri Lanka's Corporate Accountability Ratings over the past 3 years as well as being consistently placed in the top 5 among Sri Lanka's Most Respected Corporate Entities along with being regularly featured amongst the top 10 Most Valuable Brands in Sri Lanka. The Dialog brand has been voted as the winner of Sri Lanka's Peoples Award for the most preferred telecommunications brand, Sri

Lanka's most valuable brand of the year by Brand Finance as well as being recognised as the SLIM-Nielsen Peoples Service Brand of the year, joint winner of Youth Brand of the Year in 2012 and Telecom Brand of the Year two years in succession while receiving the accolade of Internet Service Brand of the Year in its inaugural year of award.

Dialog Enterprise Contact Management (ECM) is the Business Process Outsourcing (BPO) venture of Dialog, offering their clients the best in customer service contact technology and processes; channeling Dialog's expertise in customer service into enhancing client performance. ECM's in-depth knowledge of end-to-end customer requirement is founded on the customer centricity that has made Dialog the leading communications service provider in Sri Lanka.

The company prides itself in its commitment to, and achievement trail in research, development and technology-innovation. Dialog Mobile has the distinction of placing Sri Lanka as the first in the region and amongst the first 40 countries in the world to support High Speed Packet-Based Mobile Data Services with the launch of GPRS (General Packet Radio Service) in 2001. GPRS is a key element of 2.5G and 3G technology, offering higher data speeds, packet based data communications and end-to-end IP (Internet Protocol) based connectivity. Dialog Mobile extended its regional leadership in mobile technology with the introduction of Multi-Media Messaging (MMS) in 2002 placing itself among the first 35 networks in the world to support this break.

In addition, the company was instrumental in extending the scope of mobile telephony to mobile data and a host of value-added applications within the first few years of operation. Dialog was the first operator to offer SMS, MMS, Mobile-commerce, mobile email, information on demand services well ahead of regional networks. The company has also added many other value added services such as color SMS, MMS morphing, song catcher, background music, phone backup, Dialog messenger, news alerts and a host of 3G services including video calls, IDD video calls, video conferencing, 3G roaming, mobile surveillance and 3G portal.

Dialog unveiled eZ Pay, South Asia's first mCommerce (Mobile Commerce) initiative in August 2007. eZ pay is a revolutionary service that allows consumers to purchase goods, pay bills, transfer money and perform banking transactions via their mobile phones. Dialog Broadband Networks became the first operator in Sri Lanka to introduce WiMAX based Broadband Wireless Access services in November 2007.

Dialog 3G services include video calls, IDD video calls, TV on the phone, high speed internet connections for Web browsing, 3D phone games and video streaming for music videos and movie trailers. The Star Points network, which is the main loyalty program of the company, consists of over 400 partner merchants with more than 20,000 partner outlets island-wide. They cover a variety of multiple retail sectors expanding to household-items, electronics, grocery, clothing chains, food and beverage, cosmetics, healthcare, domestic and international travel. This is the first and only mobile-based loyalty network in the country. With no registration fee, all Dialog Mobile customers can earn Star Points, which are redeemable at a constant face value of Rs. 1 per Point across the entire network. Dialog operates over 2000 2G and over 1000 3G base station sites distributed across all 9 provinces of Sri Lanka with a network covering approximately 82% of the country's land mass and 96% of Sri Lanka's population, inclusive of newly liberated areas.

The Dialog Group has also been aggressive in its pursuit of a leadership position in the provision of digital services. Dialog Axiata PLC has the distinction of being the first mobile operator in Sri Lanka to be awarded a Mobile Payments License by the Central Bank of Sri Lanka, based on which it operates eZ Cash, the countries pioneering mobile money service. The Dialog Group also established a position of strength in Sri Lanka's Digital Commerce space through a joint venture (Digital Commerce Lanka) encompassing Sri Lanka's leading Daily Deals site Anything.lk and the incumbent e-commerce properties of the Dialog Group wow.lk, ibuy.lk and tradenet.lk.

Dialog remains Sri Lanka's largest Foreign Direct Investor (FDI) with investments totalling to over USD 1 billion.

Case Questions

Question 1.
Conduct a SWOT analysis for Dialog Axiata

Question 2.
Comment on Dialog's Vision, Mission and values.

Question 3.
Analyze Dialog's product portfolio using PLC, BCG, SHELL Directional Policy Matrix, ADL portfolio model and the General Electric Matrix?

Source : www.dialog.lk

CHAPTER 3

Strategic Marketing Auditing

3 Strategic Marketing Auditing

"Man invented language to satisfy his deep need to complain." - Lily Tomlin

3. 1 *The marketing environment*

Palmer and Hartley (2006) state that the marketing environment refers to factors and forces that affect a firm's ability to build and maintain successful relationships with customers. The three levels of the environment are: MICRO (internal) environment or forces within the company that affect its ability to serve its customers.
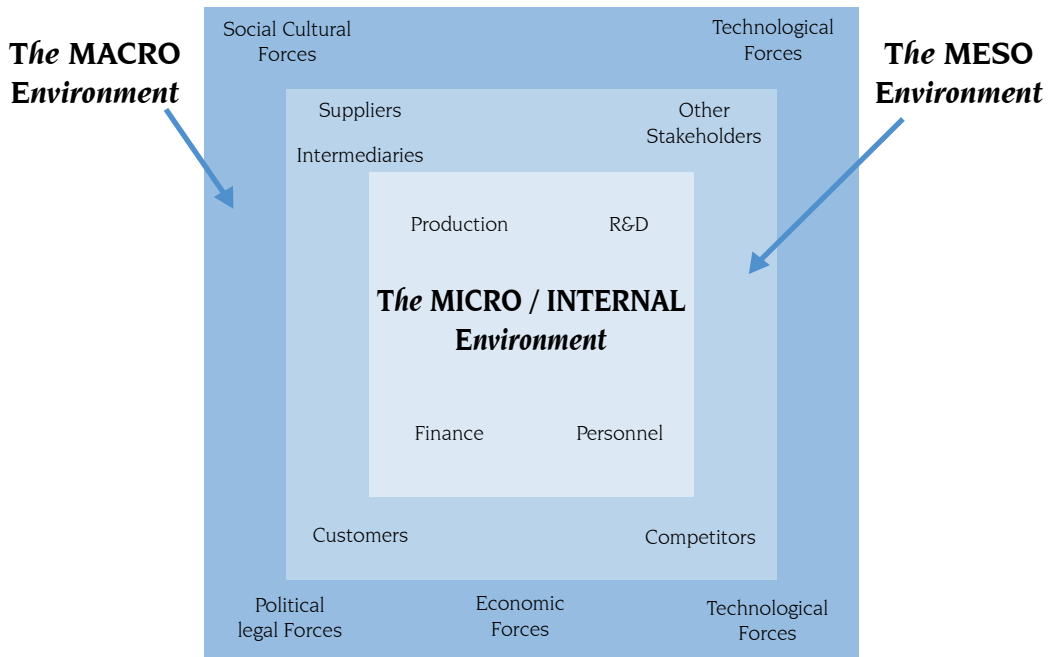
Figure 3.1 the organizations Marketing Environment

MESO environment is the industry in which a company operates in and MACRO (national) environment is the larger societal force that affects the MICRO- environment. Systematic marketing planning is a process. Similarly, a strategic marketing audit involves a systematic analysis of a firm's MACRO, MESO and MICRO- environment.

As a diligent marketer, one will have to identify the trends that are taking place in the MICRO, MESO and MACRO environments so that the organisations activities could be adjusted according to them.

Therefore, scanning is a systematic methodology adopted in identifying various opportunities and threats, (External environment) the organisation may face as a consequence of some of the uncontrollable trends that take place in the external environment. There are many formal and informal methods of scanning the marketing environment. Some methods include market sensing, trend analysis, expert forecasts and jury forecasts (Delphi oracle). The actual frequency of an audit may be influenced by (a) Nature of the business being conducted, (b) The rate of environmental change taking place, (c) Duration or length of the organisations planning cycle.

Whilst there are many tools to analyze these environments (as articulated in the figure 3.2) effective use of them may depend on the marketer's ability to contextualize it effectively whilst taking note of any limitations in applying them.

3. 2 The Marketing environment

Environment	Classification of tools	Tools
MACRO Environment	PESTEEL analysis	Broader Context
MESO Environment	Customer analysis	Customer profiling
		Market segmentation
		B2B versus B2C
		Needs, wants and demands
	Competitor analysis	Direct, indirect & potential competition
		Strategic group mapping
		Davidson's 7 step drill
		Competitor response profiling
		Competitor financial performance analysis
		Source of competitive advantage
		Competitor capability analysis
		Benchmarking
	Supplier/ distributor analysis	Levels of distribution
	Porters 5 forces	Threat of substitutes and new entrants
		Bargaining power of the customers and suppliers
		Industry rivalry
MICRO (internal) Environment	Performance management tools	The balance score card
		Financial ratios
		Inter-brands brand equity model
		Innovation audit
		Mckenzy's 7 S's
		Value chain analysis
	Portfolio models	BCG matrix
		Shell DPM matrix
		GE matrix
		AD little matrix

	Strategy tools	Porters generic strategies
		Ansoff's matrix
		Bowmans strategy clock
		Alries & Trout's positioning strategies
		Johnson & Scholes strategic management process
		Kotler & Singh's attack Vs. defence strategies
		Johnson & Scholes resources and competencies
		Perceptual mapping and Gap analysis
		Planned Vs. emergent approach to strategy
		Vision/ mission and values
		Neumann and Nash's Game theory
		Treacy and Wiersema's value disciplines
	Forecasting tools	Scenario planning
		Multiple regression analysis model
		Delphi technique
		Experience curves
	Others	SWOT/TOWS analysis
		Stakeholder analysis
		Product life cycle analysis
		Belbin's team roles
		Cultural web by Johnson & Scholes
		Doole & Lowei's 12 C's of going international
		Vrooms & McCarthy's 7 P's
		Servqual model
		Roger's diffusion curve
		Keller's POD VS POP
		Kotters change management process

Figure 3.2: A classification of tools to analyze the MACRO, MESO and MICRO environment

Wilson and Gilligan (2005) suggest that a marketing audit has three purposes. (a) Identifying the organisations current market position, (b) Understanding the environmental opportunities and threats it faces, (c) clarifying the organisation's ability to cope with environment demands.

Kotler and Keller (2005) describes a Marketing audit as comprehensive, systemic, independent and periodic examination of a company's or business unit's marketing environment, objectives, strategies and activities with a view to determining problem areas opportunities and recommending a plan of action to improve the company's performance. The authors propose the following 6 steps in conducting a strategic marketing audit.

1. Marketing environment audit - MACRO and MESO environment

2. Marketing strategy audit - Strategic Stance, business and marketing strategies

3. Marketing organisation audit - Structure and control systems

1. Marketing systems audit - Marketing information system and the competitor intelligence system

2. Marketing productivity audit - Efficiency metric's

3. Marketing functions audit - Auditing the 7 P's

3.3 Steps in scanning the MACRO environment

1. Definition and scope of business

The first challenge is to carefully define the boundary of your business in the present context. It is useful to make this a collective effort and meet minds on this within the organisation. Kotler and Armstrong (2008) suggest that organizations continually need to ask them-selves what business are we in and what are we in business for? Let us examine a few examples;

Example 1. American Express Credit cards

- Banking & finance business - Broad scope, many competitors

- Payments business - Cash, traveller's cheques, debit credit cards, electronic fund transfers, Mobile payments form competitors

- Plastic Payment cards business - Narrow scope, credit, debit, prepaid and gift cards as competitors.

- Credit card business - Fewer number of competitors and narrowly defined.

Example 2. An example of a biscuit manufacturer

- Food & beverage business

- Confectionery business

- Biscuit business

- Chocolate biscuit business

If American Express in Sri Lanka defines it self to be in the business of payments, as opposed to the credit cards business, it widens its scope and may be mindful of other substitutes such as cash transactions, which has a large share than any other direct credit card issuer. Therefore by widening the scope of the business, the marketer may redefine the businesses competitive landscape.

2. Establishing MACRO drivers

Upon identifying the scope of the business, you can now determine the PESTEEL factors that influence your business the most. It is imperative to qualify these drivers as higher order factors impacting the

defined business and involve industry experts or a cross functional team within the organisation to reach consensus rather than picking an exhaustive laundry list of PESTEEL factors with little or no relevance. Hence, rather than just talking about 'the economy' it might be the appetite for consumer credit that might impact the payments business. There may be a number of factors in turn that may affect the availability of credit. Similarly you may have 'employment levels' as an economic factor, but the true factor influencing the business may be employment levels amongst 18-25 year old's. Figure 3.3 can be used to prioritize the MACRO drivers that affect the business. These then become key factors that you need to set up in terms of a monitoring process during the year.

Political drivers	Political stability – impact on security, riots and strikes, parliamentary majority
	Political attitudes to industry - policy issues, privatization, labour regulations, unionization
	Political attitudes to free and fair competition
	Climate for Free trade
	Attitudes to foreign investors
	Various Political party ideologies on social welfare and economic reforms
	Transparent governance - The level of corruption, independent judiciary system
	External relations - free trade, foreign policy
	Allies - Pro western, anti African
	Political ideology - communist, socialist, capitalist
	Political party shifts
Economic drivers	Business cycle
	Inflation rates
	Interest rates
	Disposable / per capita income and upward mobility
	Wealth distribution
	Consumer spending patterns
	Credit availability
	Employment levels
	Exchange rates
	Taxation
	Saving habits
	Investment policies
	Sectorial growth and shifts in DGP
	Tourist arrivals
	Infrastructure development
	Import / export and trade deficits
	Bullish bearish capital markets

Socio-Cultural drivers	Demographics variables - income distribution, age of marriage,
	Social values and life style shifts and indulgence
	Cultures and sub cultures
	Attitude towards credit
	Attitude towards health and obesity
	Change in attitudes towards working women
	The impact of War
	Population trends - Aging population
	Birth rates / death rates
	Race and religion
	Languages, literacy and level of education
	The growth of dual income households
	Interest in health and fitness
	Pressure groups - Gay rights, religious
	Consumerist movements
	Migration trends
Technological drivers	Inventions
	Discoveries
	ICT
	Broadband, E Mail, Internet and computer penetration
	Industry specific technology advancements – Banking, Apparel
	Technology Obsolescence – Typewriter, Telex machine, audio tapes, VHS
	Mobile phone and fixed line penetration
	New technology adoption cycles
Ecological drivers	Resource Depletion - corals, Minerals, Oil, water, air
	Genetic Diversity - genetically modified products, cloning, artificial products
	Pollution Concerns - Noise pollution, eye pollution, environmental pollution
	Environmental pressure groups
	Green issues
Ethical drivers	Moral principals
	Marketing related / business rules of conduct
	Honesty and integrity
	Trustworthiness and credibility
Legal drivers	Taxing
	Intellectual property laws
	Consumer protection laws
	Monopolies and merges (Anti-competitive regulations)
	Health and safety laws
	Employment laws
	Environment laws
	Codes of conduct
	Regulatory Authorities - Telecommunication Regulatory commission
	Companies act
	Exchange control and fund transfer laws
	Regulatory interventions
	Industry specific regulator interventions
	Consumer safety, packaging and Marketing communications legislation
	The data protection act

Figure 3.3 MACRO environment drivers

3. How does each driver impact business?

The next step is to define the scope of the impact the driver may have on business. You may need to evaluate a time series of data related to disposable income levels and establish a trend and forecast any bends and fads by projecting it into the future. This is an insightful evaluation and detailed explanation of how the trend may impact the business performance.

4. Opportunity (reward) or threat (risk) impact?

The next step is to identify whether the impact is an opportunity or a threat impact. Whilst any threats identified must be mitigated or dealt with a risk-mitigating plan, this is a useful exercise to identify any opportunities ranging from economic and social shifts to technological trends.

5. High, medium or low impact?

In an attempt to present the findings in a business like manner, it might be a useful exercise to classify and prioritize the opportunity or threat using either the high, medium or low options or by using a rating scale to establish a priority of key issues to be dealt with in the marketing plan.

6. Scenario Planning

Scenario planning is all about identifying a diverse range of potential futures the senior management team can undertake. A simple approach involves the following four steps:

- Identify the critical variables

- Develop a possible string of events

- Refine the scenarios

- Identify the issues arising-those scenarios which survive need to be reviewed. Have any critical events or outcomes been identified, would they have a major impact on the organisation?

Macro factors	Drivers	Impact to the organization	O / T	H/M/L
Political	Reduction in taxes	The reduction in taxes increases the opportunity for leasing and hire purchase therefore increasing the cash cow for the bank	O	M
	War crime accusations	Since Sri Lanka has been under scrutiny for committing war crimes this will affect the foreign investor interest therefore foreign investors will be reluctant to invest in bank deposits, real estate and the stock market in Sri Lanka	T	H
	Increase in development	The government has taken measures to develop the infrastructure in Sri Lanka this has opened up the opportunity for the company to increase its branch network in order to penetrate new markets	O	M
Economical	Per Capita GDP market price USD 2,399 increasing	This factor will lead to increase in disposable income therefore increase in savings. People would want to save increasing the savings deposits in the bank. Domestic savings is 18.7% and National savings is 24.7%	O	H
	Country's development also comes with a cost	Due to increase in development in the country there will also be unequal income distribution therefore the bank will have to segment the current products offered to suit the segments	T	M
	Inflation rate @ 8.8% (reduced from 9.8%)	When the inflation rates come down the cost of living reduces therefore there will be more disposable income hence increase in savings.	O	M
	The Sri Lankan Rupee depreciation (1 USD = 109.2 LKR)	The Sri Lankan Rupee is depreciating against the main designated currencies and therefore that would discourage inward remittances and encourage outward remittances which can adversely affect the economy	T	H
Social	Increase in living standards and sophisticated lifestyles	Since lifestyles are becoming more sophisticated there is an increase in the use of credit cards, housing loans and leasing	O	M
	Society becoming more educated (increase in education faculties and facilities)	People are becoming more educated in terms of banking, trading in the stock market and real estate therefore they are more aware of different investment options and the bank can cater to their needs.	O	M
	Increase in migration	Most Sri Lankans have decided to migrate for work, study and permanent residencies. Therefore this increases the possibility of inward remittances if they want to send to their immediate families.	O	H
Technological	Increase in the use of Point of Sale machines	Due to the increase in POS machines doorstep baking has become more convenient to the customers.	O	M
	Introducing student savings units	This has ensured that students will become more aware of banking from an early age and also the bank can directly cater to the customer and identify their needs	O	M
	Increase in remittance partners	Many commercial banks are tying up with various remittance partners in different countries therefore increases the possibility of customers sending their remittances via different remitting agents.	O	M

Ecological	Control on emissions therefore replacement of vehicles and carbon trading	There are new business areas to look at for sustainable energy projects however the bank and the banking industry is hesitant since the return is	O	L
Legal	Reduction in credit card interest rate by the central bank	This affected the credit card business and also had an adverse effect on the credit profit and loss	T	M
	Legal regulation on money laundering	This affects the banking industry since banks are cautious of how the funds have been generated by certain customers. Therefore there are occasions where certain deposits or investments from customers may have to be rejected due to red tape by the central bank of Sri Lanka	T	M
	Central bank encouraging foreign currency investments	Due to increase in foreign investors coming into Sri Lanka, central bank requires more foreign currency in the country so as to keep the Sri Lankan rupee stable	O	H

Figure 3.4: A simple format to analyse the MACRO environment

3. 4 MESO *Environment Analysis - Industry analysis through the Porters 5 forces*

To sustain long-term profitability you must respond strategically to competition. Porter (2008) explains that by understanding how the five competitive forces influence profitability in your industry, you can develop a strategy for enhancing your company's long-term profits. Furthermore, awareness of the five forces can help a company understand the structure of its industry and stake out a position that is more profitable and less vulnerable to attack. Porter (2008) suggests (a) Position your company where the forces are weakest, (b) Exploit changes in the forces (c) Reshape the forces in your favour. It is imperative to assess the underlying drivers of each competitive force to determine which forces are strong and which are weak and why. Two common pitfalls of conducting the analysis is to define the industry either too broadly or too narrowly and using the framework to declare an industry attractive or unattractive rather than using it to guide strategic choice.

Porter's Five Forces Model of Competition

Threat of New Entrants

- Barriers to entry
- Economies of scale
- Product differentiation
- Capital requirements
- Switching cost to buyers
- Access to distribution channels
- Other cost advantages
- Government policies
- Incumbents defense of market share
- Industry growth rate

Determinants of Supplier Power

- Supplier concentration
- Availability of substitute inputs
- Importance of suppliers' input to buyer
- Suppliers' product differentiation
- Importance of industry to suppliers
- Buyers' switching cost to other input
- Suppliers' threat of backward integration
- Buyers' threat of backward integration

Rivalry Among Existing Firms

- Number of competitors (Concentration)
- Relative size of competitors (balance)
- Industry growth rate
- Fixed costs vs. variable costs
- Product differentiation
- Capacity augmented in large increments
- Buyers' switching costs
- Diversity of competitors
- Exit barriers
- Strategic stakes

Determinants of Buyer Power

- Number of buyers relative to sellers
- Product differentiation
- Switching costs to use other product
- Buyers' profit margins
- Buyers' use of multiple sources
- Buyers' threat of backward integration
- Sellers' threat of forward integration
- Importance of product to the buyer
- Buyers' volume

Threat of Substitute Products

- Relative price of substitute
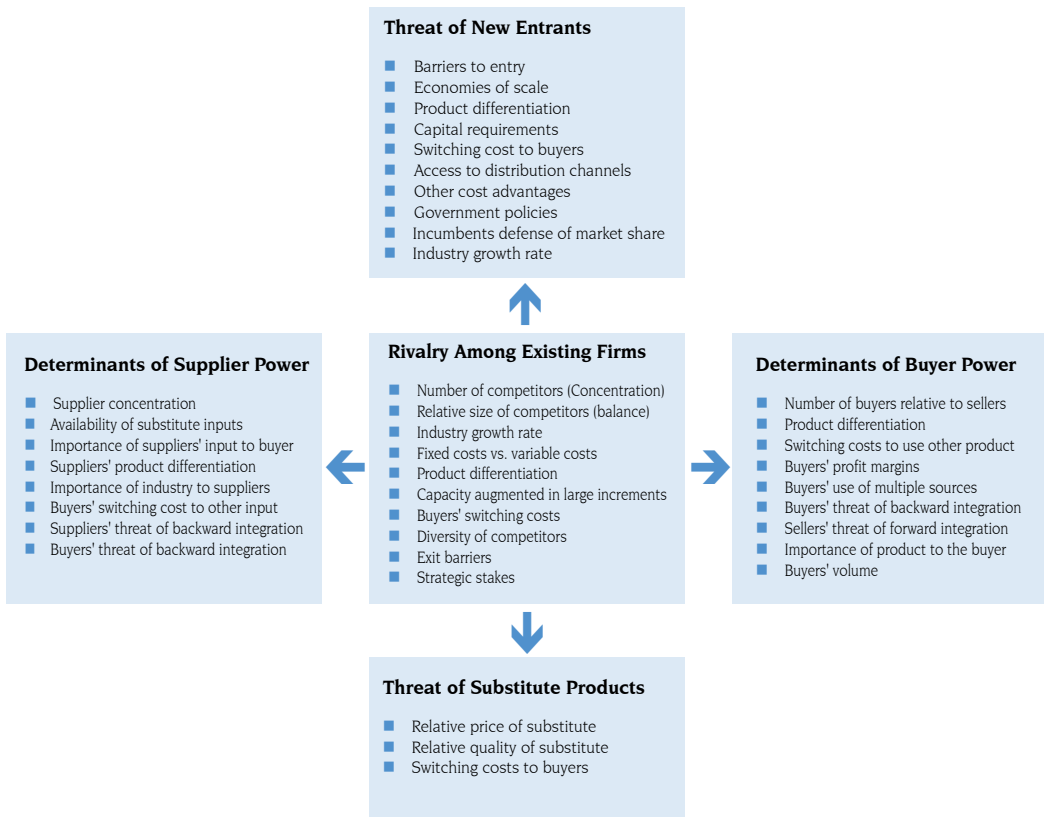- Relative quality of substitute
- Switching costs to buyers

Figure 3.5 The five forces that shape industry competition by porter (1979)
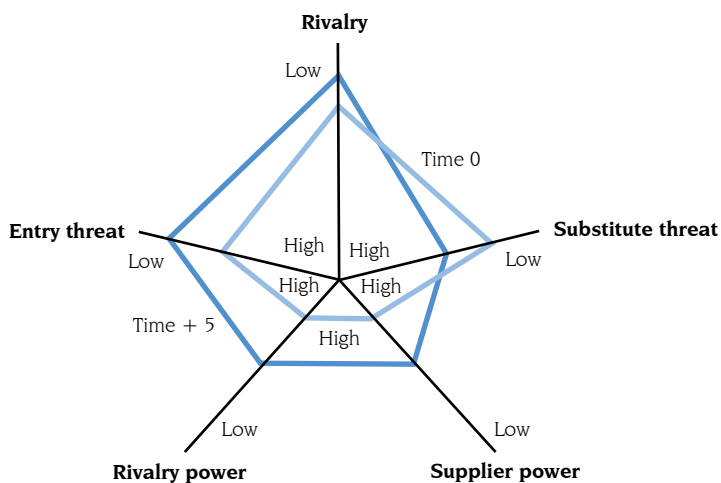

Figure 3.6 Comparative industry structure analysis Spider map

Threat of New entrants: LOW (many high and moderate impact factors exist that reduce the threat of new entrants)			
	Impact		**Impact**
Governments unlikely to issue another mobile tele-com license	High (-)	Distribution channel of existing firms is over 40,000 outlets. For a new entrant to reach that level will take a number of years,	Med (-)
To compete a firm may need to invest in the excess of $250 mn. Investment recovery is low for a new firm given very low prices	High (-)	Governments set Ex-Net minimum price is twice of On-Net price (Rs.2.0 Vs Rs1.0) customers using a new operator wont have the benefit of a large on-net base to call	High (-)
Significant economies of scale as the number of subscribers increase (die to significant fixed costs) New operators wont be able to match the price levels	High (-)	Due to price competition, industry profitability has reduced. Therefore less likely to attract new investors	High (-)
Existing operators have strong brands and customer loyalty. Will be difficult for a new competitor to match that.	Med (-)	With SIM penetration reaching 85%, the voice market is reaching maturity, although further growth is expected from data and services segments.	Med (-)

Bargaining power of customers: HIGH (many factors that increase consumer power)		Industry Rivalry: INTENSE (many high impact factors that increase the industry rivalry)		Bargaining power of suppliers: LOW (many high impact factors that reduce supplier power)	
	Impact		**Impact**		**Impact**
Many buyers, but buyers can shift to operator easily if not satisfied with one operator.	High (+)	Mobile penetration rate has reached 85% (jun-2011). Sector growth is slowing down, causing increased competition for new customers.	High (+)	Many international suppliers with similar products (telecommunication equipment)	High (-)
Service is almost homogenous. Customer has the services of 5 operators to choose from.	High (+)	Experts expect the voice market to start growth stagnation within the decade	High (+)	Equipment specifications are standardized, inter-operable. Reduces supplier bargaining power.	High (-)
The physical cost of switching is low (prepaid). Post-paid customers show a higher level of loyalty to the number.	High (+)	Fixed costs (CapEx) are high. Therefore operators need to achieve high volumes to reach profitability. Increases rivalry	High (+)	Supplier concentration is high (top 4 players control over 90% of equipment market) but product homogeneity limits their power	Med (-)
Exit barriers: operators have invested over $ 200 mn each, due to low price level, opportunities to sell the company low	Mid (+)	Exit barriers: operators have invested over $ 200 mn each, due to low price level, opportunities to sell the company low	Mid (+)	R&D cost is significant. Therefore suppliers need large orders. Large scale Telco's have significant power over suppliers	High (-)
A large majority of customers are price sensitive.	Mid (+)	Switching costs are very low (especially on prepaid) however possible loss of contacts and calls if the number is changed is a concern for many	Mid (+)	In terms of total capital expenditure (CapEx), over 60% is telecommunications equipment. Therefore cost is large. But many suppliers can provide the same solution leading to significant price reductions to win bids.	High (-)
Customers are increasingly adopting VOIP products (Ex: Skype)	Low (+)	Informational complexity is low. The services are simple to use. Results in increased rivalry	Mid (+)		
		For a significant portion of the consumers, brand identity is not an important criteria. Results in increased rivalry in the industry.	Mid (+)	Forward integration and backward integration unlikely.	Med (-)

Threat of Substitutes: MODERATE (while some substitutes are reducing in importance, others are gaining ground)			
	Impact		**Impact**
Competition from fixed lines (declined in recent years which is a positive for the industry)	Low (+)	With GDP and per capita income expected to grow at 7-8% over the next 5 years, disposable income will rise resulting in an increase of personal computers and broadband connections. Increased substitution is expected.	Med (+)
Internet based products such as Skype are considerable threat, especially for the international voice business	Med (+)		
Skype is free and if a fixed fee broadband connection is used, no additional costs on data	Med (+)	With the computer penetration in the country increasing and broadband penetration increasing, buyer substitution is starting to occur (initially mostly in the urban areas)	Med (+)

Figure 3.7 Porters 5 forces applied in the context of the Sri Lankan Telco industry

3. 5 *Techniques for analyzing competitors*

Competitor analysis is an essential component of marketing strategy. It is argued that most firms do not conduct this type of analysis systematically enough. Instead, many enterprises operate on what is called "informal impressions, conjectures, and intuition gained through the tit-bits of information about competitors every manager continually receives." As a result, traditional environmental scanning places many firms at risk of dangerous competitive blind spots due to a lack of robust competitor analysis. Here are a few ways competitors can be analyzed in depth.

1) Direct, Indirect and Potential competition

Direct competitors are competitors in the same sub category. E.g. Coke's direct competitor will be any other cola. An indirect competitor can be any competitor who fulfills the want of coke, which is to quench your thirst. Therefore any beverage that quenches thirst may form indirect competition. A potential competitor is a competitor who may enter the market and compete directly or in directly in the foreseeable future.

2) Financial Performance analysis

Asset utilisation ratios	Profitability Ratios	Investment ratios	Liquidity ratios
Stock turnover	Return on sales	Earnings per share (EPS)	Current ratio
Debtor payment period	Gross margin	Price to earnings ratio (P/E ratio)	Quick ratio (acid test)
Creditor payment period	Net margin	Dividend per share	Solvency ratios (capital structures)
Net working capital as % of sales	Profit before interest and tax (PBIT)	Dividend cover	Gearing ratio
Fixed asset ratio	Return on capital employed (ROCE)	Dividend yield	Times interest covered
Sales per unit of assets	Return on investment (ROI)		
Profit per unit of assets			
Value added ratios			

Figure 3.8 Financial performance analysis

It is a good practice to collect competitor annual reports and other secondary data from their websites and through intelligence understand some of the benchmarks of their financial metric's. Most marketers shy away from this but it is important that a firms strategy influences financial performance and establish congruence.

3) Davidson's sources of Competitive advantage

Superior Product benefit	Wants that are being satisfied
A perceived advantage	Though smart branding and product augmentation
Low cost operations	Penetration pricing strategy
A legal advantage	Patents or copyrights
Superior contacts	Stakeholder access
Superior knowledge	Competitor intelligence
Scale advantages	Economies of scale
Offensive advantages	Proactive as opposed to being reactive

4) Davidson's 7 step drill competitor analysis

Competitor Analysis is an important part of the strategic planning process. Some businesses think of it's best to get on with their own plans and ignore competition. Others become obsessed with tracking the actions of competitors (often using underhand or illegal methods). Many businesses are content by simply tracking competition, copying their moves and reacting to change. However, Davidson in his book, even more offensive marketing proposes 7 questions about competitors and they are coined the 7 step drill.

- Competitors - where are they now? Where will they be in 5 years?

- What are their investment priorities, objectives & goals?

- What importance do they place in the market and what's their long-term commitment?

- What are their relative strengths and weaknesses?

- What weaknesses make them vulnerable?

- What are their likely changes in future strategies?

- What's their effect on the industry, market & you?

Davidson (1997) described how the sources of competitor information could be neatly grouped into three categories:

- **Recorded data**: this is easily available in published form either internally or externally. Good examples include competitor annual reports and product brochures.

- **Observable data**: this has to be actively sought and often assembled from several sources. A good example is competitor pricing

- **Opportunistic data**: to get a hold of this kind of data requires a lot of planning and organisation. Much of it is "anecdotal", coming from discussions with suppliers, customers and, perhaps, previous management of competitors.

5) Piercy's competitor capability analysis

Piercy et al., (2008) in his book marketing strategy and competitive positioning describes how an organisation compares it self with competitors, in the industry's critical success factors. In the example given below, the best performing competitor is 'competitor A' whilst 'competitor C' has the lowest net score and is the lowest in terms of performance.

The scale can be compiled by a statistically valid sample of customers and non-customers of the company for it to be accurate. This quantitative approach can be a useful tool where the marketing manager can conduct this every quarter in order to see the movement before and after a campaign to address the weak areas highlighted.
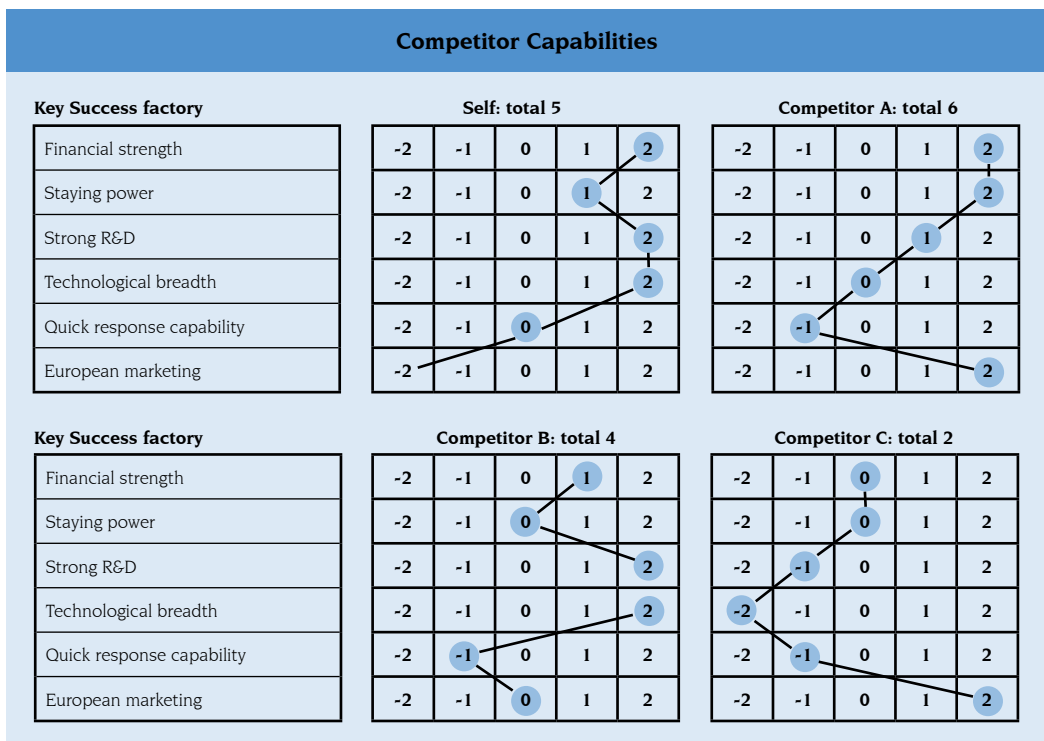
Figure 3.9 Competitor capability analysis by Hooley, Piercy, Nicoulaud (2008)

6) Strategic Group mapping

Strategic groups are organisations within an industry or sector with similar strategic characteristics, following similar strategies or competing on similar bases.

- These characteristics are different from those in other strategic groups in the same industry or sector.

- There are many different characteristics that distinguish strategic groups.

- Strategic groups can be mapped on to two dimensional charts – maps. These can be useful tools of analysis.

Using the strategic groups model to show competitive structures
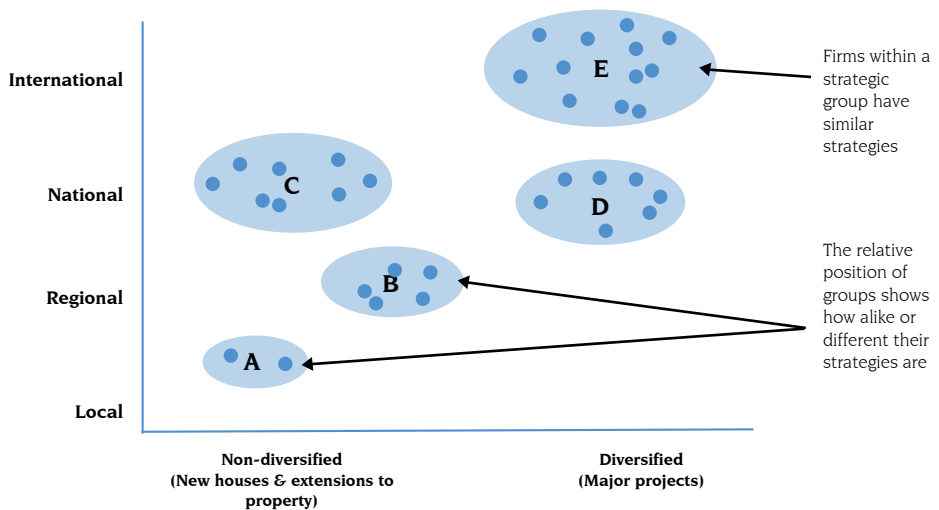
Figure 3.10 A Strategic Group map for the construction industry by Porter of 1985

Characteristics of Strategic Groups	
Size and relative share	Market position
The extent of product or service diversity	Technical position (leader or follower)
The degree of geographic coverage	R&D capability
The number and type of market segments served	Performance
The type of distribution channels used	Cost structure and behavior
The branding philosophy	Patterns of ownership
Product or service quality	Organizational culture
Reputation	The degree of vertical integration

Source: Adapted from Johnson, Scholes & Whittington (2008)
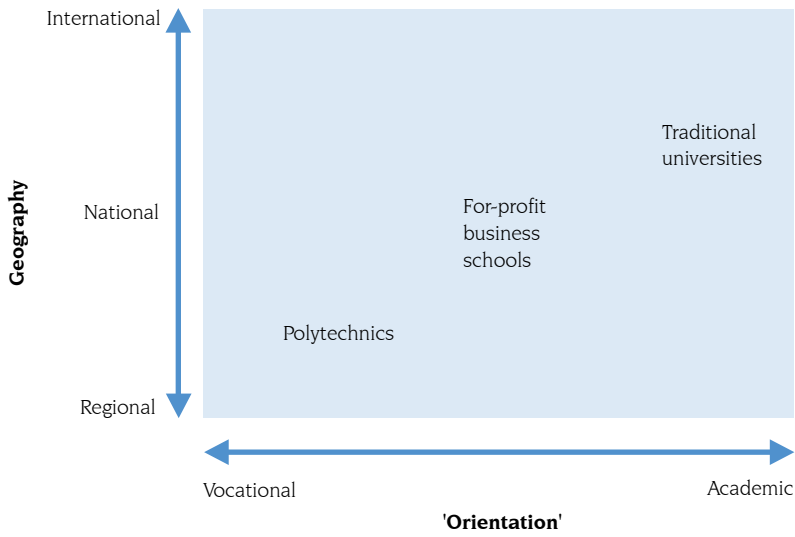
Figure 3.11 Strategic groups in MBA education in The Netherlands adapted from Johnson, Scholes & Whittington (2008)
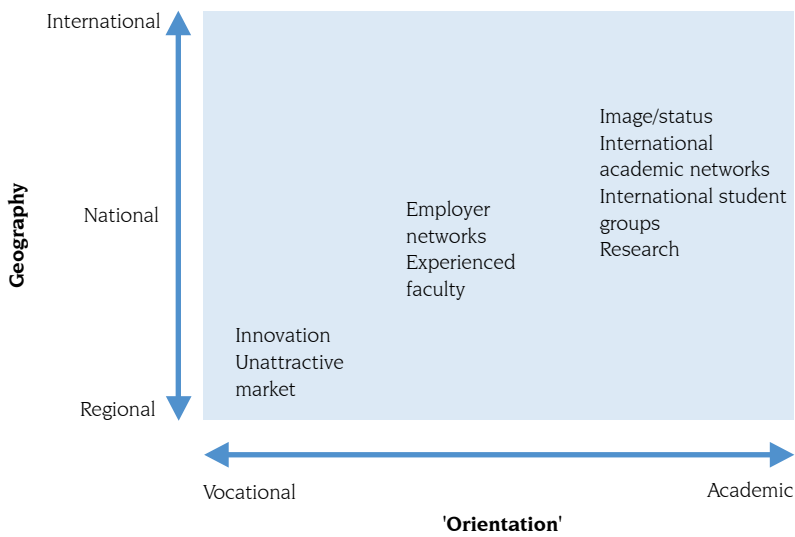
Figure 3.12 Mobility barriers adapted from Johnson, Scholes & Whittington (2008)
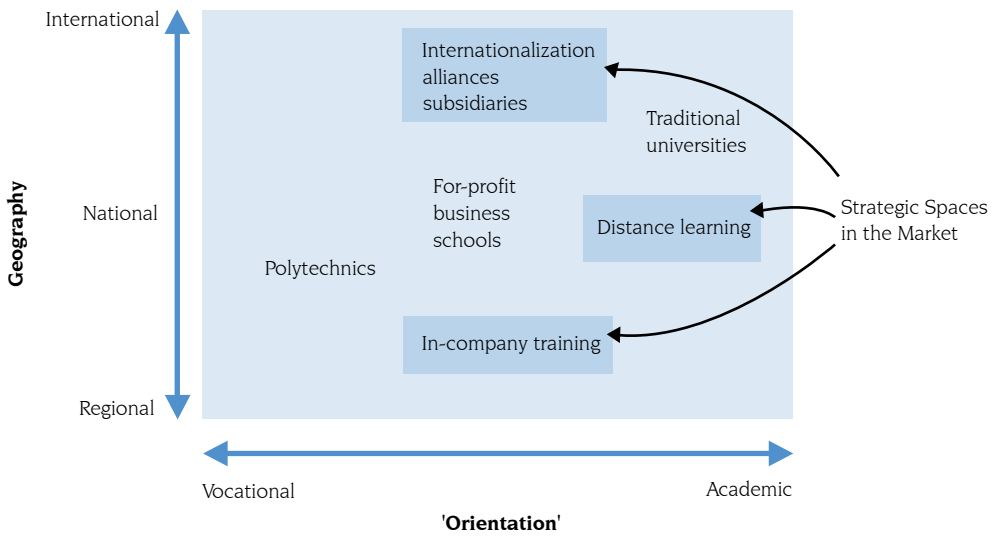
Figure 3.13 Strategic space adapted from Johnson, Scholes & Whittington (2008)

7) Competitor response profiling by Davidson
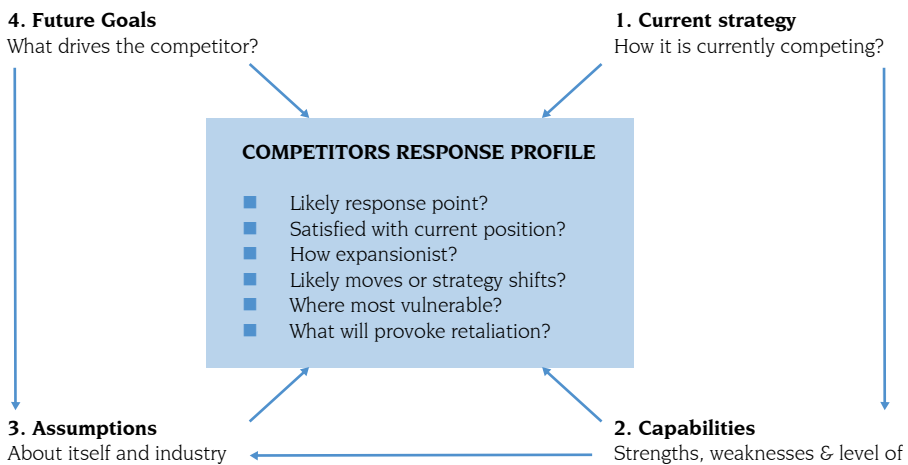
Figure 3.14 Competitor response profiling by Davidson (1997)

8) Benchmarking

Benchmarking is a way of comparing the processes or performance (or an aspect of this) of one organisation, department or activity with another to learn how to improve. The different forms of bench marking will include, strategic benchmarking, performance benchmarking (competitive benchmarking), process benchmarking, internal benchmarking, external benchmarking and international benchmarking.

The process starts by identifying items to be bench-marked and the suitable organisations for comparison. After which, the collection of data and determining the current performance gap is essential.

There are several forms of benchmarking:

- **Strategic benchmarking** – organisations examine strategic factors, such as core competencies in high-performers.

- **Performance benchmarking** (Competitive benchmarking) – an organisation's outputs are compared with competitors' offerings.

- **Process benchmarking** – critical processes and operations of practice organisations are compared to identify potential areas for improvement.

- **Internal benchmarking** – the performance of departments within an organisation, such as call centers in different areas, is evaluated.

- **External benchmarking** – organisations are compared with external 'best in class' organisations.

- **International benchmarking** – organisations are compared across countries. This is desirable when local organisations are weak or the organisation is in a country with weak performance or experience.

9) Lessons from game theory

Game theory encourages an organisation to consider a competitors' likely move and the implications of these moves for its own strategy.

Game theory encourages managers to consider how a 'game' can be transformed from 'lose–lose' competition to 'win–win' cooperation.

Game theory using the Prisoners' dilemma
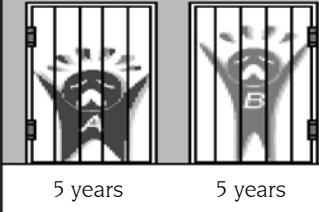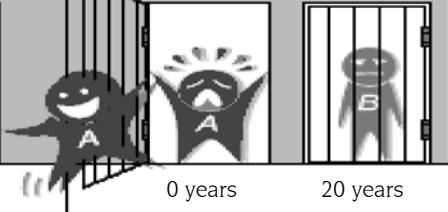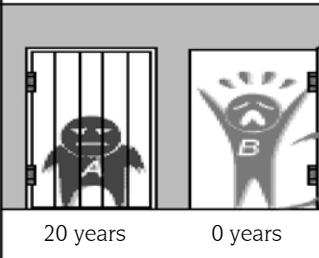
Figure 3.15 Prisoners' dilemma

3.6 MICRO / *Internal Analysis*

There are many internal analysis tools that can be employed to analyze the internal environment. One of the widely used tools is the value chain by Michel Porter. The value chain is a practical tool, which can be mostly applied in manufacturing organisations to gauge primary and support activities that create value. However, the model can be a useful tool when it is data driven.

The CFO can help you allocate the organisations direct and indirect costs into each activity and then the marketer may identify the most costly activities to re-engineer if any margins are stuck. The marketer may need to wear the "Lean Management lens" and make recommendations to improve efficiency and effectiveness in productivity.
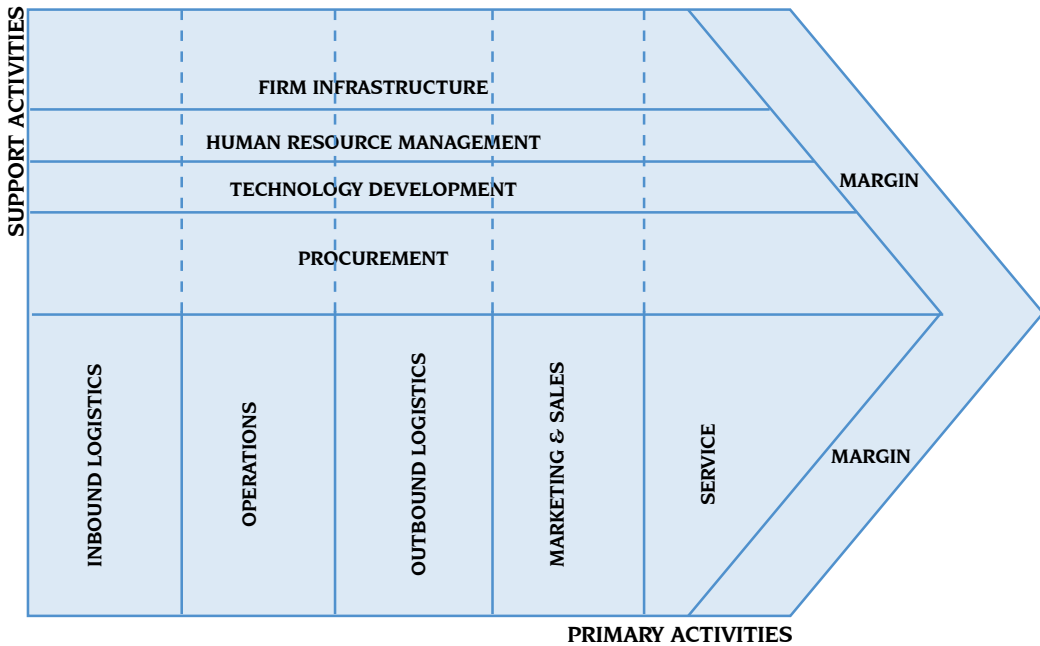
Figure 3.16 Porters value chain (1985)

Primary activities directly add value to the final product/service	
Inbound logistics	Includes receiving, storing, inventory control, transportation planning.
Operations	Includes matching, packaging, assembly, equipment maintenance, testing and all other value creating activities that transform the input into the final project
Outbound logistics	The activities required to get the finished product at the customers: warehousing, order fulfilment, transportation, and distribution management.
Marketing & Sales	The activities associated with getting buyers to purchase the product. Including: channel selection, advertising, promotion, selling, pricing, retail management, etc.
Service	The activities that maintain and enhance the product value. Including: customer support, repair services, installation, training, spare parts management, upgrading, etc.
Secondary activities are those activities that support the efficient operation of the primary activities	
Firm infrastructure	Includes general management, planning management, legal, finance, accounting, public affairs, quality management, etc.
Human resource management	The activities associated with recruiting, development (education), retention and compensation of employees and managers.
Technology development	Includes technology development to support the value chain activities. Such as: research and development, process automation, design, re-design
Procurement	Procurement of raw materials, servicing, spare parts, building, machines, etc.

Figure 3.17 Porters value chain factors

The primary and support activities may need to be adopted to fit your organisations structure. Some firms may have many Strategic business units and the primary activities may take on the businesses whilst the support activities might be the centralized functions.

It is imperative to also look through the lens of cost leadership and differentiation strategies proposed by Porter and understand the importance of the role the value chain may play if you intend on delivering

the cost leadership strategy. A cost leader may not have too much fat in its primary and support activities and may be extremely lean.

If you pursue the differentiation strategy as a competitive advantage, then it is important to analyze each value creating activity in the value chain and do it differently. How will your procurement strategy be different from that of others (Body Shop)? How will your marketing, sales and after sales service be different (Nike)? Can you be different in your production or operations strategy (Ikea)? Here's an example of how the value chain can be used in practice.

Infrastructure - 3 Factory buildings with 21 machine lines for producing and packing of tea, IT infrastructure	
HRM - Qualified permanent staff, contractual laborers, Trainee induction programs, Bonus schemes, Annual Employee appraisals.	
Technology Development - Company intranet, NPD project management software (Hornet), Order Processing, online distributor order entering and tracking software (Proteus), Latest high tech. tea manufacturing machinery and equipment.	
Procurement - 95% of teas purchased are Sri Lankan except for a few teas (green teas from China). POSM items differ from local to foreign suppliers. All material used goes through a quality assurance process. On orders purchasing teas for freshness.	

Inbound logistics	**Operations**	**Outbound logistics**	**Sales & Marketing**	**Services**
TEa-Ceylon tea board Auction. Packing material & POSMs international and local suppliers (lead time increase by 4-6 weeks for international suppliers). Colombo raw material warehouse.	Single Factory in Colombo for global supplying. Factory A blending and mixing of tea. Factory B & C tea bags/pots and loose leaf tea. Factory C has 75% manual labour.	Finish good warehouse 1&2 factory A. Ware house 4 Colombo. Trucking. Distribution - distributors, food service, t-bars, retail online.	Branding and sales team. Research and development team (MIS). Distributor marketing strategy input.	Customer services, attention to detail, Knowledgeable, Trained staff & distribution team.

Figure 3.18 A value chain example of a Sri Lankan Tea manufacturing company.

The value chain has many benefits as well as a few limitations in its application. They are as follows;

1. **Non-availability of data:** Internal data on costs, revenues and assets used for value chain analysis are derived from financial information of a single period.

2. **Identification of stages:** Identifying stages in an industry's value chain are limited by the ability to locate at least one firm that specializes in a specific stage.

3. **Ascertainment of costs, revenues and assets:** Finding the costs, revenues and assets for each value chain activity poses/gives rise to serious difficulties.

1. **Identification of cost drivers:** Isolating cost drivers for each value-creating activity, identifying value chain linkage across activities and computing supplier and customer profit margins present serious challenges.

2. **Resistance from employees:** Value chain analysis is not easily understandable to all employees and hence may face resistance from employees as well as managers.

3. **Science Vs. Art:** Value chain analysis is not an exact science. It is more "art" than preparing precise accounting reports. Certain judgment and factors of analysis are purely subjective and differ from person to person.

The value chain depicts all the activities a company engages in whilst doing business. It can be used as a framework to identify the positive and negative social impact of those activities. These "Inside out" linkages may range from hiring and layoff policies to greenhouse gas emissions, as the partial list of examples illustrated here demonstrates.

Mapping The Social Impact of the Value Chain

- Relationships with universities
- Ethical research practices (e.g., animal testing, GMOs)
- Product safety
- Conservation of raw materials
- Recycling

- Financial reporting practices
- Government practices
- Transparency
- Use of lobbying

- Education & Job training
- Safe working conditions
- Diversity & discrimination
- Health care & other benefits
- Compensation policies
- Layoff polices

- Procurement & supply chain practices (e.g., bribery, child labor, conflict diamonds, pricing to farmers)
- Uses of particular inputs (e.g., animal fur)
- Utilization of natural resources

Firm Infrastructure
(e.g., financing, planning, investor relations)

Human Resource Management
(e.g., financing, training, compensation system)

Technology Development
(e.g., product design, testing process design, maternal research, market research)

Procurement
(e.g., components, machinery, & services)

| **Inbound logistics** (e.g., incoming maternal storage, data, collection, service, customer access) | **Operations** (e.g., assembly, component fabrication branch operations) | **Outbound logistics** (e.g., order processing, ware-housing, report preparation) | **Sales & Marketing** (e.g. sales force, promotion, adver-tising, proposal waiting web site) | **Services** (e.g. installation, customer support, complaint resolu-tion, repair) |

- Transportation impacts (e.g., emissions, congestion, logging roads)

- Emissions & waste
- Biodiversity & ecological impacts
- Energy & water usage
- Worker safety & labor relations
- Hazardous materials

- Packaging use and disposal (McDonald's clamshell)
- Transportation impacts

- Marketing & advertising (e.g., truthful advertising, advertising to children)
- Pricing practices (e.g., price discrimination among customers, anti-competitive pricing practices, pricing policy to the poor)
- Consumer information
- Privacy

- Disposal of obsolete products
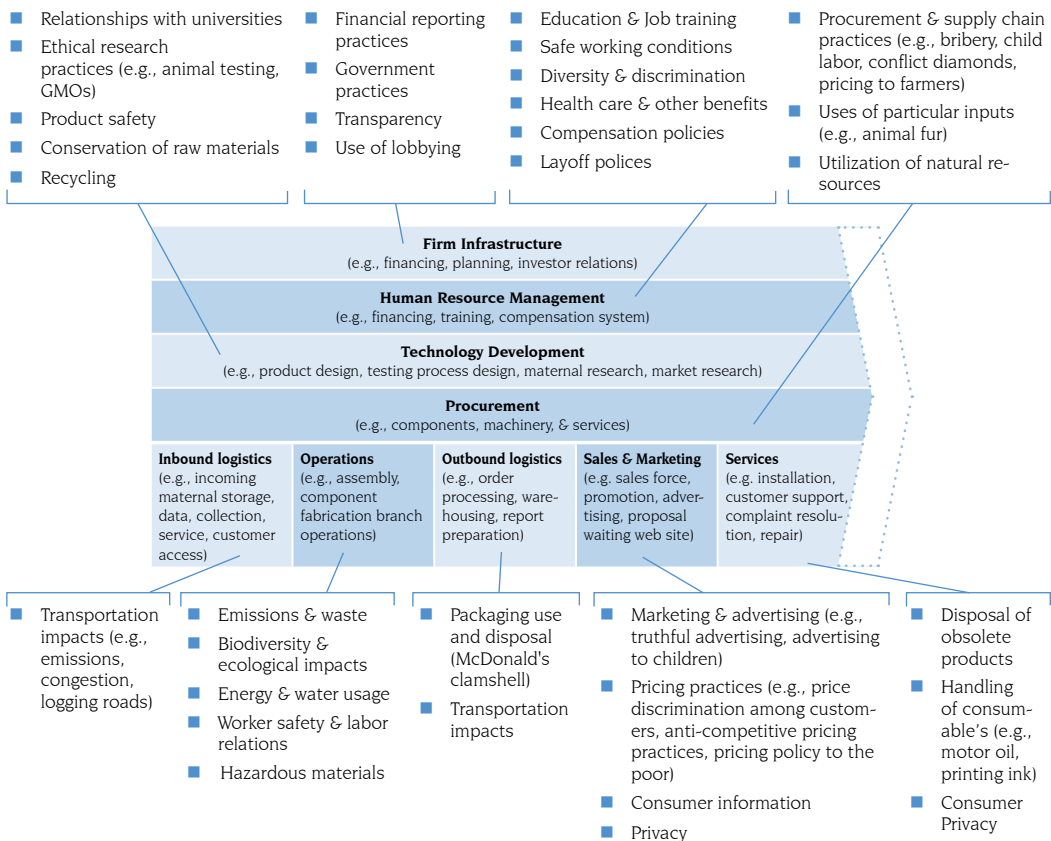- Handling of consumable's (e.g., motor oil, printing ink)
- Consumer Privacy

Figure 3.19 An example of the social impact of the value chain adopted from Porter (1985)

Outsourcing Value Chain activities

A firm may specialize in one or more value chain activities and out source the rest. The extent to which a firm performs upstream and downstream activities is described by its degree of vertical integration.

The Value Chain system

A firm's value chain is a part of a larger system that includes the value chains of upstream suppliers and downstream channels and customers. Porter calls this series of value chains the value system, shown conceptually below;
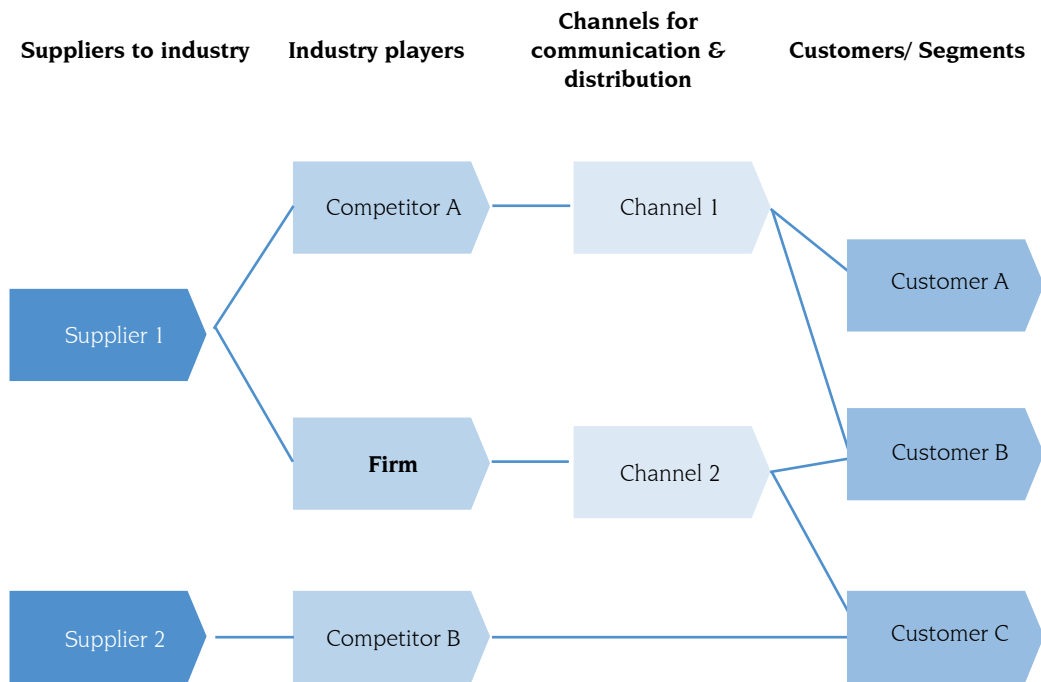

Figure 3.20 Linkages between industry value chains adopted from Porter (1985)

Linkages exist not only in a firms value chain, but also between industry value chains. Whilst a company exhibiting a high degree of vertical integration is poised to better coordinate upstream and downstream activities, a firm having a lesser degree of vertical integration nonetheless can forge agreements with suppliers and channel partners to achieve better coordination. E.g. (Cargills Ceylon)

An elaborate example of a Value Chain for a Sri Lankan Company

Infrastructure – 122 service points & more than 5000 franchise dealership island wide, which is the widest customer service infrastructure in the sector. The company employs 1643 2D based stations & 673 3G base stations island wide, which are responsible of providing coverage.

HR Management – with 3384 direct employees, it has been estimated that Dialog has created 10,000 indirect employment opportunities across all 9 provinces of the country & is by far the mobile sector's largest employer (approx. 55% of mobile sector employment). Training & development is frequently seen across all the divisions in the company (85% of the trainers are city & Guild qualified professionals.

Technology Development – The company was the 1st in South Asia to launch 3G in year 2006 & 4G in 2011. Transforming the company with technology, automation & modernization has resulted Dialog with Next Generation Network (NGN) technologies since 2009. This enables the company to de-scale operation costs by a significant margin. Process optimization & automation has also taken place across multiple segments of the company's value chain.

Procurement – The Company Sells airtime & today it also sells DATA. In order to focus on revenue generation, they have partners with mobile phone manufacturers such as NOKIA, SAMSUNG, MICROMAX, and MOTOROLLA etc., which allow them to bring cash flows in to the company.

Inbound Logistics	Operations	Outbound Logistics	Marketing & Sales	Services
The Company receives stocks in 3 different ways (local agents, imports & consignments). Purchase orders are given to local agents who deliver the goods to the warehouse. Foreign suppliers include Vodafone & ZTE while consignees are the local authorized dealers.	Focuses more on people as a resource. Products & service points, dealer points & franchises.	The Company tests each & every product & service prior to the launch & look into the user acceptability of it.	Advertising, sales promotions, sponsorships, etc. are all blended & utilized. Building strategies & assuring revenue generation is done by the marketing department while persuasion of the action of purchasing is done by sales.	Warranty is provided for every product sold under The Company brand. Technical counters are available at 3 service centers to further emphasize on after sales service.

Figure 3.21 An example of the value chain for a Sri Lankan Telco company
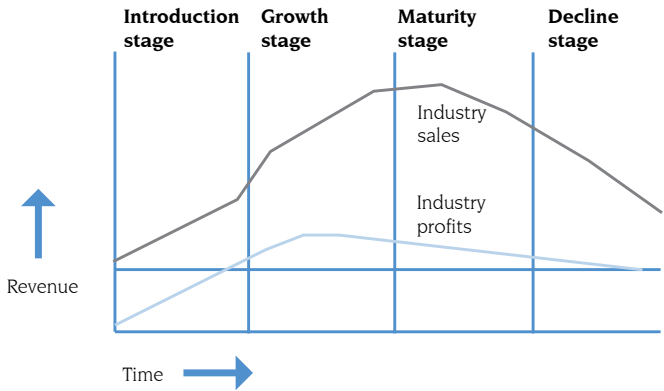
Product Life Cycle (PLC)

Figure 3.22 Stages in a Product Life Cycle

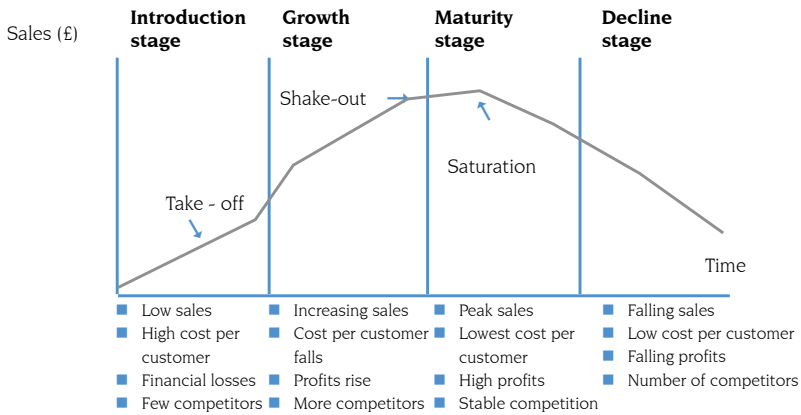|			
■ Low sales	■ Increasing sales	■ Peak sales	■ Falling sales
■ High cost per customer	■ Cost per customer falls	■ Lowest cost per customer	■ Low cost per customer
■ Financial losses	■ Profits rise	■ High profits	■ Falling profits
■ Few competitors	■ More competitors	■ Stable competition	■ Number of competitors

Figure 3.23 The product characteristics & Stages in a Industry Life Cycle
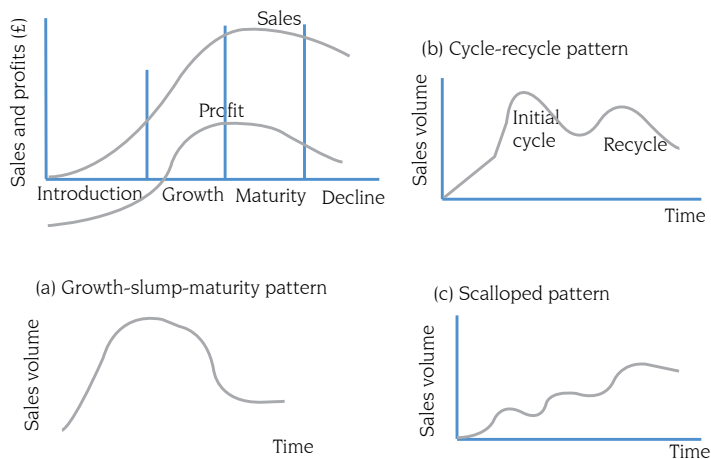
Figure 3.24 The patterns of the product Life Cycle

Portfolio analysis tools

Our competitive position

	High ←		Low
High	**Stars** Cash generated + + + Cash used − − ―――― +	**Question marks** Cash generated + Cash used − − ―――― − −	**Research and Development** Cash generated 0 Cash used − − − ―――― − −
	Cash cows Cash generated + + + Cash used − − ―――― + +	**Dogs** Cash generated + Cash used − ―――― 0	
Low			

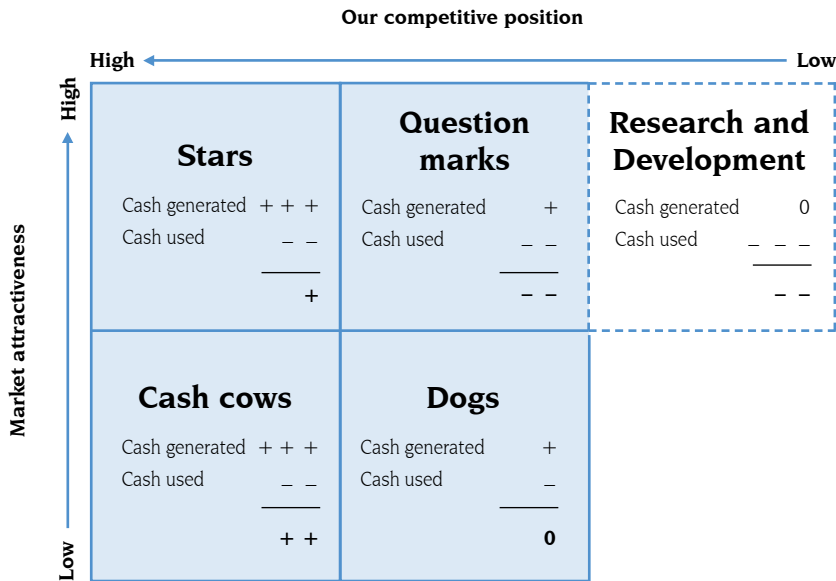*(vertical axis: Market attractiveness, High to Low)*

Figure 3.25 The BCG Portfolio Matrix

The Boston Consulting Group (BCG) Matrix provides a graphic representation for an organisation to examine different businesses in its portfolio on the basis of their related market share and industry growth rates.

- **Stars** - Stars represent business units having large market share in a fast growing industry.

- **Cash Cows** - Cash Cows represents business units having a large market share in a mature, slow growing industry.

- **Question Marks** - Question marks represent business units having low relative market share and located in a high growth industry.

- **Dogs** - Dogs represent businesses having weak market shares in low-growth markets.

The McKinsey / General Electric Matrix

The McKinsey/GE Matrix overcomes a number of disadvantages in the BCG matrix. Firstly, market attractiveness replaces market growth as the dimension of industry attractiveness, and includes a broader range of factors other than just the market growth rate. Secondly, competitive strength replaces market share as the dimension by which the competitive position of each SBU is assessed.

A major assumption behind the GE-McKinsey matrix is that it can operate when the economies of scale are achievable in production and distribution. Unless the same holds true, the concept of leveraging the competencies of the firm and the SBU falls flat. Also some of the factors of competitive strength and market competitiveness may be extremely important for a particular instance, whilst in another instance may even require other factors. The top management of the organisation should decide upon these factors very carefully as there is no generic set of factors with which all SBUs may be evaluated.

The relative weight age given to each of the factors of competitive strength and market competitiveness is often arbitrary. Whilst some methodology such as the Analytic Hierarchy Process may be used to compute the relative importance of such factors, such is mostly undone. These are the major flaws of the model.
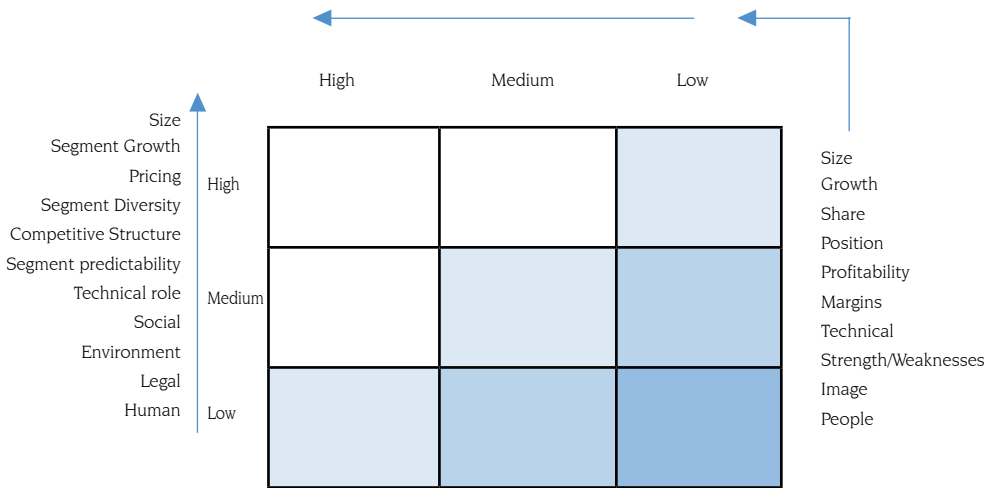

Figure 3.26 The McKinsey / General Electric Matrix

Shell directional policy matrix

The traditional way of looking at a business units' strengths and weaknesses as well as comparing business sector prospects was to use historical and forecast rates of return on capital employed. This was done because a sector where prospects were favorable and the company's position strong tended to show higher profitability. Shell found that these records and forecasts were not sufficient for the guidance of management in corporate planning and allocation of resources.

The directional policy matrix is a useful tool since it captures many aspects of the portfolio strategy in one diagram and has strategic implications proposed for each quadrant. This is by far the most comprehensive portfolio analysis tool and can be used to negate the weaknesses of the previous tools.
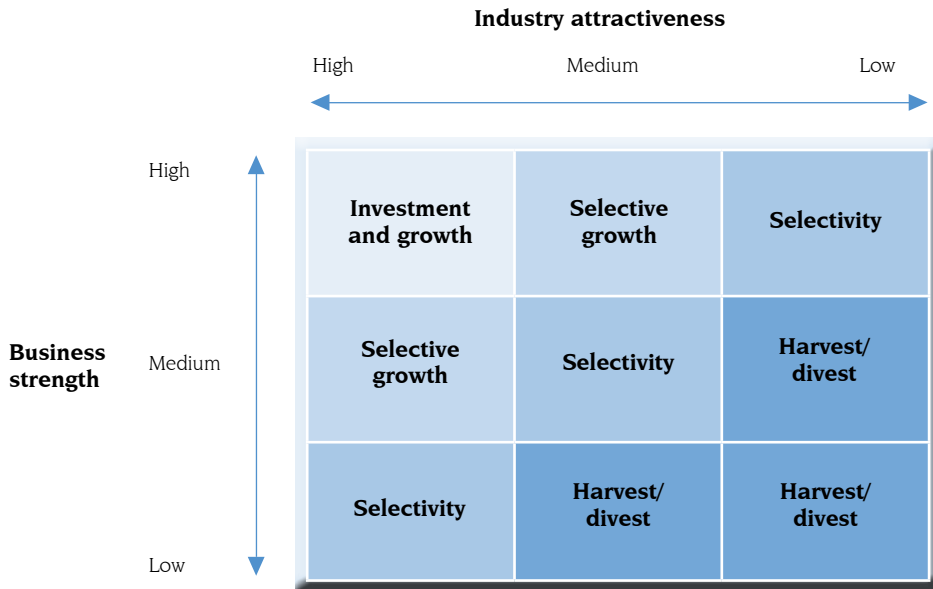
Industry attractiveness

	High	Medium	Low

Figure 3.27 Shell directional policy matrix

The diffusion of product adaptation across markets The diffusion of product adaptation across markets

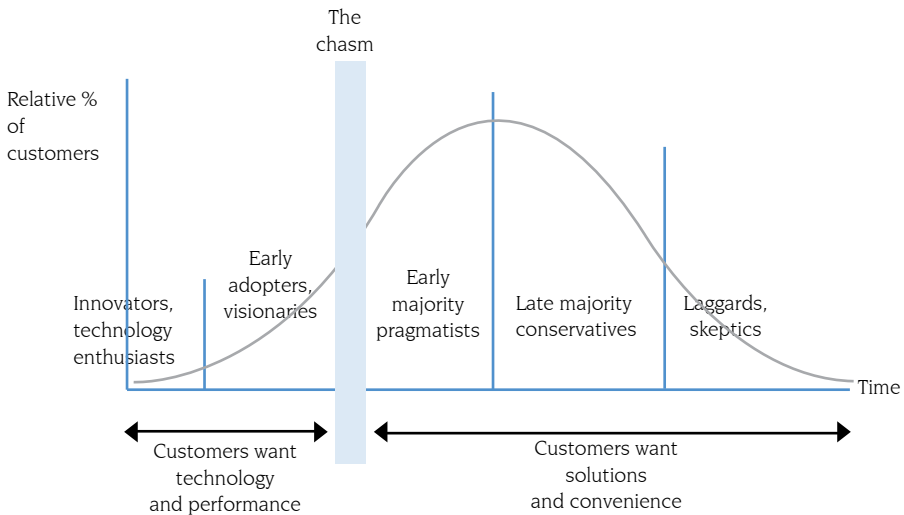Figure 3.28 Rodgers diffusion curve

Life Cycle based Portfolio Management

Competitive position	Industry life cycle stage			
	Embryonic	**Growth**	**Mature**	**Aging**
Dominant	All out push for share; Hold Position	Hold position; Hold Share	Hold position; grow with industry	Hold position
Strong	Attempt to improve positions; All out push for share	Attempt to improve position: push for share	Hold position; growth with industry	Hold position or harvest
Favorable	Selective or all out push for share; selectively	Attempt to improve position; selective push for share	Custodial or maintenance; find niche and attempt to protect it	Harvest or phased out withdrawal
Tenable	Selectively push for position	Find niche and protect it	Find niche and hand on, or phased out withdrawal	Phased out withdrawal, or abandon
Weak	Up or out	Turnaround	Turnaround, orphaned out withdrawal	Abandon

Figure 3.29 ADL little strategic Condition matrix

ADL matrix has two main dimensions which are competitive position and the stage in the industry life cycle. The competitive position is driven by the sectors or segments in which a strategic business unit (SBU) operates.

The product or service which it markets, and the accesses it has to a range of geographically dispersed markets that are what makes up an organisations competitive position. Industry maturity is very similar to the product life cycle (PLC) and could almost be renamed as the Industry Life cycle". Of course not only industries could be considered here but segments as well.
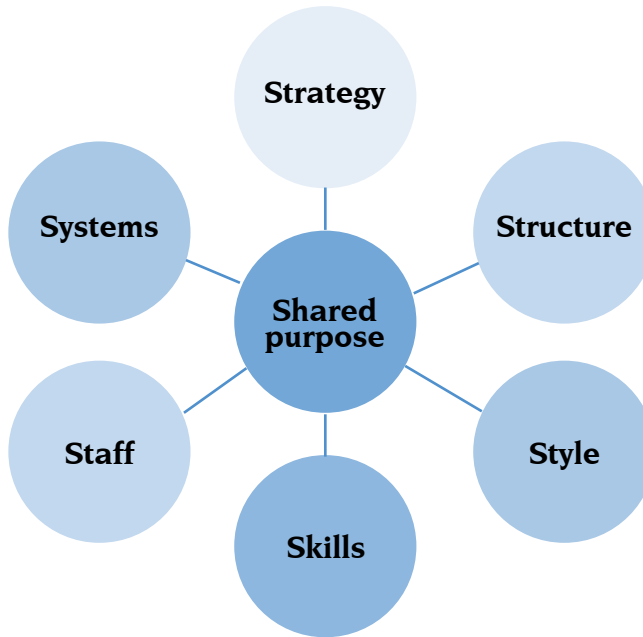
A *Strategy implementation tool*

Figure 3.30 Mckinsey 7S Framework

The McKinsey Seven 'S' framework looks at the organisation from a different perspective identifying 'hard' and 'soft' shared values.

- **Strategy** is the set of plans outlining how the organisation is going to achieve its objectives

- **Shared values** are guiding principles which lead the organisation into behaving in a particular way

- **Structure** refers to how the organisation is structured functionally, i.e. who respects to whom

- **Skills** are the capabilities that the organisation has as a whole

- **Systems** are the processes and procedures which the organisation uses to meet customer needs

- **Style** is the management approach collectively used

- **Staff** are the people who constitute the organisation

	Description	Diagnosis Test (Key questions)	Diagnosis Test (Key questions)
Shared Values	The values and beliefs of the company. Ultimately they guide employees towards 'valued' behavior.	• What are the core values? • What is the corporate/team culture?	• How strong are the values? • What are the fundamental values that the company/team was built on?
Strategy	The direction and scope of the company over the long term	• What is our strategy? • How do we intend to achieve our objectives? • How do we deal with competitive pressure?	• How are changes in customer demands dealt with? • How is strategy adjusted for environmental issues?
Structure	The basic organization of the company, its departments, reporting lines, areas of expertise, and responsibility (and how they inter-relate).	• How is the company/team divided? • What is the hierarchy? • How do the various departments coordinate activities? How do the team members organize and align themselves?	• Is decision making and controlling centralized or decentralized? Is this as it should be, given what we're doing? • Where are the lines of communication? Explicit and implicit?
Systems	Formal and informal procedures that govern everyday activity, covering everything from management information systems, through to the systems at the point of contact with the customer (retail systems, call centre systems, online systems, etc).	• What are the main systems that run the organization? Consider financial and HR systems as well as communications and document storage.	• Where are the controls and how are they monitored and evaluated? • What internal rules and processes does the team use to keep on track?
Style	The leadership approach of top management and the company's overall operating approach	• How participative is the management/leadership style? • How effective is that leadership? • Do employees/team members tend to be competitive or cooperative?	• Are there real teams functioning within the organization or are they just nominal groups?
Staff	The company's people resources and how they are developed, trained, and motivated.	• What positions or specializations are represented within the team?	• What positions need to be filled? • Are there gaps in required competencies?
Skills	The capabilities and competencies that exist within the company. What it does best.	• What are the strongest skills represented within the company/team? • Are there any skills gaps? • What is the company/team known for doing well?	• Do the current employees/team members have the ability to do the job? • How are skills monitored and assessed?

Figure 3.31 Conducting a diagnostic test using the Mckinsey 7S Framework

Stakeholder analysis

Stakeholders are those individuals or groups who depend on an organisation to fulfil their own goals and on whom, in turn, the organisation depends. They can be classified into 3 types.

■ **Internal stakeholders** - Employees, internal shareholders, senior management

■ **Connected stakeholders** - Shareholders, consultants

■ **External stakeholders** - Suppliers, distributors, customers, creditors, minority groups, government, and the public at large
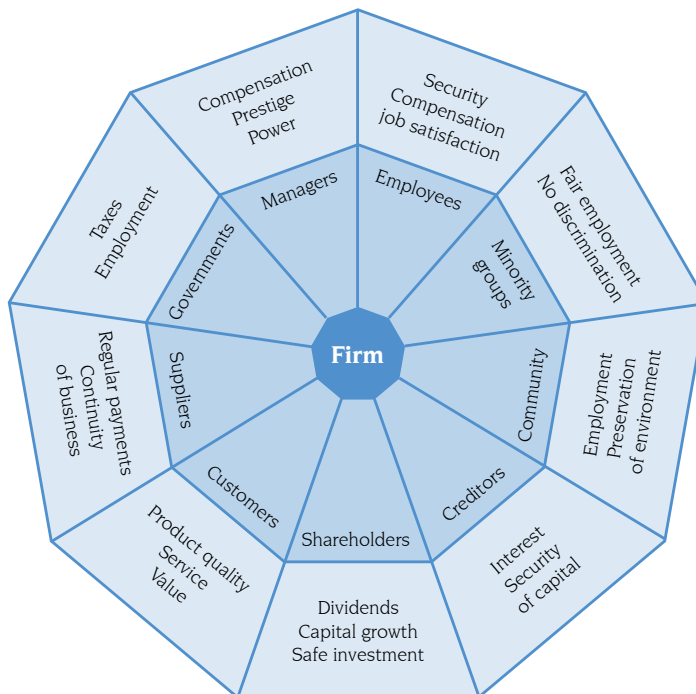
Figure 3.32 Expectation of a firms Stakeholders

Stakeholder mapping - the Power / interest matrix

The matrix is useful to prioritize which stakeholders the company needs to engage and have on going dialog with throughout the year.

■ High power, interested people: these are the people you must fully engage with and make the greatest efforts to satisfy.

■ High power, less interested people: put enough work in with these people to keep them satisfied, but not so much that they become bored with your message.

- Low power, interested people: keep these people adequately informed, and talk to them to ensure that no major issues are arising. These people can often be very helpful with the detail of your project.

- Low power, less interested people: again, monitor these people, but do not bore them with excessive communication.
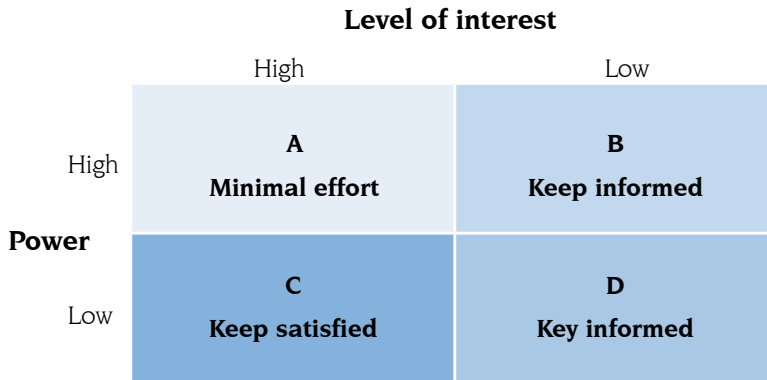
Level of interest

	High	Low
High Power	**A** **Minimal effort**	**B** **Keep informed**
Low	**C** **Keep satisfied**	**D** **Key informed**

Figure 3.33 The Power / interest matrix Based on Eden and Ackerman (1998)

Vroom's & McCarthy's 7 P's (The Marketing Mix)

Product
- Market share
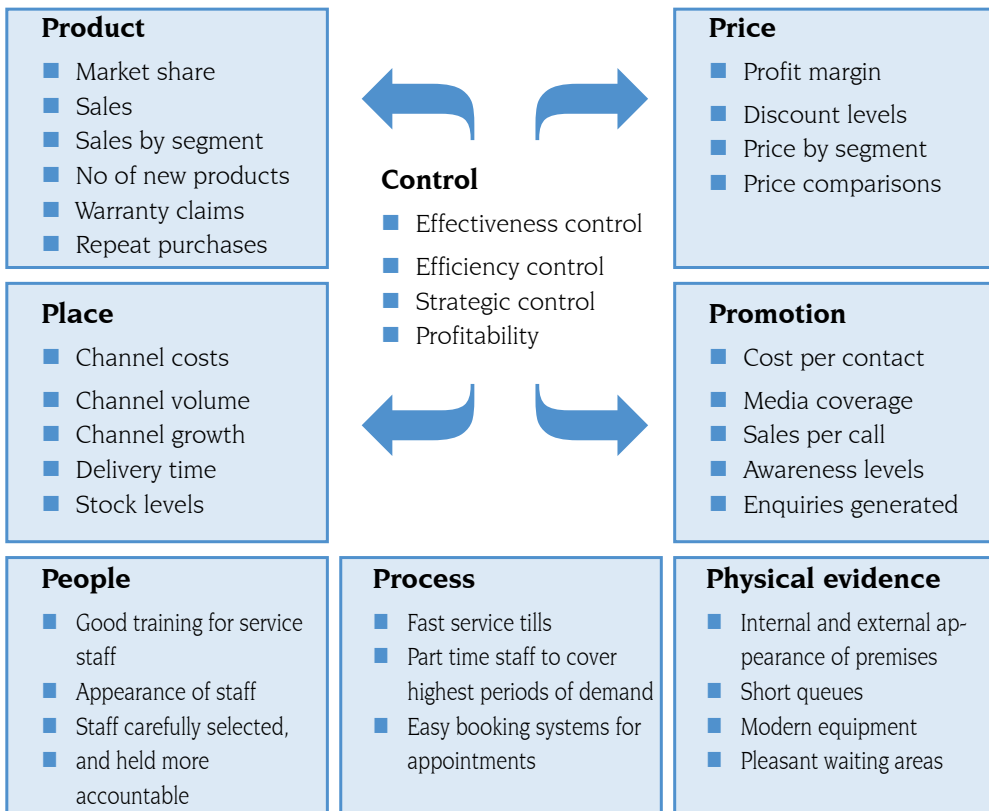- Sales
- Sales by segment
- No of new products
- Warranty claims
- Repeat purchases

Control
- Effectiveness control
- Efficiency control
- Strategic control
- Profitability

Price
- Profit margin
- Discount levels
- Price by segment
- Price comparisons

Place
- Channel costs
- Channel volume
- Channel growth
- Delivery time
- Stock levels

Promotion
- Cost per contact
- Media coverage
- Sales per call
- Awareness levels
- Enquiries generated

People
- Good training for service staff
- Appearance of staff
- Staff carefully selected,
- and held more accountable

Process
- Fast service tills
- Part time staff to cover highest periods of demand
- Easy booking systems for appointments

Physical evidence
- Internal and external appearance of premises
- Short queues
- Modern equipment
- Pleasant waiting areas

Figure 3.34 The extended marketing mix

Place
- Retail
- Wholesale
- Mail order
- Internet
- Direct Safes
- Peer to Peer
- Multi-Channel

Product
- Design
- Technology
- Usefulness
- Convenience
- Value
- Quality
- Packaging
- Branding
- Accessories
- Warranties

Price
- Strategies
- Skimming
- Penetration
- Psychological
- Cost-Plus
- Loss leader, etc.

Physical Environment
- Smart
- Run-down
- Interface
- Comfort
- Facilities

Target Market

Promotion
- Special Offers
- Advertising
- Endorsements
- User trials
- Direct mailing
- Leaflets/posters
- Free gifts
- Competitions
- Joint ventures

Process
- Especially relevant to service industries
- How are services consumed?

People
- Employees
- Management
- Culture
- Customer Service

Figure 3.35 The Marketing Mix analysis

The Product Onion (Levels of a product)

- Potential Product
- Augmented Product
- Expected Product
- Basic Product
- Core Product

Where value is added

What the customer expects
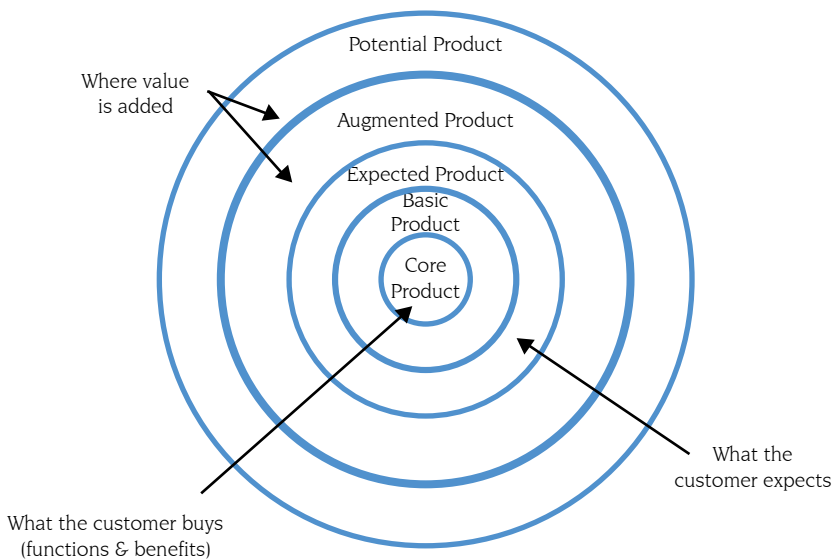
What the customer buys (functions & benefits)

Figure 3.36 The Product Onion (Levels of a product)

Level 01 : The marketer needs to think through the five levels of the product. Each level ads more customer value, and the five constitute of a customer value hierarchy. The most fundamental level is the core benefit. This is the fundamental product or service benefit that the customer is really buying. E.g. A hotel guest is buying "rest and sleep". The purchaser of a drill is buying "holes". This is the core benefit offered.

Level 02 : At the second level, the marketer has to turn the core benefit into a basic product. Thus a hotel room includes a bed, bathroom, towels, desk, dresser and closet etc.

Level 03 : At the third level, the marketer prepares an expected product, a set of attributes and conditions buyers normally expect when they purchase this product. Hotel guests expect a clean bed, fresh towels, working lamps, and a relative degree of quietness. Because most hotels can meet this minimum expectation, the traveller normally will settle for whichever hotel that's most convenient or least expensive.

Level 04 : At the fourth level, the marketer prepares an augmented product that exceeds customer expectations. A hotel can include a remote control television set, fresh flowers, rapid check in, express check out, fine dining and room service. Elmer Wheeler once observed, "Don't sell jelly – Sell the sizzle". Today s competition takes place at the product augmentation level. According to Harvard Professor Theodore Levitt, "The new competition is not between what the company produce in their factories, but between what they add to their factory output in the form of packaging, services, advertising, customer advice, financing, delivery arrangements and other things that people value" However, each augmentation adds costs. The marketer has to ask whether customers will pay enough to cover the extra cost. Augmentation benefits may also soon become expected benefits. E.g. Today's hotel guests expect a remote control television set in their hotel rooms.

Level 05 : At the fifth level stands the potential product, which encompasses all the possible augmentation and transformations the product may undergo in the future. This stage is where companies search for new ways to satisfy customers and distinguish their offering. Successful companies add benefits to their offering that not only satisfy customers but also surprise and delight them. Delighting is a matter of exceeding expectations. E.g. The hotel guest finds candy on the pillow or a bowl of fruit waiting fro him. Ritz Carlton hotels, example, remember individual guest preferences and prepare rooms with these preferences in mind.

The 6 Step SWOT *Analysis*

This is the most fundamental tool in marketing, which can be used by an amateur marketer. However, a fully blown SWOT can be helpful to exhaust your thoughts before embarking on the marketing plan and audit. The SWOT steps are as follows;

Step 1 (Analysis) - List the businesses/ strategic business units strengths and weaknesses that are internal to the organisation and opportunities and threats, which are external to the organization. One must exhaust your thoughts here and not be defensive. An example is provided below;

Strengths	Weaknesses
⭘ Specialist marketing expertise	⭘ Lack of marketing expertise
⭘ Exclusive access to natural resources	⭘ Undifferentiated products and service (i.e. in relation to your competitors)
⭘ Patents	⭘ Location of your business
⭘ New, innovative products or services	⭘ Competitors have superior assess to distribution channels
⭘ Location of your business	
⭘ Cost advantage through proprietary know-how	⭘ Poor quality good or services
⭘ Quality processes and procedures	⭘ Damaged reputations
⭘ Strong brand or reputation	
Opportunities	**Threats**
⭘ Developing market (the internet)	⭘ A new competitor in your home market
⭘ Mergers, joint ventures or strategic alliances	⭘ Price war
⭘ Moving into new attractive market segments	⭘ Competitor has a new, innovative substitute product or service
⭘ A new international market	⭘ New regulations
⭘ Loosening of regulations	⭘ Increased trade barriers
⭘ Removal of international trade barriers	⭘ Taxation may be introduced in your product or service
⭘ A market led by a weak competitor	

Figure 3.37 An example of the factors in a SWOT analysis

Step 2 (Converting) - Take each weakness and discuss plans as to how that can be converted to a strength. E.g. Lack of marketing expertise is an internal weakness, however, this can be overcome by recruiting these skills before starting the marketing plan thus filling the gaps. Further, all threats can also be converted in to opportunities. E.g. A competitor launch of a new product might also suggest improvements to your existing product or may give you the opportunity to launch a new product to counter your competitor.

Step 3 (Matching) - All strengths must be matched with corresponding opportunities. E.g. If you received a patent for a product, then it is a strength and can be used to exploit the opportunity of launching new products. Upon matching each strength with listed opportunities you would notice that the company possesses some strengths without any corresponding opportunity to match or vice versa where you have some opportunities but no identified strengths to match. These miss-matches are very important insights and must be addressed in your marketing plan.

Step 4 (Generating Key Issues) - Key issues are the basis of a good marketing plan and these are the critical issues a company must address or overcome. A plan may usually address 4-5 key issues. These issues are the issues, which act as limiting factors for the company to grow exponentially. The key issues are derived form the main weaknesses, opportunities and threats in the SWOT. After compiling the exhaustive list, the marketer must pick the most vulnerable weaknesses, the most perennial threats and the biggest opportunities and prioritize them as 4-5 key issues.

Step 5 (Strategic Strengths versus Critical success factors) - Here, the marketer must list the critical success factors of the industry. E.g. The critical success factors in the airline industry may be classified as on time arrivals and departures, code shares, load factor and number of destinations. For the supermarket industry critical success factors may include central warehousing, category management and merchandising, location and backward integration. Similarly the marketer needs to list the industry's CSF's. After completing this exercise, a comparison of the industry's CSF's and the company's strengths will be useful. For instance, if the CSF is identified as central warehousing and the super market has identified it as a strength it becomes a strategic strength and must be leveraged to its fullest potential.

Step 6 (Leverage, Overcome, Exploit and Mitigate) – The final step is to go though each item in the SWOT and brainstorm as to how all strengths can be leveraged, overcome weaknesses, exploit opportunities and mitigate threats.

The TOWS Matrix

The TOWS Matrix (Weihrich,1993) introduced strategic implications for each quadrant in the SWOT. They are as follows;

External / Internal elements	Organizational strengths	Organizational weaknesses
	Strategic options	
Environmental opportunities (and risks)	S-O: strengths can be used to capitalize or build upon existing or emerging opportunities	W-O: the strategies developed need to overcome organizational weaknesses if existing or emerging opportunities are to be exploited.
Environmental threats	S-T: strengths in the organization can be used to minimize existing or emerging threats	W-T: the strategies pursued must minimize or overcome weaknesses and as far as possible cope with threats

Figure 3.38 The TOWS Matrix by Weihrich (1993)

Strategies Tactics Actions	Internal strengths 1. Cash position 2. Luxury car image 3. New car models 4. Location close to suppliers 5. Engineering & technology	Internal weaknesses 1. High costs 2. Venturing into unrelated business 3. Organizational diversity 4. Reliance on past successes and bureaucracy 5. Relatively weak position in Japan
External opportunities 1. Demand for luxury cars 2. Eastern Europe, especially East Germany 3. Prosperity through EC 1992 4. Electronics technology	S-O strategy 1. Develop new models (using high-tech) and charge 2. Use financial resources to acquire other companies or increased production capacity	W-O strategy 1. Reduce costs through automation and flexible manufacturing 2. Manufacture parts in eastern Europe 3. Reorganizations 4. Dalmer-benz management holding companies
External threats 1. Decrease in defense needs because of easing East-West tensions 2. BMW, Volvo, Jaguar, Lexus, Infinity in Europe 3. BMW in Japan 4. Diesel emissions 5. Renault/Volvo cooperation 6. Political instability in south Africa	S-T strategy 1. Transform defense sector to consumer sector 2. Develop new models to compete especially in Europe	W-T strategy 1. Retrench in South Africa 2. Form strategic alliance with Mitsubishi to penetrate the Japanese

Figure 3.39 TOWS analysis for Daimler-Benz's Mercedes-Benz car division (1990)
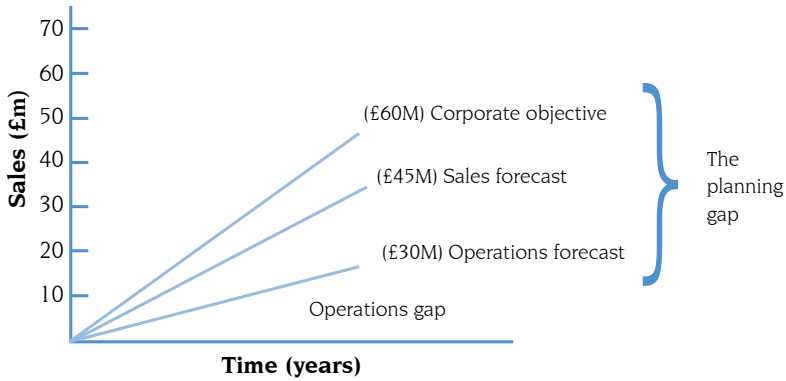Source : Weihrich (1993)

The strategic planning gap

Figure 3.40 The strategic planning gap

This tool can be used to calculate the difference or 'gap' between desired projections and current or forecasted operational reality. The details of the process showing the current position and where the company wants to be are plotted on a graph. The axes of the graph show the desired indicator for judging the gap (market share, sales, profitability etc.), against time. Analysis of the chart allows businesses to decide on the resources and strategy needed to achieve the company's objectives.
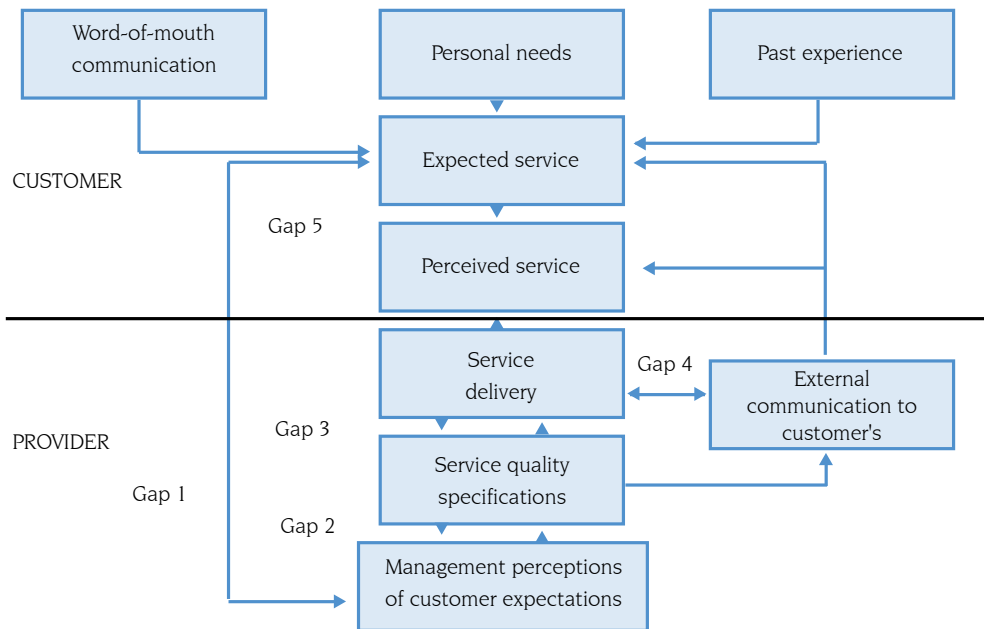
Service quality gaps model

Figure 3.41 The Servequal model

Reasons for service quality gaps

Gap 1	Not knowing what customers expect
Gap 2	The wrong service quality standards
Gap 3	The service performance gap
Gap 4	Promises do not match actual delivery
Gap 5	The difference between customer perception and expectation

Figure 3.42 Servequal gap's explained

The service quality model, also known as the GAP Model, was developed in 1985. It highlights the main requirements for delivering a high level of service quality by identifying five 'gaps' that can lead to unsuccessful delivery of service. Customers generally have a tendency to compare the service they 'experience' with the service they 'expect' to receive; thus, when the experience does not match the expectation, a gap arises. Here is an example of each gap.

GAP 1: Gap between consumer expectation and management perception. This gap arises when the management or service provider does not correctly perceive what the customer wants or needs. For instance – hotel administrators may think guests want better food or in-house restaurant facilities, but guests may be more concerned with the responsiveness of the staff or the cleanliness of their rooms.

GAP 2 : Gap between management perception and service quality specification. This is when the management or service provider might correctly perceive what the customer wants, but may not set a performance standard. An example here would be that hospital administrators may tell the nurse to respond to a request 'fast', but may not specify 'how fast'.

GAP 3: Gap between service quality specification and service delivery. This gap may arise in situations pertaining to the service personnel. It could happen due to poor training, incapability or unwillingness to meet the set service standard. An example would be when a doctor's office has very specific standards of hygiene communicated but the hired staff may have been poorly trained on the need to follow these strict protocols.

GAP 4 : Gap between service delivery and external communication. Consumer expectations are highly influenced by statements made by company representatives and advertisements. The gap arises when these assumed expectations are not fulfilled at the time of delivery of the service. For example a hospital printed on its brochure may have clean and furnished rooms but in reality, it may be poorly maintained in this case the patient's expectations are not met.

GAP 5: Gap between expected service and experienced service. This gap arises when the consumer misinterprets the service quality. The physician may keep visiting the patient to show and ensure care, but the patient may interpret this as an indication that something is really wrong.
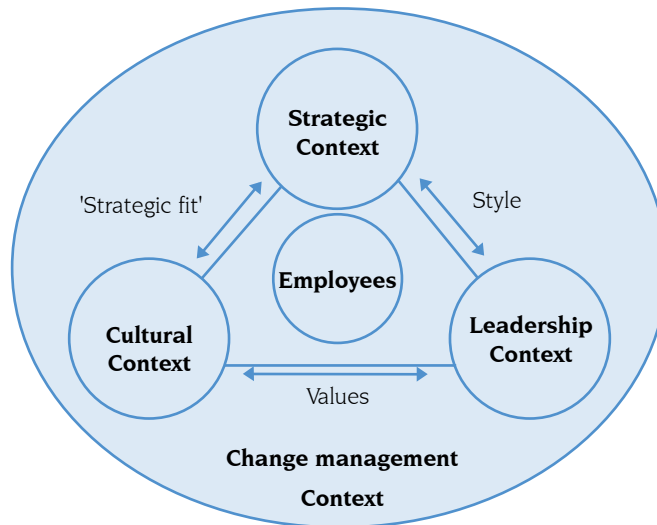
The Diasz Context Map

Figure 3.43 The Diasz Context Map

The 4 factors mentioned above in the context map will need to work hand in glove in order to effectively implement marketing plans. When carefully managed the interplay of these 4 factors will have a knock on effect on each other in order to deliver exponential results. Let us explore each factor in detail.

1. Change management Context

Change management is an approach to transitioning individuals, teams, and organisations to a desired future state. Ultimately, the goal of change is to improve the organisation by altering how work is done. Change typically results as a reaction to specific problems or opportunities the organisation is facing based on internal or external stimuli. Whilst the notion of 'becoming more competitive', 'becoming closer to the customer' or 'becoming more efficient' can be the motivation to change, at some point these goals must be transformed into the specific impact it has on processes, systems, organisational structure or job roles. There are two methods of change;

a) Evolutionary change

 Change can be managed as an evolutionary process where change is gentle or almost imperceptible. In these circumstances as long as there are markers of success at appropriate points even continuous change can be rewarding and motivating. Evolution is less disruptive and expensive so has the advantage of creating little resistance. It becomes a way of life. It is also more likely to encourage learning. If evolution is causing high levels of disruption it is more likely to be the case because of the way it is being managed.

b) Revolutionary change

Some changes are the result of management wanting to 'shake things up'. The risk is that you shake things up for the worse not better. There has to be a goal and a clear statement on desired outcomes. Sometimes it is necessary to manage a revolution because externally some dramatic and unexpected change is forcing a fast and dramatic response. Sometimes a revolution is the result of management complacency or failure to identify trends leading to change. Revolution is only beneficial in particular circumstances when you have no choice. Managing continuous change as a revolution is a recipe for change fatigue and could possibly lead to losing good people as well as customers.

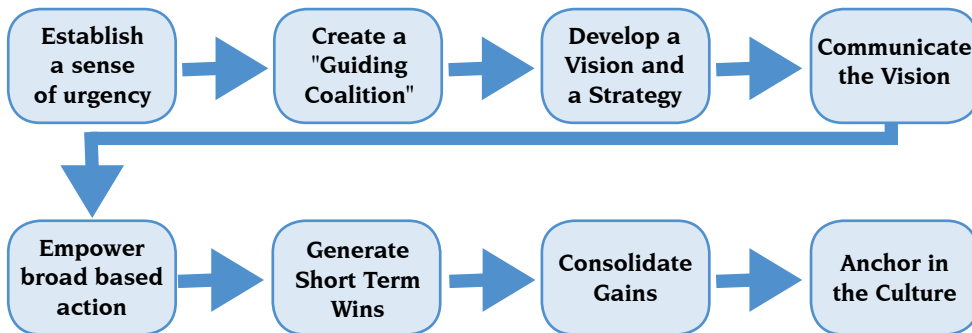**Kotter (1995) outlines a process for creating major change**

Figure 3.44 Kotter's change managment process

(i). Establishing a sense of urgency
- Examining the market and competitive realities
- Identifying and discussing a crisis, a potential crisis or major opportunities

(ii). Creating a guiding coalition
- Putting together a group with enough power to lead change
- Getting the group to work together as a team

(iii). Developing a vision and a strategy
- Creating a vision to help direct the change effort
- Developing strategies to achieve that vision

(iv). Communicating the change vision
- Using every vehicle possible to constantly communicate the change vision and strategies
- Having the guiding coalition role model is the behavior expected off employees

(v). Empowering broad based action
- Getting rid of obstacles
- Changing systems or structures that undermine the change vision
- Encouraging risk taking and nontraditional ideas, activities and actions

(vi). Generating short term wins

- Planning for visible improvements in performance or 'wins'
- Creating those wins
- Visibly recognizing and rewarding people who made the win possible

(vii). Consolidating gains and producing more change

- Using increased credibility to change all systems, structures, and policies that don't fit together and don't fit the transformation vision
- Hiring, promoting, and developing people who can implement change
- Reinvigorating the process with new projects, themes and change agents

(viii). Anchoring new approaches in the culture

- Creating better performance through customer and productivity oriented behavior leading to more and better leadership and effective management
- Articulating connections between new behaviors and organizational success
- Developing means to ensure leadership development and success

Wilson (2003) describes the transition curve in order to understand how people adapt to change. This can be a very useful tool to determine the change capacity of team members and the life cycle may be shorter for mature leaders who thrive in chaos and are receptive to constant change.
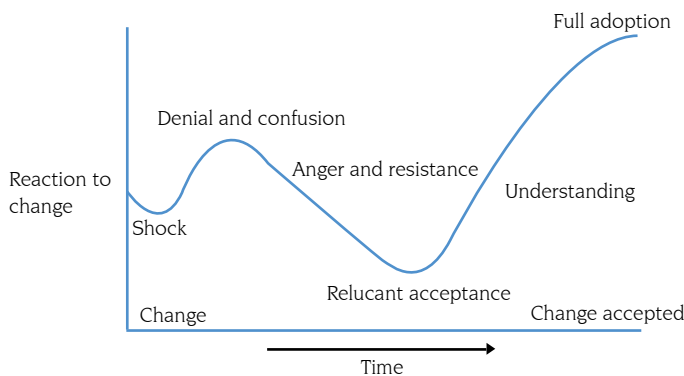

Figure 3.45 Reaction to change - Adopted from Wilson (1993)

2. Strategic Context

This involves synthesizing the company's corporate and business strategy and making necessary changes to the culture and leadership of the organisation. There are many strategic options one may choose. This will be explored in the next chapter.

3. Leadership Context

Leadership outlines what needs to be done by creating and identifying new ideas and establishing a vision and a clear direction. A leadership style is a leader's style of providing direction, implementing plans, and motivating people.
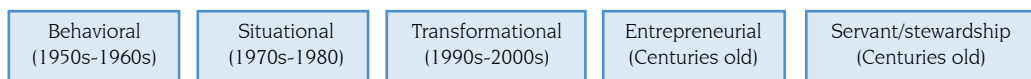
Successful leaders are not just intelligent and technically skilled. Increasingly, emotional intelligence is seen as essential to good leadership. Emotional intelligence can be defined by the ability to monitor one's own and others feelings and emotions, to discriminate among them and use this information to guide thinking and action.

Intellectual Quotient (IQ) can measure concepts like logical reasoning, word knowledge and math skills. Many feel it is not adequate in measuring creative abilities or emotional abilities.

Emotional Quotient (EQ) is one of the ways to measure a person's ability to be successful in life and asserts that emotional quotient or emotional intelligence is as valuable as intellectual quotient. A high emotional quotient means someone is self confident, self aware and able to navigate through trying emotional times. EQ is often tied directly to the degree of success one may have in the workplace and in personal relationships. Mayer and Salvoey (1990) described four key factors of EQ:

- **Identify emotions**: the ability to perceive emotions in one self, others, and in objects, art and events.
- **Use emotions**: the ability to generate, use and feel emotion to communicate feelings, or employ them in thinking or creating.
- **Understand emotions**: the ability to understand emotional information, how emotions combine and progress, and to reason about such emotional meanings.
- **Manage emotions**: the ability to regulate emotions in oneself and others to promote personal understanding and growth.

The Journey and evolution of leadership styles

Behavioral (1950s-1960s)	Situational (1970s-1980)	Transformational (1990s-2000s)	Entrepreneurial (Centuries old)	Servant/stewardship (Centuries old)

- **Behavioral leadership theory**

Behavioral theories of leadership are based upon the belief that great leaders are made, not born. Rooted in behaviorism, this leadership theory focuses on the actions of leaders not on mental qualities or internal states. According to this theory, people can learn to become leaders through teaching and observation. Blake and Mouton (1964) introduced the Managerial Grid, which is based on two behavioral dimensions:

According to the Blake Mouton model, the Team style is the pinnacle of managerial styles. These leaders understand the importance of production needs (task orientation) and the needs of people (People Orientation). The premise here is that employees are involved in understanding organisational purpose and determining production needs. When employees are committed to, and have a stake in the organisation's success, their needs and production needs coincide. This creates a team environment

based on trust and respect, which leads to high satisfaction and motivation and, as a result, high production.
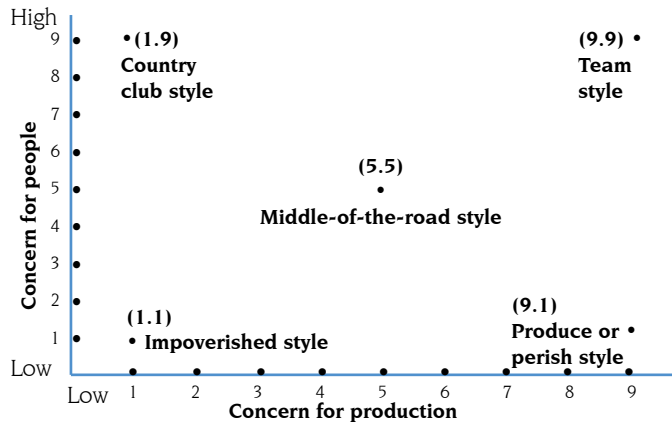

Figure 3.46 Blake and Mouton leadership Grid

■ **Situational Leadership Theory**

Situational theories propose that leaders choose the best course of action based upon situational variables. Different styles of leadership may be more appropriate for certain types of decision-making. For example: - in a situation where the leader is the most knowledgeable and experienced member of a group, an authoritarian style might be most appropriate. In other instances where group members are skilled experts, a democratic style would be more effective.
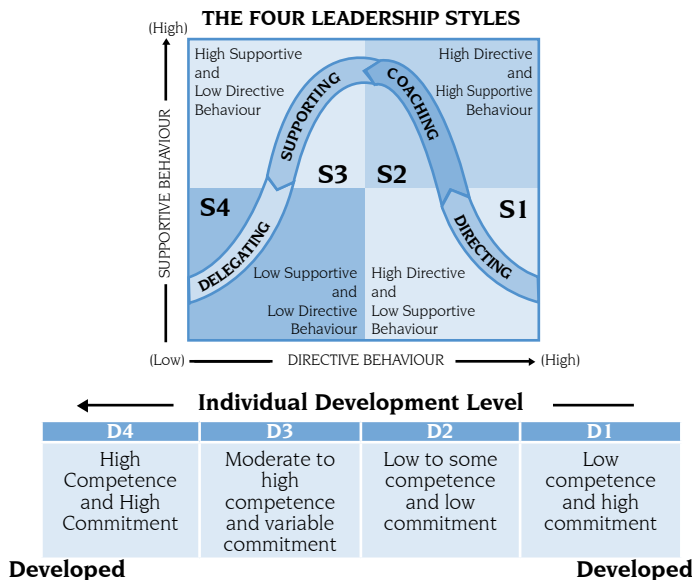

Figure 3.47 Situational Leadership Model

■ **Transformational or Relationship Leadership theories**

Relationship theories, also known as transformational theories, focus upon the connections formed between leaders and followers. Transformational leadership is based on transforming the organisations performance and such leaders are willing to make changes where necessary to improve and achieve the organisation's goals. The focus of the transformational leader is to create a vision that appeals to the values of followers and in so doing create a feeling of justice, loyalty and trust.

Transformational leadership can be democratic but the leader expects to shape and change events rather than adapt to changing events, which can result in a more autocratic style. They are focused on strategic issues and believe charisma, intellectual stimulation, inspiration and using motivation will get things done. A transformational leader challenge and assume people can be inspired to achieve high standards of performance. Learning and developing is therefore a driving force, they can be flexible, single minded, obstinate and stubborn.

Transactional/ Situational	Transformational
'Do what is required'	'Go the extra mile'
Leaders adapt to various situations	Organisations adapt, focus on consistency
Focus on day to day activities	Strategic emphasis, vision
Development of task and people behaviours	Symbolic influence
Situational analysis decides emphasis	Focus is on the organisation
Management by exception	Inspire individuals to transcend self interest, activate high level needs
	Growth and development of individuals

Figure 3.48 Transactional versus Transformational leadership

■ **Entrepreneurial leadership**

The fundamental difference between transformational leadership and entrepreneurial leadership is focus. Transformational leadership tries to change the existing order, entrepreneurial creates a new order. Creativity and innovation feature high on the list of entrepreneurial characteristics. The ability and willingness to challenge current thinking and ways of doing things and come up with new ideas is part of the entrepreneur's makeup. This means giving up control and being willing for others to take risks and make mistakes. As long as an organisations design remains flexible and bureaucracy does not take over, entrepreneurship can flourish. Entrepreneurs also do not instigate change for no valid reason, there is always a well thought through purpose.

■ **Servant/stewardship leadership**

Servant leadership goes back to thousands of years; with the idea of the leader of a kingdom serving his/her people and it can also be found in teachings of various religions. Servant leadership requires a belief that as a leader your role is to serve others first and prioritise the needs of others before focusing on personal needs. At the centre of servant personal needs is the collaboration and ethical use of power. Stewardship requires sharing power and decision-making.

Stewardship is very similar with more emphasis on passing something on that is as good or in better condition than when the leader took over. Therefore, a much long-term perspective and it protects continuity. Stewardship goes beyond fiscal performance and requires attention to broader economic impact, community responsibility, social inclusion and governance. For many small-to-medium-sized organisations, particularly a family run business, servant stewardship leadership can be automatic with a desire to see their business thrive and continue, whether passed on to the next generation of family or to mangers.

4. Cultural Context – This will be discussed in chapter 7.

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On the path to sustainable growth - Unilever Sri Lanka

Unilever is one of the largest FMCG companies in the world. On any given day, two billion people use Unilever products to look good, feel good and get more out of life.

With more than 400 brands focused on health and well-being, no company touches so many people's lives in so many different ways.

The company's global portfolio ranges from nutritionally balanced foods to indulgent ice creams, affordable soaps, luxurious shampoos and everyday household care products. The Company's world-leading brands include Lipton, Knorr, Dove, Axe, Lux and Surf, alongside trusted local names such as Astra, Pureit and Laojee.

With sales in 190 countries and operations in over 100 countries, Unilever has ambitious growth plans. However, Unilever believes that growth at any cost is not viable. They recognize that in order to live within the natural limits of the planet, they will have to decouple growth from environmental impact. According to Unilever CEO Paul Polman "We have to develop new ways of doing business

which will increase the positive social benefits arising from Unilever's activities while at the same time reducing our environmental impacts. We want to be a sustainable business in every sense of the word."

In 2009, the Company launched the Compass – Unilever's strategy for sustainable growth. It sets out a clear and compelling vision of their future, in which their brands and services reach and inspire people across the world, helping them double the size of the business while reducing the environmental footprint and increasing their positive social impact.

The Company believes that businesses that address both the direct concerns of citizens and the needs of the environment will prosper over the long term. This means sustainable growth is the only acceptable model of growth for business. This thinking lies at the heart of the Unilever Sustainable Living Plan. In November 2010, Unilever set out the Unilever Sustainable Living

Plan, committing to a ten year journey towards sustainable growth. There are three distinct features that make the Unilever Sustainable Living Plan different from sustainability strategies in other companies.

First it spans all the Company's brands in all the countries where they are sold, not just a few specialist niche products.

Second, when it comes to the environment, the Company take responsibility not just for the direct impacts of their factories but across the lifecycle – from the sourcing of raw materials all the way through to the energy and water needed by people to cook, clean and wash with their products.

Third, for Unilever, sustainability isn't just about the environment. There are social and economic dimensions too. Their products make a difference to people's health and well-being and the supply chain supports the livelihoods of millions.

Underpinning the Plan is over 50 targets. The Plan has three big goals that they seek to achieve by 2020:

■ Help more than a billion people to improve their health and well-being.

■ Halve the environmental footprint of the products.

■ Source 100% agricultural raw materials sustainably and enhance the livelihoods of people across the value chain.

As Unilever implements the Plan, they recognize that the business case for embedding sustainability into their business and brands is strong.

1. Consumers want it. A small but growing number of consumers around the world are seeking the assurance that the products they buy are ethically sourced and responsibly made. A more sustainable brand is often a more desirable brand.

2. Retailers want it. Many retailers have sustainability goals of their own and need the support of suppliers like Unilever to implement them. This collaboration is deepening the relationships Unilever has with its retail customers.

3. It fuels innovation. Sustainability is a fertile area for both product and packaging innovation. It allows the Company to deliver new products with new consumer benefits.

4. It helps develop new markets. Over half Unilever's sales are in developing countries, which often face the greatest sustainability challenges. New products that help people adapt to the changing world will drive growth.

5. It saves money. Managing operations sustainably reduces energy, minimises packaging and drives out waste. It not only generates cost savings, it can also save the consumer money.

6. It inspires people. Unilever's vision to create a sustainable, growing business is motivating for employees and appealing to people who are considering joining Unilever.

By focusing on sustainable living needs, Unilever can build brands with a significant purpose. By reducing waste, the Company creates efficiencies and reduces costs, which helps to improve margins. By taking a long-term view, Unilever can reduce risk, for example securing raw material supply through sustainable sourcing. And once a company starts looking at product development, sourcing and manufacturing through a sustainable lens, it opens up great opportunities for innovation.

Only by embedding sustainability into business will Unilever succeed in reaching their targets. They are doing this by:

■ Including sustainability into business strategy

■ Measuring progress: Unilever's brand and functional teams all have sustainability scorecards. These are reviewed quarterly by the Unilever Leadership Executive.

■ Linking progress to reward. An increasing number of managers, from the CEO downward, have sustainability goals as part of their compensation.

■ Building sustainability into innovation.
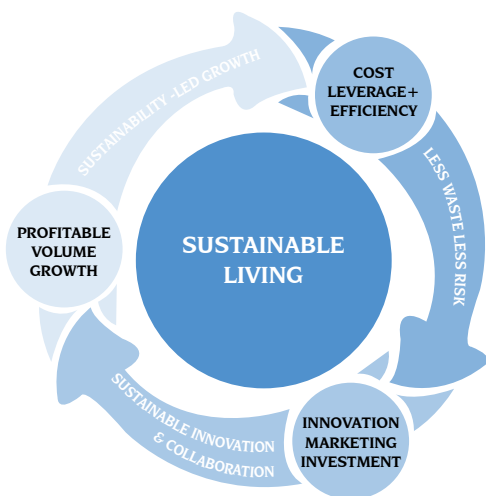
- Appointing sustainability champions. The Company has appointed 65 sustainability champions to cover every key function, category and country across the business.

- Building expertise in behavior change.

Global issues such as deforestation, water scarcity and under-nutrition are too complex for any single organisation to tackle alone. Unilever is engaging with governments to create an environment in which the big sustainability challenges can be tackled.

Unilever is working with organisations and initiatives such as the Consumer Goods Forum, the World Business Council for Sustainable Development, the World Economic Forum, the Tropical Forest Alliance 2020, Refrigerants, Naturally!, the Global Green Growth Forum and the UN's Zero Hunger Challenge and Scaling Up Nutrition initiatives. Unilever's CEO Paul Polman is also on the UN Secretary General's High Level Panel to review the Post-2015 Development Agenda.

As a business Unilever is not choosing between growth and sustainability. The Unilever Sustainable Living Plan is helping drive both growth and profitability.

Brands that are starting to put their sustainable living ambition at the heart of their proposition not surprisingly enjoyed strong growth. Lifebuoy soap delivered another year of double-digit growth while scaling up its handwashing campaigns.

The company's Brush Day and Night oral health campaign, which encourages parents and children to adopt good brushing habits, reached 49 million people and has helped its Signal brand grow by 22% since 2008.

The eco-efficiency programmes in the factories have delivered savings. The efforts to reduce the amount of packaging has also cut costs.

In 2011 Unilever's underlying sales growth was 6.5%, its market shares improved and its operating margin was broadly stable.

Unilever believes that as a business they have a responsibility to the consumers and to the communities in which they operate. In Sri Lanka, through their operations and brands, Unilever Sri Lanka (USL) plans to address the needs and priorities of the country while contributing to the global sustainability targets. In 2012, USL adopted the Unilever Sustainable Living Plan as a way of business. The company committed to targets aligned to the Global Plan.

In order to reduce the incidence of diarrhea, USL and Lifebuoy educates people about the importance of washing their hands with soap. The Company is conducting a hand wash awareness campaign and school contact programme to educate people about the importance of washing their hands with soap. The programme will be aimed mainly at rural school children between the ages of 6-12 and pre schools. In 2012, USL signed an MOU with the Ministry of Health to create hygiene awareness among and pregnant and new mothers. Through the programme, the Company aims to touch eight million people by 2015.

Through the Signal Brand, USL conducts oral health improvement programmes to encourage children and their parents to brush day and night. With the help of the Sri Lanka Dental Association (SLDA) and the Ministry of Health, Signal aims to create awareness among its consumers on the importance of fluoride tooth paste.

30 years ago, Signal became one of the first brands in Sri Lanka to conduct Medical outreach programmes. In 2004, Signal Launched "Sin Bo Wewa" (SBW), a combination of a school dental programme and community dental camps, in collaboration with the SLDA and the Ministry of Health. Between 2005 and 2012 Signal conducted

16 camps, touching over 730,000 people, visiting 1015 schools and delivered 60,449 free oral treatments.

In Sri Lanka, Pureit was launched in 2011, to make safe drinking water available and affordable. The device is capable of purifying ordinary tap water in to water that is "As Safe as Boiled Water" without the use of electricity or gas. Pureit renders water micro-biologically safe, clear, odourless and good-tasting. It does not leave any residual chlorine in the output water, and assures protection from all water-borne diseases like jaundice, diarrhea, typhoid and cholera.

Pureit, not only saves the consumer the hassle of boiling drinking water, it also reduces household energy consumption and reduces the household expenditure incurred for purification of water. The device itself is made of 100% recyclable plastic. Pureit is also SGS Certified in Sri Lanka.

By the end of 2012 Pureit was available in 9000+ households, providing as safe as boiled water to over 36,000 people.

Pears, one of Sri Lanka's leading baby toiletries brand runs the Pears Safe Hands project in collaboration with the Sri Lanka College of

Paediatricians. The initiative aims to improve the paediatric and child care facilities of government hospitals in Sri Lanka. It seeks to create a safer and healthier environment for infants, children and pregnant mothers, particularly those from low income families in rural areas.

25 cents from the sale of every Pears product goes into funding the initiative which was established on World Children's Day in 2002. Since then, it has invested LKR 32 million (€186,000) and benefited the lives of over 300,000 children through 18 projects.

The latest is the renovation of the maternity and children's wards at the hospital in Welikanda in 2012. During the country's civil war, the hospital, which used to provide security for its patients, was seriously damaged. The project transformed the facility, building new wards that can accommodate more patients and constructing a children's play area.

In association with the Sri Lanka Paediatric Association, Pears is setting up lactation centres across the island to educate new mothers on the importance of breast feeding.

Unilever has already made significant progress in improving the nutritional quality of its products.

Unilever has significantly reduced salt levels in its products. By the end of 2012, 75% of its savoury portfolio in Sri Lanka meets the recommended level of 6g of salt per day.

Unilever is committed to improving the fat composition of its products by reducing saturated fat and increase levels of essential fats. In Sri Lanka, Flora and Astra Gold contain less than 33% saturated fat as a proportion of total fats. Their spreads are also virtually trans fat free.

The Flora and Astra Gold fat spreads provide at least 15% of the essential fatty acids recommended by the international dietary guidelines. Astra is fortified with Vitamin A, D & E. It provides 33% of the recommended daily requirement of Vitamin A, D & E.

Unilever provides healthy eating information to consumers by declaring the big 8 nutrients on the pack. i.e Energy, Protein, Carbohydrates, Sugars, Fats, Saturated fats, Fibre and Sodium. The company is working with healthcare professionals to increase nutrition education among Sri Lankans. The Company will be working closely with the Non Communicable Disease unit of Sri Lanka Government in their NCD preventing programme.

At the end of 2011, USL had reduced C02 emissions per tonne of production by 59% compared to 2008. In 2013 a biomass boiler was installed at the Company's Horana factory. The Company aims to further bring down its C02 emissions by installing a biomass boiler in factory at Agarapatna in 2014.

By the end of 2011, USL had reduced water usage per tonne of production by 41% when compared to its 2008 baseline. In 2012, the company set up a pilot plant for rainwater harvesting, at its factory in Horana. This will help reduce the factory's water consumption from ground water/ municipal sources. By 2015, the Horana factory aims to be 100% water positive.

Through a combination of waste reduction and waste reusing, USL has reduced total waste per tonne of production. By the end of 2011, the Company had reduced waste per tonne of production by 19% compared to the 2008 baseline. The sites in Sri Lanka, at Horana and Agarapatna are both zero effluent sites.

No waste from USL operations goes into landfill. Waste from the sites are either reused, or used to fuel cement kilns. Waste from canteen operations are sent for composting or to a local piggery to be used as feed.

70% of tea in Sri Lanka is grown by tea smallholder farmers, who usually own less than an acre of land. USL is partnering with the Rainforest Alliance Certification programme for sustainable agriculture, to help these smallholder tea farmers get sustainable certification. They have already helped 5000 farmers by the end of 2012. This initiative has lead to an increase in Sustainable Certified tea available in Sri Lanka to 23000 metric tons.

Initiated in 2003, the Project Saubhagya was implemented in rural Sri Lanka to empower underprivileged women. Project Saubhagya, meaning "prosperity", was initiated after the success of Project Shakti in India. This micro enterprise project provides women entrepreneurs a sustainable source of income from selling Unilever products house to house in their villages. In 2011 there were 3000 Saubhagya entrepreneurs, and the Company aims to have 5000 entrepreneurs by 2015.

Unilever also offers scholarships to the most deserving children of Saubhagya entrepreneurs. These Saubhagya scholarships are awarded to students who have excelled in academics, the arts, drama and sports on a district and regional level.

Unilever has over 173,000 employees around the world, and is seen as a preferred employer in all its markets. In Sri Lanka the Company has 1500 direct employees, and creates employment for a further 11,000 people through its supply chain. One of the key contributors to Unilever's success is its focus on growing talent and leadership. The Company's 24 month Management Trainee programme is focused on building long term leadership capability. Over the years Unilever has hired, groomed and developed leaders for itself, the industry and for the society. Many of USL's locally recruited talent have gone on to pursue successful careers with Unilever around the world. 20% of USL's middle to senior management have been sent on international assignments, to learn, grow and bring the learning back into the country. Through initiatives like the Unilever Students' Network, and partnerships with AEISEC Sri Lanka, Employers Federation and the Sri Lanka Federation for University Women, USL aims to groom potential talent in the country.

In reviewing the progress of the Unilever Sustainable Living Plan, Paul Polman says "In Unilever we believe that business must be part of the solution. But to be so, business will have to change... it will have to recognize that the needs of citizens and communities carry the same weight as the demands of shareholders. We believe that in the future this will become the only acceptable mode of business"

Two years in, Unilever's Sustainable Living Plan has helped the company take huge strides on the path to sustainable growth. Unilever is the only company to lead the Dow Jones Sustainability Index for its sector for 12 years in a row. However, the challenges still remain. The Company continues to work in partnership with suppliers, retail customers, governments, NGOs, health organisations to find creative and long term solutions to today's challenges.

Unilever sees 2020 as the first milestone of a longer plan and the Unilever Sustainable Living Plan will change and evolve over time.

Case Questions

Question 1.

Describe the internal, Connected and external stakeholders of Unilever Sri Lanka.

Question 2.

Using the Mandelo matrix, analyze the power and interest levels of stakeholders.

Question 3.

Explain how the concept of triple bottom line can be applied to Unilever Sri Lanka.

Question 4.

Comment on the overall CSR/ sustainability strategy of the company.

Sources : www.unilever.com.lk

Unilever Sustainability Report

CHAPTER 4

Marketing Strategy Formulation

Case Study 4: Commercial Bank - A dominating force and the benchmark private sector Bank in Sri Lanka

4 Marketing Strategy Formulation

"Why join the navy if you can be a pirate?" – Steve Jobs

Strategy formulation refers to the process of choosing the most appropriate course of action for the realization of the organisational goals and objectives and thereby achieving the organisational vision. The best course of action is actually chosen after considering organisational goals, organisational strengths, potential and limitations as well as the external opportunities.

Levels of strategy

■ **Corporate-Level Strategy** is concerned with the overall purpose and scope of an organisation and how to add value to business units.

■ **Business-Level Strategy** is concerned with the way a business seeks to compete successfully in its particular market.

■ **Operational Level Strategy** is concerned with how different parts of the organisation deliver the strategy in terms of managing resources, processes and people.

4.1 Porters Generic Strategies

According to Porter (1985) a business may have two types of competitive advantages to choose from. Cost leadership or differentiation. Upon selecting one of these ways in which the company may compete, the next step would be to define its market scope in terms of whether it is narrow or broad. According to Porter (1985) a company must select one position out of the 4 positions in the grid as a strategic business unit competitive strategy. If you try to occupy more than one position you would be guilty of being "stuck in the middle" strategically which must be avoided at all costs.
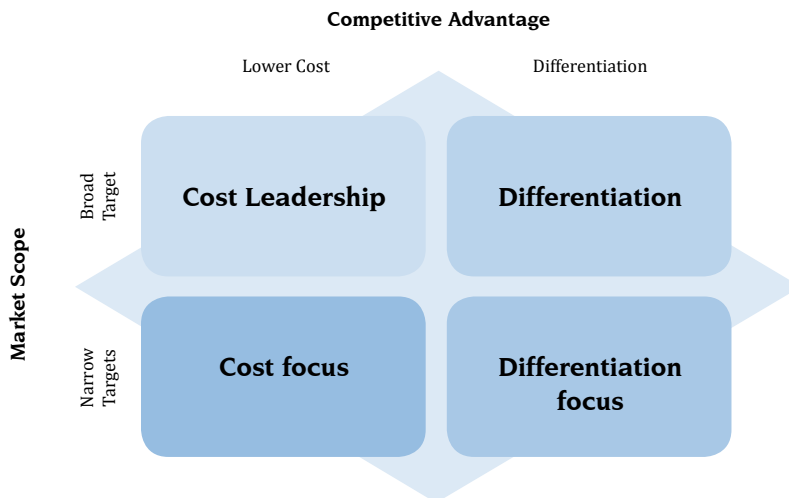

Figure 4.1 Porters Generic Strategies (1985)

Porter (2008) argues that strategy is not a series of steps or initiatives that a company undertakes. Therefore a production process or to go international or to launch a new product is not a strategy. Instead, strategy is a position the company will reach at the end of the day with all the cumulative activities in the organisation and the positions are one of the 4 options put forward in the generic strategies. Lets us now investigate each strategic position.

a) Cost leadership strategy: (can be achieved by)

■ Setting up production facilities to obtain economies of scale

■ Use the latest technology to reduce costs and/or enhance productivity (or use cheap labour if available)

■ In high technology industries, and in industries depending on labour skills for product design and production methods, exploit the learning curve effect. By producing more items than any other competitors, a firm can benefit more from the learning curve, and achieve lower average costs.

■ Minimize overhead costs

■ Get favorable access to sources of supply and relocate to cheaper areas.

Mapping Activity Systems

Activity-system maps, such as this one for lkea, show how a company's strategic position is contained in a set of tailored activities designed to deliver it. In companies with a clear strategic position, a number of higher-order strategic themes (in dark purple) can be identified and implemented through clusters of tightly linked activities (in light purple)/
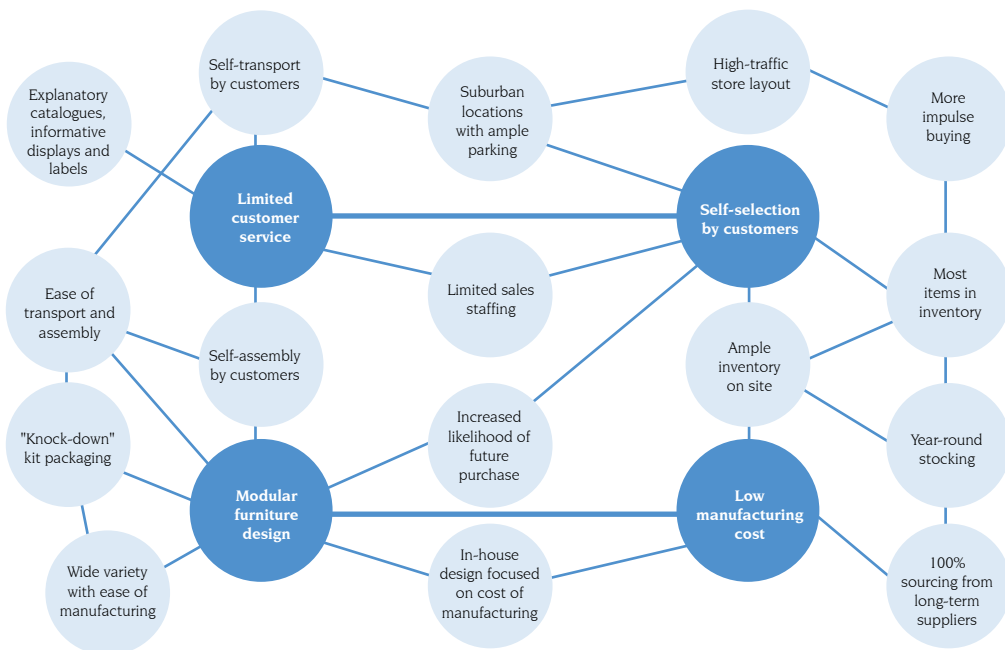

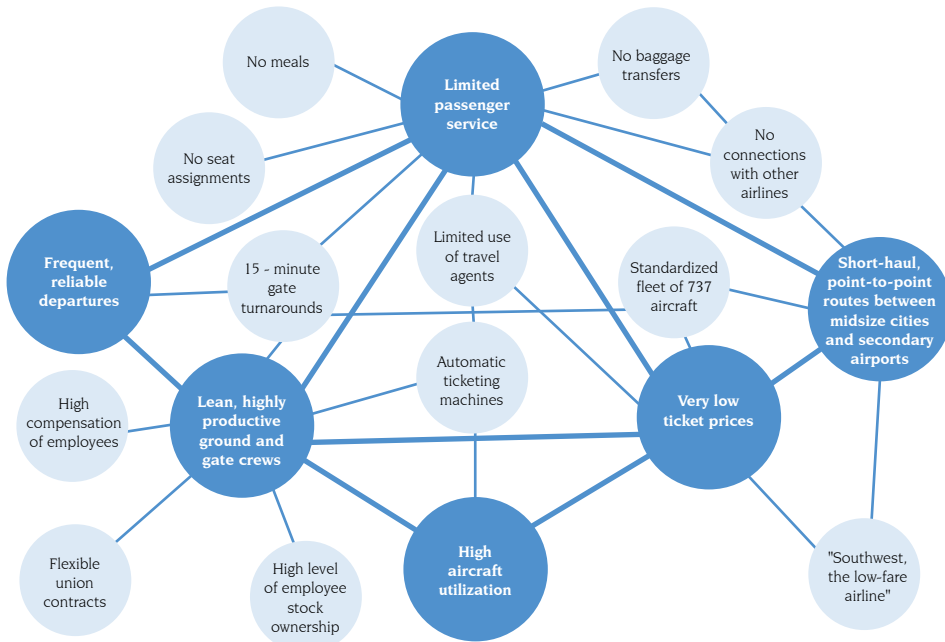Figure 4.2 Adopted from Porter (1985)

Southwest Airlines' Activity System

Figure 4.3 Adopted from Porter (1985)

b) Differentiation Strategy

Trout (2004) explains 3 fundamental ways in which a company can differentiate their products.

- Breakthrough products offering a radical performance advantages over competition, perhaps at a drastically lower price.

- Improved products, which are not radically different from their competition but are obviously superior in terms of better performance for a similar price.

- Competitive products, which derive their appeal from a particular compromise of cost and performance. E.g. cars compete with each other by trying to offer a more attractive compromise than rival models.

According to Trout(2004) there are 3 ways in which differentiation can be practiced at a company level. They are as follows;

- Build a brand image

- Give the product special features to make it stand out

- Exploit other activities of the value chain.

A differentiation strategy calls for the development of a product or service that offers unique attributes that are values by customers and those customers perceived to be better than or different from the product of competition.

The value added by the uniqueness of the product may allow the firm to charge a premium price for it. The company hopes that the higher price will more than cover the extra costs incurred in offering the unique product. Because of the products unique attributes, if suppliers increase their prices the firm may be able to pass along the costs to its customers who cannot find substitute products easily.

c) The Focus or niche strategy

The focus strategy or to be a cost leader in a narrow market (Cost focus) or differentiate in a narrow market (differentiation focus) are popular strategic options for SME's (small and medium sized enterprises). This is to serve one or more particular segments or niches of the market, and happens when a company does not try to serve the entire market with a single product.

According to Pearce, Robinson and Mital (2007), a cost-focus strategy aims to be cost leader for a particular segment. This type of strategy is often found in the printing, clothes manufacturer and car repair industries. A different-focus strategy may involve pursuing differentiation for a chosen segment. Luxury goods are the prime example of such a strategy.

Focus probably has fewer conceptual difficulties, as it ties in very neatly with ideas of market segmentation. In practice, most companies pursue this strategy to some extent, by designing products/ services to meet the needs of the particular target markets. 'Stuck-in-the-middle' is therefore what many companies actually pursue quite successfully.

4.2 Ansoff's growth/ share matrix

All strategic options carry an element of risk, as the future is uncertain. The Ansoff's matrix can be used to determine the general level of risk. Continuing, in existing markets is likely to offer the lowest level of risk since the organisation is familiar both with the market and the technology. Market development and new product development each add to the risk by adding newness; the first in terms of customer base and the second in terms of technology. The unknown always carries risk. The fourth option within the Ansoff's classification is diversification, which is generally accepted as the most risky as it involves a leap in the unknown in terms of marketing and technological knowledge. Although Ansoff offers a useful backdrop and enables an assessment of background risk, it does not drill down into the detail of individual scenarios. Since scenarios are based on assumptions, we need to think about the impact on the organisation if those assumptions are flawed.

It may make sense to carry out sensitivity analysis which tests the effect that changing assumptions may have on the outcome of a strategy. This sort of 'what if' analysis allows us to develop a better understanding of the risks inherent in an option should the future differ from our projections. All options are re-evaluated for each possible change and these recalculated outcomes will give us an indication of the sensitivity of the strategies to each assumption.

Lynch (2012) explains that the matrix can be used to evaluate corporate strategic options for growth. Thus, linking it to corporate strategy and at the same time using it inside a strategic business unit to explore options for growth. Unlike the generic strategies, all 4 options of the matrix can be used nearing in mind the relative risk.
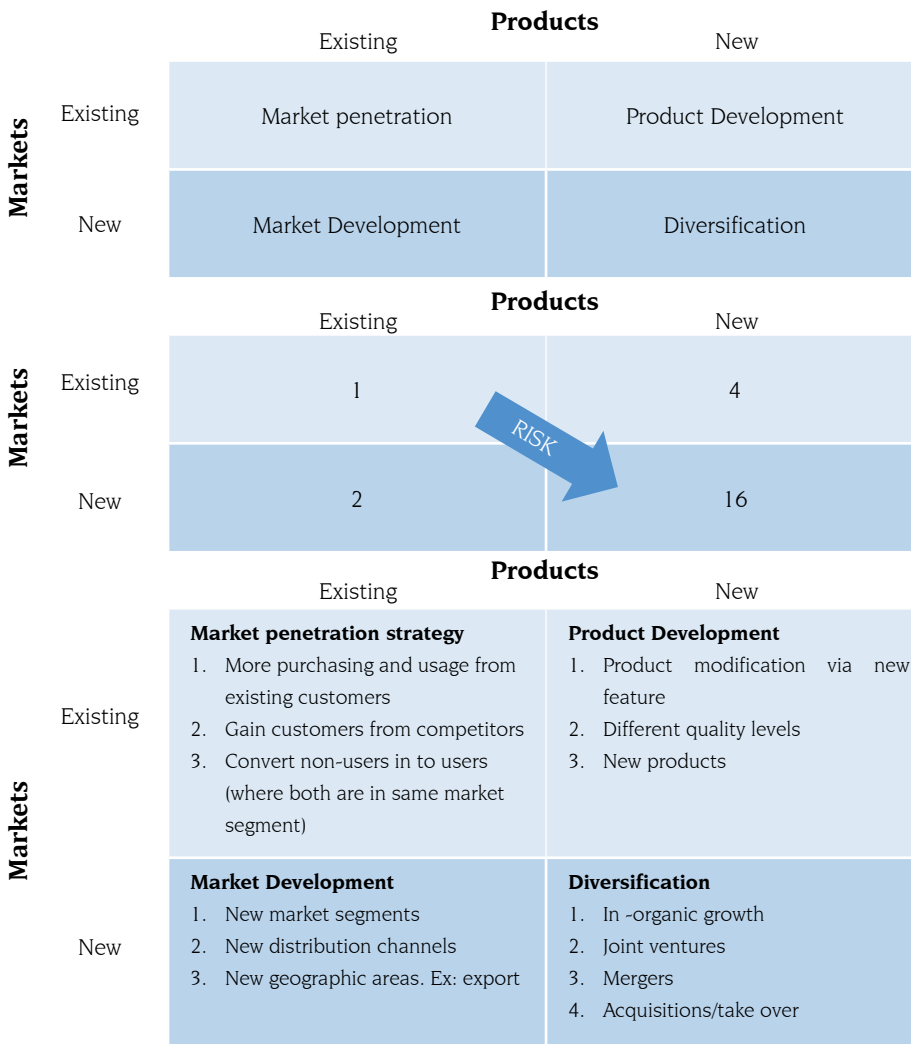
Ansoff's Growth Matrix

		Products	
		Existing	New
Markets	Existing	Market penetration	Product Development
	New	Market Development	Diversification

		Products	
		Existing	New
Markets	Existing	1	4
	New	2	16

RISK

		Products	
		Existing	New
Markets	Existing	**Market penetration strategy** 1. More purchasing and usage from existing customers 2. Gain customers from competitors 3. Convert non-users in to users (where both are in same market segment)	**Product Development** 1. Product modification via new feature 2. Different quality levels 3. New products
	New	**Market Development** 1. New market segments 2. New distribution channels 3. New geographic areas. Ex: export	**Diversification** 1. In -organic growth 2. Joint ventures 3. Mergers 4. Acquisitions/take over

Figure 4.4 Igor Ansoff's Growth / Share Matrix

2 *Types of Diversification*

■ **Related diversification** is development beyond the present product market, but still within the broad confines of the industry. Therefore build on the assets of activities, which the firm has developed. Related diversification has 2 types. Vertical or horizontal integration.

(a) **Horizontal integration** refers to development of activities, which are competitive with or directly complementary to a company's present activities. E.g. Sony, for example, started to compete in computer games, building its presence in consumer electronics.

(b) **Vertical integration** occurs when a company becomes its own. Supplier of raw materials, components or service (backward vertical integration). For example, backward integration would occur where a milk producer acquires its own dairy farms rather than buying raw milk from independent farmers. Distributor or sales agent (Forward vertical integration), for example where manufactures of synthetic yarn begins to produce shirts from the yarn instead of selling it to other shirt manufactures.

■ **Unrelated diversification** or conglomerate 'is the development beyond the present industry into product/markets which, at face value, may bear no close relation to the present product/market.' Conglomerate diversification is now very unfashionable. However, it has been a key strategy for companies in Asia particularly South Korea.
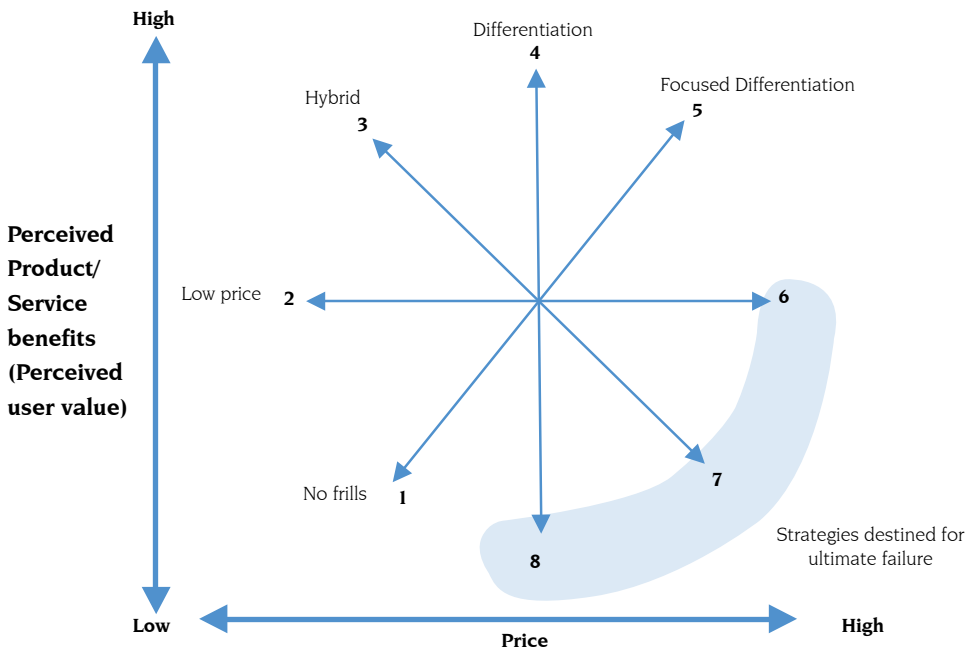
4.3 *Bowman's Strategy Clock*

Figure 4.5 Cliff Bowman and David Faulkner's Strategy Clock (1996)

Strategic Options	Needs/risks
1. No frills	Likely to be segment specific
2. Low price	Risk of price war and low
3. Hybrid	Low cost base and reinvestment in low price and differentiation
4. Differentiation	
(a) Without price premium	Perceived added value by user, yielding market share benefits
(b) With price premium	Perceived added values sufficient to bear price premium
5. Focused differentiation	Perceived added value to a particular segment, warranting price premium
6. Increased price/ standard value	Higher margins if competitors do not follow; risk of losing market share
7. Increased price/low value	Only feasible in monopoly situation
8. Low value/standard price	Loss of market share

Figure 4.6 Cliff Bowman and David Faulkner's Strategy Clock explained (1996)

4.4 Blue Ocean Strategy

The Blue ocean strategies put forward by Kim and Mauborgne (2005) introduces how a company may achieve a quantum leap in value trough "Value Innovation". This concept involves the simultaneous pursuit of differentiation; low cost; key analytical tools; frameworks such as the strategy canvas. The four actions framework, and finally using the eliminate-reduce-raise-create grid.
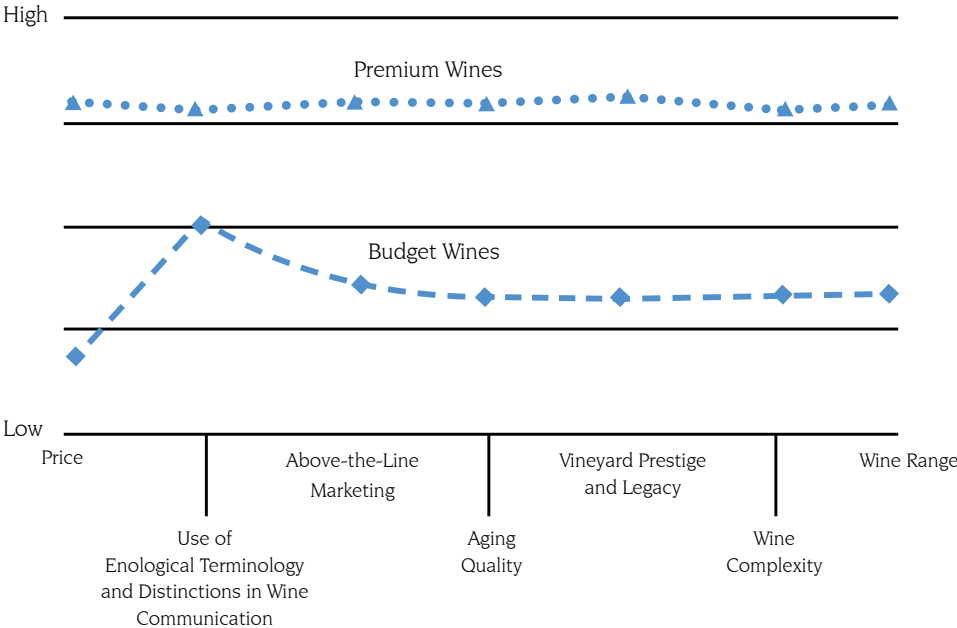

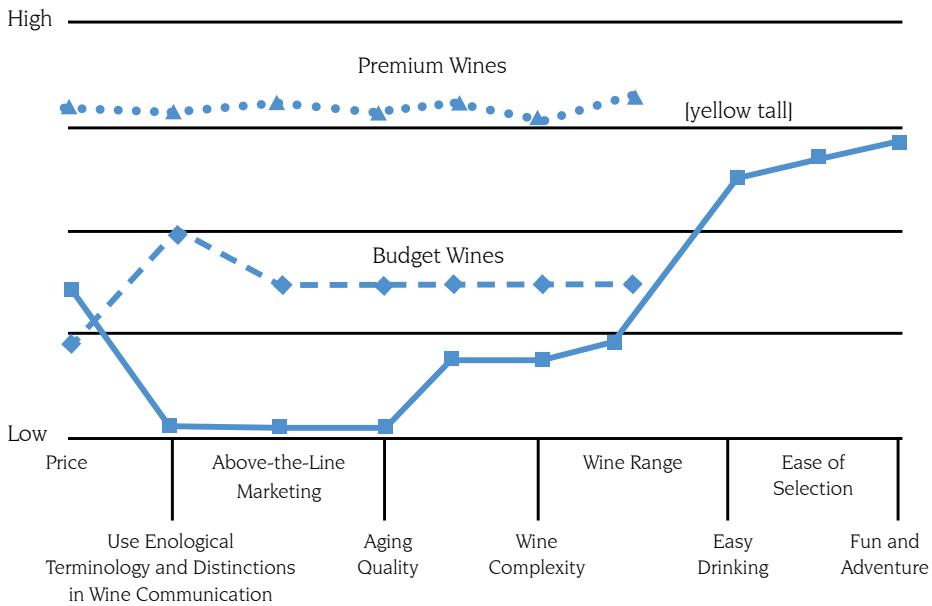Figure 4.7 The Strategy Canvas of U.S. Wine Industry in the Late 1990s

High

Premium Wines

[yellow tall]

Budget Wines

Low

| Price | Above-the-Line Marketing | Wine Range | Ease of Selection |

Use Enological
Terminology and Distinctions
in Wine Communication

Aging
Quality

Wine
Complexity

Easy
Drinking

Fun and
Adventure

Figure 4.8 The Strategy Canvas (yellow tail)

The concept also describe how to formulate strategy by creating a uncontested market space and reconstructing market boundaries, focusing on the big picture, reaching beyond existing demand and getting the strategic sequence right.

The Four Actions Framework

Reduce

Which factors should be reduced well below the industry's standard?

Eliminate

Which of the factors that the industry takes for granted should be eliminated?

A New Value Curve

Create

Which factors should be reduced that the industry has never offered?

Raise

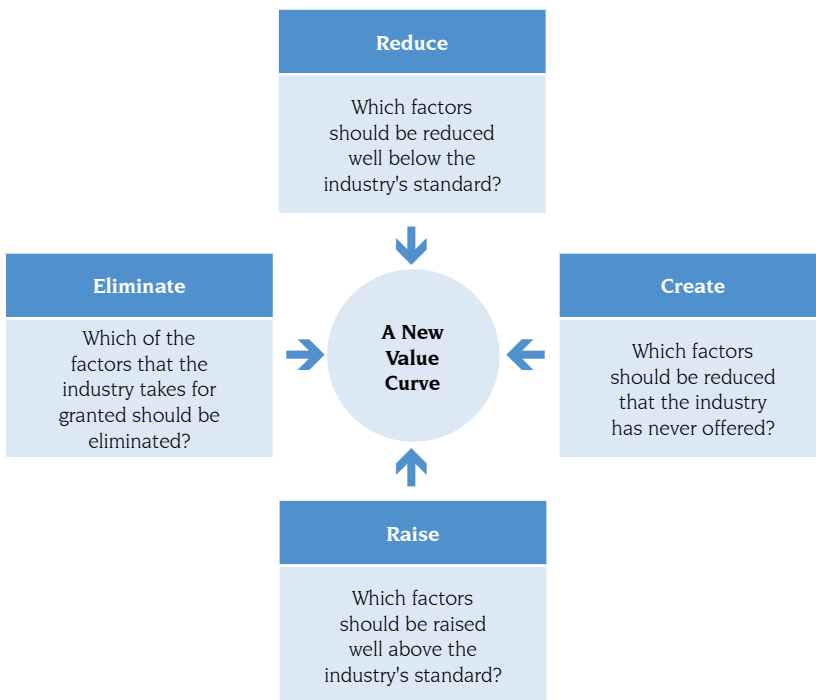Which factors should be raised well above the industry's standard?

Figure 4.9 Eliminate-Reduce-Raise-Create Grid for the Case of (yellow tail)

These four formulation principles address, as to how an organisation can create blue oceans by looking across the six conventional boundaries of competition; (Six Paths Framework) reduce their planning risk by following the four steps of visualizing strategy, create new demand by unlocking the three tiers of non-customers; launch a commercially-viable blue ocean idea by aligning unprecedented utility of an offering with strategic pricing; target costing, and by overcoming adoption hurdles.

Eliminate-Reduce-Raise-Create Grid for the Case of (yellow tail)

Eliminate	Raise
■ Enological Terminology and Distinctions ■ Aging Quality ■ Above-the-line Marketing	■ Price versus Budget Wines ■ Retail Store Involvement

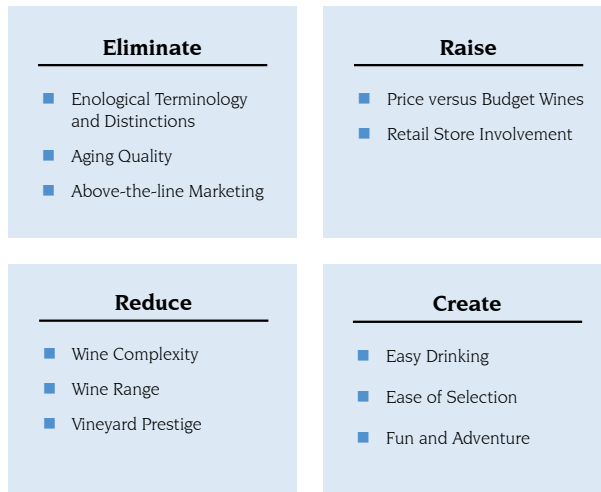| Reduce	Create
■ Wine Complexity ■ Wine Range ■ Vineyard Prestige	■ Easy Drinking ■ Ease of Selection ■ Fun and Adventure

Figure 4.10 Eliminate-Reduce-Raise-Create Grid for the Case of (yellow tail)

This book uses many examples across industries to demonstrate how to break out of a traditional competitive (structuralist) strategic thinking and to grow demand and profits for the company and the industry by using blue ocean (re-constructionist) strategic thinking. The third and final part describes the two key implementation principles of blue ocean strategy including tipping point leadership and fair process. Kim and Mauborgne (2005). These implementation principles are essential for leaders to overcome the four key organizational hurdles that can prevent even the best strategies from being executed. The four key hurdles comprise the cognitive, resource, motivational and political hurdles that prevent people involved in strategy execution from understanding the need to break off from status quo, finding the resources to implement the new strategic shift, keeping your people committed to implementing the new strategy, and from overcoming the powerful vested interests that may block the change.

In this book the authors draw the attention of their readers toward the correlation of success stories across industries and the formulation of strategies that provide a solid base, create unconventional success - strategy termed as "Blue Ocean Strategy". Unlike the "Red Ocean Strategy", the conventional approach to business of beating competition derived from the military organization, the "Blue Ocean Strategy" tries to align innovation with utility, price and cost positions. This book mocks the phenomena of conventional choice between product/service differentiation and lower cost, but rather suggests that both differentiation and lower costs are achievable simultaneously.

Kim and Mauborgne (2005) ask readers "What is the best unit of analysis of profitable growth? Company? Industry?" – a fundamental question without which any strategy for profitable growth is not worthwhile.

The authors justify with original and practical ideas that neither the company nor the industry is the best unit of analysis of profitable growth; rather it is the strategic move that creates "Blue Ocean" and sustained high performance.

The book examines the experience of companies in areas as diverse as watches, wine, cement, computers, automobiles, textiles, coffee makers, airlines, retailers, and even the circus, to answer this fundamental question and builds upon the argument about "Value Innovation" being the cornerstone of a blue ocean strategy.

According to Kim and Mauborgne (2005), value innovation is necessarily the alignment of innovation with utility, price and cost positions. This creates uncontested market space and makes competition irrelevant. The metaphor of red and blue oceans describes the market universe.

Red oceans are all the industries in existence today – the known market space. In the red oceans, industry boundaries are defined and accepted, and the competitive rules of the game are known. Here companies try to outperform their rivals to grab a greater share of product or service demand. As the market space gets crowded, prospects for profits and growth are reduced. Products become commodities or niche, and cutthroat competition turns the ocean bloody. Hence, the term red oceans.

Blue oceans, in contrast, denote all the industries not in existence today – the unknown market space, untainted by competition. In blue oceans, demand is created rather than fought over. There is ample opportunity for growth that is both profitable and rapid. In blue oceans, competition is irrelevant because the rules of the game are waiting to be set. Blue ocean is an analogy to describe the wider, deeper potential of market space that is not yet explored.

The cornerstone of blue ocean strategy is 'value innovation'. A blue ocean is created when a company achieves value innovation that creates value simultaneously for both the buyer and the company. The innovation (in product, service, or delivery) must raise and create value for the market, whilst simultaneously reducing or eliminating features or services that are less valued by the current or future market. The authors criticize Michael Porters idea that successful businesses are either low-cost providers or niche-players. Instead, they propose finding value that crosses conventional market segmentation and offering value and lower cost. Educator Charles W. L. Hill proposed this idea in 1988 and claimed that Porter's model was flawed because differentiation can be a means for firms to achieve low cost. He proposed that a combination of differentiation and low cost might be necessary for firms to achieve a sustainable competitive advantage.

Red Ocean versus Blue Ocean Strategy

According to Kim and Mauborgne (2005), the imperatives for red ocean and blue ocean strategies are starkly different.

Red Ocean Strategy	Blue Ocean Strategy
Compete in existing market space.	Create uncontested market space.
Beat the competition.	Make the competition irrelevant.
Exploit existing demand.	Create and capture new demand.
Make the value/cost trade-off.	Break the value/cost trade-off.
Align the whole system of a company's activities with its strategic choice of differentiation or low cost.	Align the whole system of a company's activities in pursuit of differentiation and low cost

Figure 4.11 A comparison of Red and Blue oceans

4.5 Attack versus Defense strategies

The Kotler and Singh (1981) attack versus defense strategies are inspired by military strategies and can be used to win marketing battles in the marketplace. The attack strategies are as follows;
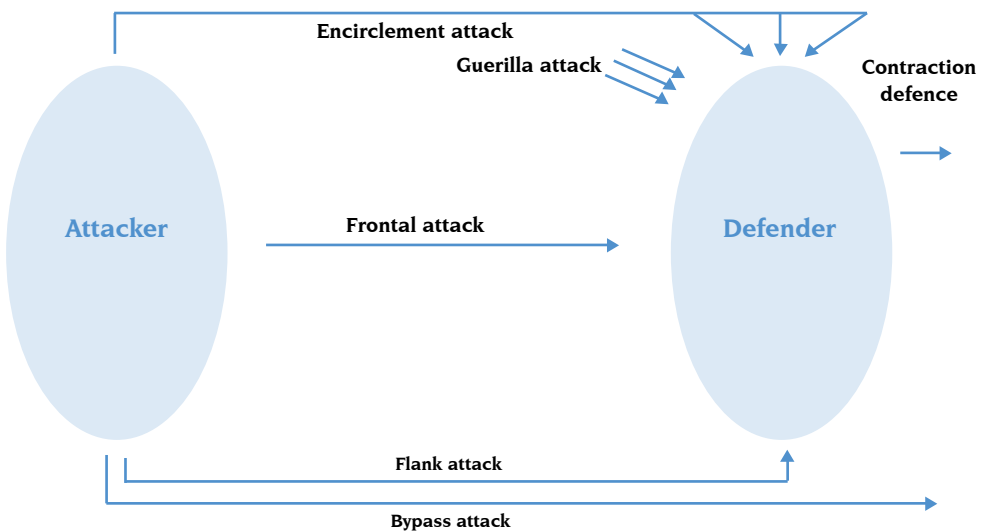
Offensive Strategies (Attack)

Figure 4.12 Kotler and Singh attack strategies (1981)

1. **Frontal attack** – This is the direct, head on attack meeting competitors with the same product line, price, promotion, etc. Because attack is on the enemy's strengths rather than weakness it is considered the most risky and least advised strategy.

2. **Flanking attack** – The aim here is to engage competitors in those product market where they are weak or have no presence at all. Its overreaching goal is to build a position from which to launch an attack on the battlefield later.

3. **Encirclement attack** – Multi pronged attacks aimed at diluting the defenders ability to retaliate in strength. The attacker stands ready to block the competitor no matter which way he turns in the product market. Product proliferation supplying different types of the same product to the market. Market encirclement consists of expanding the products into all segments and distribution channels.

4. **Bypass attack** – This is the most indirect form of competitive strategy as it avoids confrontation by moving into new and as yet uncontested fields. Three type of bypass are possible; develop new products, diversify into unrelated products or diversify into new geographical markets.

5. **Guerilla warfare** – Less ambitious in scope, this involves making small attacks in different locations whilst remaining mobile. Such attacks take several forms. The aim is to destabilize the competitor by small attacks.
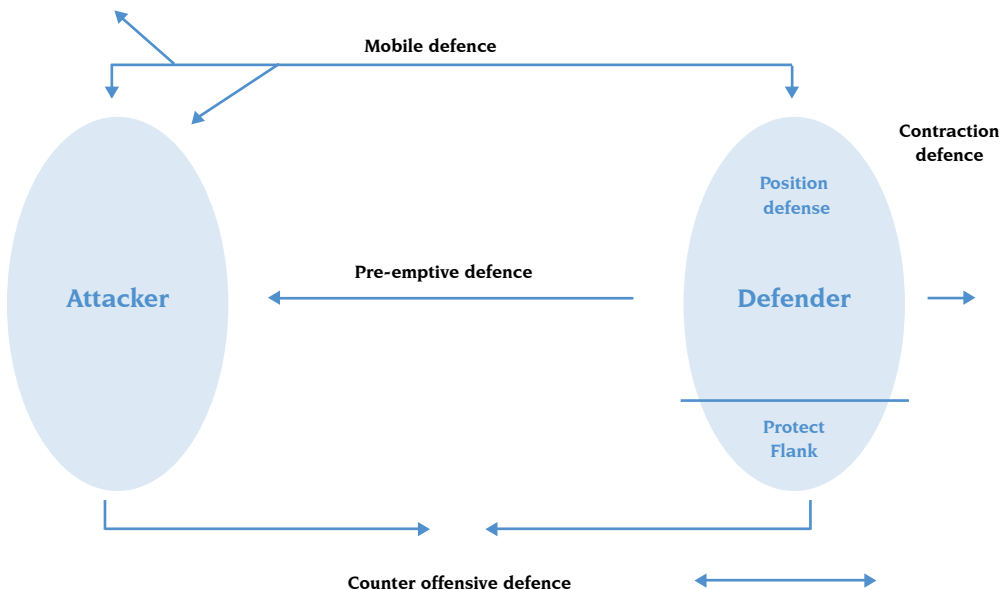
Defence Strategies

Figure 4.13 Kotler and Singh defence strategies (1981)

1. **Position defense** – static defense of a current position and retaining current product markets by consolidating resources within existing areas. Exclusive reliance on a position defense effectively means that a business is a sitting target for competition.

2. **Mobile defense** – A high degree of mobility prevents the attackers chance of localizing the defense and accumulating its forces for a decisive battle. A business should seek market development, product development and diversification to create a stronger base.

3. **Pre-emptive defense** – Attack is the best form of defense. Pre-emptive defense is launched in a segment where an attack is anticipated instead of moving into related or new segments.

4. **Flank position defense** – This is used to occupy a position of potential future importance in order to deny that position to an opponent. Leaders need to develop and hold secondary markets to prevent competitors from using them as a springboard into the primary market.

5. **Counter offensive defense** – This is attacking where the company is being attacked. This requires immediate response to any competitor entering a segment or initiating new moves.

6. **Strategic withdrawal**.

4.6 *Treacy and Wiersema's value disciplines*

a) Operational Excellence strategy

An operational excellence strategy provides the customer with reliable products or services at competitive prices, delivered with minimal difficulty or inconvenience. Operationally excellent companies deliver a combination of quality, price, and ease of purchase that no one else in the market can match. They are not product or service innovators, nor do they cultivate one-to-one relationships with the customers. However, They execute extraordinarily well, and their proposition to customers is guaranteed low price and/or hassle-free service.

The features of an operationally excellent company may include, processes for end-to-end product supply and basic service that are optimized and streamlined to minimize costs and hassle whilst valuing operations that are standardized, simplified, tightly controlled, and centrally planned, leaving few decisions to the discretion of rank-file employees. To be operationally excellent the company may need to posses management systems that focus on integrated, reliable, high-speed transactions and compliance to norms as well as a culture that abhors waste and rewards efficiency.

Operating Model of Operational Excellence

Culture
- Disciplined teamwork
- Processed focused
- Conformance, "one size fits all" mind set

Organization
- Centralized functions
- High skills at the core of the organization

Core Processes
- Product delivery and basic service cycle
- Built on standard, no frills fixed assets

Management systems
- Command and control
- Compensation fixed to cost and quality

Information Technology
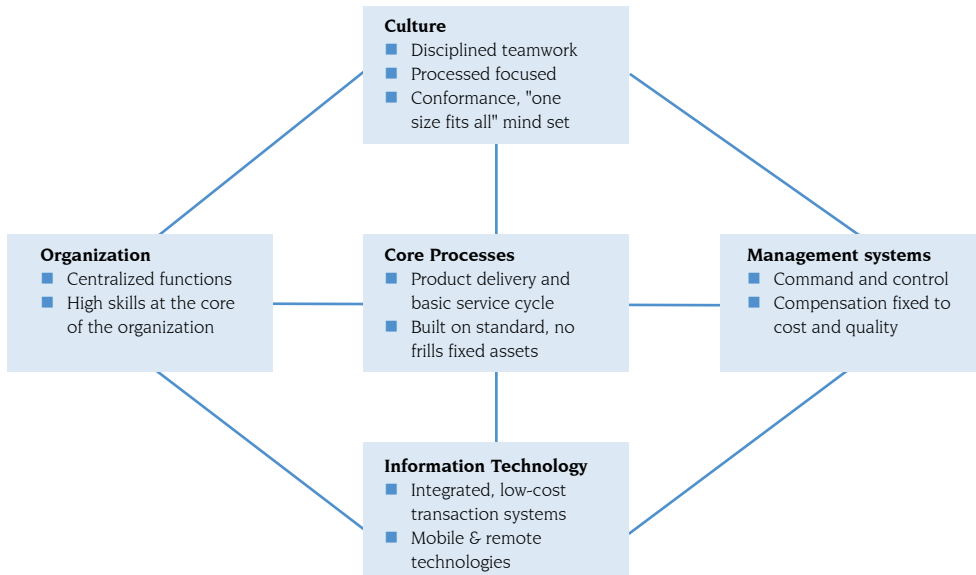- Integrated, low-cost transaction systems
- Mobile & remote technologies

Figure 4.14 Implementing operational excellence by Treacy and Wiersema (1993)

b) Product Leadership strategy

This involves providing continuous state of the art products. A company pursuing product leadership continually pushes its products into the realm of the unknown, the untried, or the highly desirable. A product leader consistently strives to provide its market with leading-edge products or useful new applications of existing products or services. This kind of company will thrive with creativity, commercialize ideas quickly and relentlessly pursue ways to leapfrog the latest product or service.

In order to be a leader the company must focus on the core processes of invention, product development, and market exploitation. A business structure that is loosely knit, ad hoc, and ever-changing to adjust to the entrepreneurial initiatives and directions that characterize working in unexplored territories. The company will need good management systems that are results-driven, that measure and reward new products success, and that don't punish the experimentation needed to get there whilst a culture that encourage individual imagination, accomplishment, out-of-the- box thinking, and a mind-set driven by the desire to create the future.
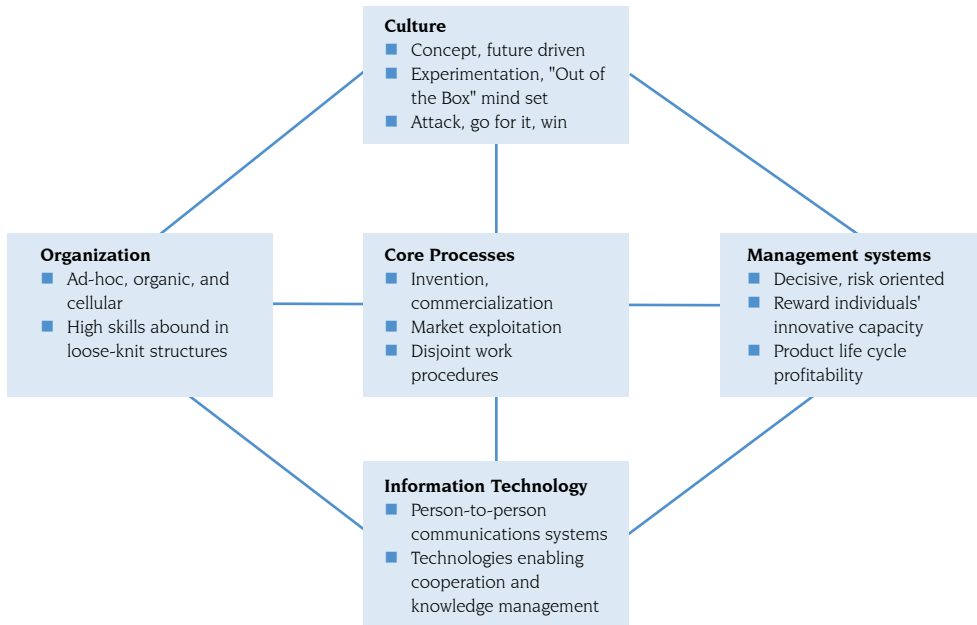
Operating Model of Product Leadership

Culture
- Concept, future driven
- Experimentation, "Out of the Box" mind set
- Attack, go for it, win

Organization
- Ad-hoc, organic, and cellular
- High skills abound in loose-knit structures

Core Processes
- Invention, commercialization
- Market exploitation
- Disjoint work procedures

Management systems
- Decisive, risk oriented
- Reward individuals' innovative capacity
- Product life cycle profitability

Information Technology
- Person-to-person communications systems
- Technologies enabling cooperation and knowledge management

Figure 4.15 Implementing product leadership by Treacy and Wiersema (1993)

c) Customer Intimacy

This involves selling the customer a total solution, not just a product or service. This is a company that delivers value via customer intimacy bonds with customers like those between good neighbors and does not deliver what the market wants, but what a specific customer wants and tailor the products and services. The over arching slogan is "We take care of you and all your needs" "we get you the best total solution".

The company may also save a lot of resources since customers don't have to be resold through expensive advertising and promotions. Customer-intimate companies don't pursue transactions, but cultivates relationships. However, these companies will need to have an obsession with the core processes of solution development, results management, and relationship management whilst modifying the business structure that delegate's decision-making to employees who are close to the customer.
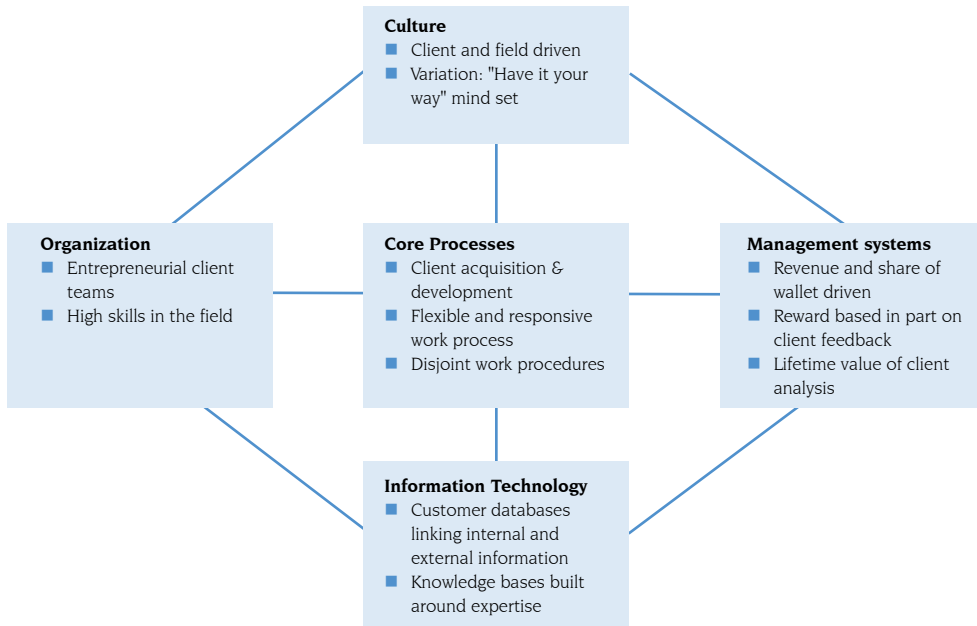
Operating Model of Customer Intimacy

Culture
- Client and field driven
- Variation: "Have it your way" mind set

Organization
- Entrepreneurial client teams
- High skills in the field

Core Processes
- Client acquisition & development
- Flexible and responsive work process
- Disjoint work procedures

Management systems
- Revenue and share of wallet driven
- Reward based in part on client feedback
- Lifetime value of client analysis

Information Technology
- Customer databases linking internal and external information
- Knowledge bases built around expertise

Figure 4.16 Implementing Customer Intimacy by Treacy and Wiersema (1993)

The outcomes of the Value disciplines at a glance

Operational Excellence	Product Leadership	Customer Intimacy	
■ Best total cost	■ Best Product	■ Best total solution	**Value proposition**
■ Variety Kills efficiency	■ Cannibalize your success with breakthroughs	■ Solve the client's broader problem	**Golden rule**
■ End-to-end product delivery ■ Customer service cycle	■ Invention ■ Commercialization ■ Market exploitation	■ Client acquisition & development ■ Solution development	**Core processes**
■ Process redesign ■ Continuous improvement	■ Product technology ■ R&D cycle time	■ Problem expertise ■ Service customisation	**Improvement levers**
■ Shift to new asset base	■ Jump to new technology	■ Total change in solution paradigm	**Major improvement Challenges**

Figure 4.17 Outcomes of the three disciplines by Treacy and Wiersema (1993)

The Balanced Scorecard

The balanced scorecard (BSC) is a strategy performance management tool that can be used by managers to keep track of the execution of activities by the staff within their control and to monitor the consequences arising from these actions. It is perhaps the best known of several such frameworks. Since its original incarnation in the early 1990's as a performance measurement tool, the BSC has evolved to become an effective strategy execution framework. The BSC concept as put forth by Dr. Robert S. Kaplan and David P. Norton is now seen as a critical foundation in a holistic strategy execution process that, besides helping organizations articulate strategy in actionable terms, provides a road map for strategy execution, for mobilizing and aligning executives and employees, and making strategy a continual process.
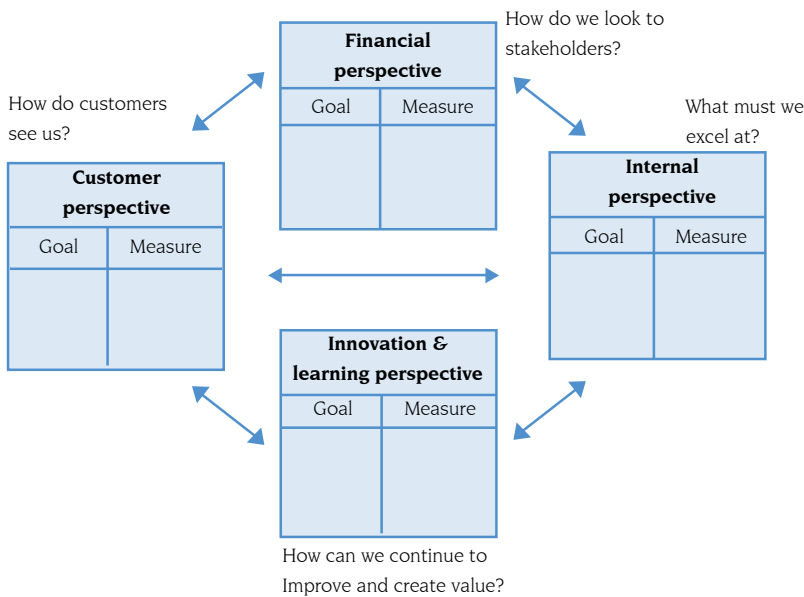
Figure 4.18 The four perspectives of the scorecard by Kaplan and Norton (1990)

The characteristic of the balanced scorecard and its derivatives is the presentation of a mixture of financial and non-financial measures. The balanced scorecard also gives light to the company's vision and mission. These two elements must always be referred to when preparing a balance scorecard. As a model of performance, the balanced scorecard is effective in that "it articulates the links between leading inputs (human and physical), processes, and lagging outcomes and focuses on the importance of managing these components to achieve the organization's strategic priorities.

	Strategic Objectives	**Strategic measures**
Financial	Return on capital Cash flow Profitability Profitability growth Reliability of performance	ROCE Cash flow Net margins Volume growth rate vs industry Profit forecasts Sales growth Economic Value added (EVA)
Customer	Value for money Competitive price Customer satisfaction Brand Image & Awareness Customer retention Customer acquisitions	Customer satisfaction survey Pricing index Brand recall measures Customer value metric's
Internal	Marketing Product and service development Shape customer requirement Manufacturing Lower manufacturing cost Improve Project management Logistics Reduce delivery costs Inventory management Quality	Pioneer percentage of product Portfolio (Cash Cows & Stars) Hours with customer on new work Total unit cost (vs competition) Safety incident index Delivery cost per unit Inventory level compare to output Levels of rejects
Innovation and learning	Innovate products and Service Time to market Empowered workforce Access to strategic information Continuous improvement	Percentage revenue from pioneer products Cycle time vs industry norm Staff attitude survey Strategic information availability Number of employee suggestion

Figure 4.19 The measures of the scorecard by Kaplan and Norton (1990)

Design of a balanced scorecard ultimately is about the identification of a small number of financial and non-financial measures and attaching targets to them, so that when they are reviewed it is possible to determine whether current performance 'meets expectations'. The idea behind this is that by alerting managers to areas where performance deviates from expectations, they can be encouraged to focus their attention on these areas, and hopefully as a result trigger improved performance within the part of the organization they lead.

The balanced scorecard has attracted criticism from a variety of sources. Most has come from the academic community, who dislike the empirical nature of the framework: Kaplan and Norton notoriously failed to include any citation of prior art in their initial papers on the topic. Some of this criticism focuses on technical flaws in the methods and design of the original Balanced Scorecard proposed by Kaplan and Norton, and has over time driven the evolution of the device through its various generations.

Constructing The Scorecard

	Strategic Priorities	Objectives	Measures	Targets	Initiatives
Financial	Financially	F1 ROCE F2 Asset Utilization F3 Profitability F4 Cost Leader F5 Profitable Growth	ROCE Cash Flow Net Margin Full Cost/gallon Volume Growth Premium Ratio Non Gasoline Revenue	18% $500mm 11% 5% 45% $2b	Asset Disposition Program C Stone Alliances
Customer	Delight the Customer Win-Win Dealer Relations	C1 Delight the Targeted Consumer C2 Build Win-Win Relations with Dealer	Share of Segment Mystery Shopper Rating Dealer Gross Profit Growth	45% 4.5+ 25%	Mystery Shopper Program Dealer Committee
Internal	Build the Franchise Increase Customer Value Operational Excellence	11 Innovative Products and services 12 Best in Class Teams 13 Factory Performance 14 Inventory Management 15 Cost Leader 16 On Spec\On Time 17 Improve EHS	New Product RCI Dealer Quality Score Yield Gap Unplanned Downtime Inventory Levels Run-out Rats Activity Cost vs. Competition Perfect Orders Days Away from Work	20% 4.5+ <3% <2% 15% Sales <90% 99%+ <250yr	Review Program PM Program ISO 9000 Safety Training
Learning & Growth	Motivated and Prepared Workforce	L1 Climate for Action 12 Competencies	Employee Survey Personal BSC (%) Strategic Competency	>4.8 80% 85%	Skills Program Competency Development

Figure 4.20 The application of the scorecard for Sri Lankan company

Another criticism is that the balanced scorecard does not provide a bottom line score or a unified view with clear recommendations: it is simply a list of metric's. These critics usually include in their criticism suggestions about how the 'unanswered' question postulated could be answered. Typically, however, the unanswered question relates to things outside the scope of balanced scorecard itself. Another more conceptual criticism is that the model is built upon the principle of shareholders being the ultimate purpose, whereas other stakeholders seem to be undervalued or worse: stipulated as 'input' to serve the financial goals.

There are few empirical studies linking the use of balanced scorecards to better decision-making or improved financial performance of companies, but some work has been done in these areas. However, broadcast surveys of usage have difficulties in this respect, due to the wide variations in definition of 'what a balanced scorecard is' noted above (making it hard to work out in a survey if you are comparing like with like).

The triple bottom line

The triple bottom line is made up of "social, economic and environmental" factors.

■ "People" pertains to fair and beneficial business practices toward labour and the community and region in which a corporation conducts its business.

■ "Planet" (natural capital) refers to sustainable environmental practices.

■ "Profit" is the economic value created by the organization after deducting the cost of all inputs, including the cost of the capital tied up. It therefore differs from traditional accounting definitions of profit.

Innovation
Capital Efficiency
Risk Management
Margin Improvement
Growth Enhancement
Total Shareholder Return

Job Creation
Skills Enhancement
Local Economic Impacts
Social Investments
Business Ethics
Security

Resource Efficiency
Product Stewardship
Life-Cycle Management
Products to services

Economic Growth

Socio Economic

Eco Efficiency

Sustainability

Social Progress

Socio Environmental

Environmental Stewardship

Diversity
Human Rights
Community Outreach
Indigenous Communities
Labor Relations

Clean Air, Water & Land
Emissions Reductions
Zero Waste, Releases & Spills
Biodiversity

Safety & Health
Environmental Regulations
Global Climate Change
Access to water
Crisis Management
Environmental Justice

Figure 4.21 The Triple bottom line applied in context by John Elkington in (1995)

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Commercial Bank - A dominating force and the benchmark private sector Bank in Sri Lanka

Commercial Bank (Combank) is always in the news for the right reasons. They not only continue to win awards but also the hearts of the people who matter the most. Combank makes no fancy claims. Neither do they add glamorous frills nor statements that aren't factual. By judging their stellar performance and the consecutive awards they win; Combank is definitely the people's choice in Commercial Banking and has dominated the market through a disciplined approach of execution excellence.

With its formation dating back to the 1920's, this local Bank has come a long way since its humble beginnings. In 1920, The Eastern Bank opened a branch at Chatham Street, Colombo, little realizing they were laying the foundation to what was to become, a byword in Banking! As business became good with the Donourmore Constitutional reforms, they moved to the heart of the premier business area at 57, Sir Baron Jayatilleke Mawatha, Colombo in 1939. After independence in 1948, trade flourished in Sri Lanka and consequently the share capital of Eastern Bank Ltd was acquired by the Chartered Bank in 1957.

A decade later in 1969, Commercial Bank of Ceylon was duly incorporated in Sri Lanka, with The Eastern Bank holding 40% of its equity. Commercial Bank acquired Credit Agricole Indosuez (CAI) operations in Bangladesh in 2003. Since then, the Bank's operations in Bangladesh have grown to 18 outlets. Currently, Commercial Bank is the 3rd largest foreign bank in Bangladesh whilst being a top international financial institution in the country. Hence, it is no wonder that Commercial Bank is reigning at the 'Top of the Banking Business'.

The Banking giant has got the secret ingredient to make things right, by redefining value for customers in their respective markets. Among its accolades and achievements, Combank has been adjudged Sri Lanka's Best Bank by Global Finance Magazine, giving the Bank the distinctive honour of winning this prestigious award for 15 years successfully. The Bank has been rated AA (lka) by Fitch Ratings Lanka Ltd, and AA+ from RAM Ratings. This is in recognition of its strong franchise, superior profitability and sound asset quality and capitalization. Additionally,

Commercial Bank has been adjudged Sri Lanka's 'Bank of the Year' for almost a decade since 2001, by the prestigious UK-based 'The Banker' Magazine and is the only Sri Lankan Bank amongst the top 1000 Banks worldwide, for the second successive year. Commercial Bank was also awarded 'Best Bank in Sri Lanka' by Finance Asia and Euromoney magazines and the Bank has also won the overall award for the Best Annual Report across all sectors of business in Sri Lanka for the year 2010.

These local and international awards, the highest of ratings and accreditations / certifications are attributed to the paramount efficiency of banking operations and an in depth knowledge about the customer in branch localities enabling branch managers to offer a personalized service to their customers. Being the first Bank to open an account, for many customers the relationship built there upon has continued and strengthened over the years. It is with such exemplary practices that the Bank has come to be known as the Benchmark Private Bank in Sri Lanka.

The fact that companies achieve the greatest success by 'selling' value is not new. What is new is how customers 'define' value in many markets. Traditionally, banking customers judge the value of a product or service by combining quality with price. However, customers in the banking industry in Sri Lanka seek value through convenience, simplified solutions, competitive prices, customisation, after sales service, dependability, etc. Over the years, Commercial Bank has operated with a clear vision and high service standards, creating a brand identity and forging a unique trend in banking that has reaped the fruits of success and recognition year on year. Commercial Bank currently enjoys the top spot with 14% market share within the private banking sector and has the single largest ATM network in the country. Combank ATM network has the furthermost reach supported by over 230 branches spread across the island, a staunch network consisting of stand-alone branches, supermarket banking counters and outlets at other high footfall locations. Its ATM network boasts of almost zero downtime, strategic placement in prime locations, operational efficiency and world renowned state-of-the-art-technology. Combank ATMs are the most patronized ATMs in the country whilst their debit cards portray the highest market share in terms of usage as confirmed by studies carried out by independent research companies. It's superlative range of products and services, powered by state-of-the-art technological supremacy and peopled by a dynamic, highly motivated workforce have

contributed to the tag of 'the most progressive Bank in Sri Lanka. Overall, Commercial Bank has earned a reputation for the highest form of reliability in Information Technology with automated solutions and is looking towards exploiting opportunities on mobile and other remote technological endeavours that can make banking more accessible even to the bottom of the pyramid segments of customers.

Combank can be well on its way to achieving its vision of being 'the most technologically advanced, innovative and customer friendly financial services organisation in Sri Lanka, with plans for further expansion into South Asia. Combank currently operates in Bangladesh, its first operation out of home soil. Pride combined with a passion for excellence has forged in a unique brand of banking for Combank and their service to loyal customers; shareholders; partners and employees possess a level of commitment that has set Combank apart from its peers.

Over the years, the Bank has reached operational excellence by providing customers with standardized, simplified, reliable products and services at competitive prices, delivered consistently with minimal difficulty or inconvenience. The efficacy of its banking operations is partly attributed to selecting the correct target customer groups. Combank endows its customers the assurance of devising unique core processes that really tick! Over the years they have built powerful, cohesive business systems that could deliver more customer value than their competitors. By doing this they have managed to raise customer expectations beyond the competitor's reach. The customers who bank with Combank can be seen as a mix of high wage earners and middle, upper middle banking clients whilst it also caters to the majority of the mass market in Sri Lanka; making Combank the number one Bank that has one of the highest per capita wealth per customer.

Over the years they have developed the bottom of the pyramid customers to a higher level of living standards and financial management. Although they do not operate in a narrow market segment, Combank combines detailed customer knowledge with operational flexibility so they respond quickly to almost any need; from customising a product to fulfilling special requests. As a result they have gained tremendous customer loyalty. The Bank has aligned its entire operating model, that is, the company's culture, business processes, integrated management information systems, and computer

platforms to reinforce execution excellence where competitor banks have found it hard to catch up!

Instead of merely striving to produce a continuous stream of banking products and services and at the same time attempting to commercialize their ideas rapidly, Combank has prudently opted to shine in operational excellence and seek ways to minimize overhead costs, eliminate tedious processes, reduce transaction time and other "friction" costs and optimize business processes across functional and organisational boundaries. The business process re-engineering concepts within the Bank compels the instigation on regular and continuous audit functions and processors and investigates any overlaps and focuses on making recommendations to improve efficacy levels by institutionalizing lean management thinking. The objective is to re-design processes wherever necessary and reduce waste whilst ensuring continuous improvement and automation.

For instance a key metric, which is monitored frequently, is the cost of processing transactions by type of channel and reviewing this regularly to ensure optimum efficiency. Therefore, Commercial Bank's operating model attempts to synchronise core processors in the value chain, business structure, management systems and a unique culture that delivers excellence.

Combank generally offers mass market banking solutions with certain exceptions for unique customised solutions. It is perceived to be offering a competitive price and convenience through their island wide branch footprint. The human resources of the bank, functions on a 'one Bank one Family' platform; which also contributes to their excellence in service offering and smooth flow of operations. Whilst some functions such as HR, marketing, IT and finance are centralised, the bank has decentralized credit risk and operations to a certain extent to encourage empowered decision making at SBU/ branch level where every branch is considered a profit centre. The Bank anticipated what Sri Lankan banking customers valued most and how they wish it to be delivered by a bank through service excellence. Over the years, the bank has met regulatory and industry standards with regard to its products and services offered. However, it has exceeded consumer expectations with its operational effectiveness with a focus on measuring and monitoring processors to deliver rigorous quality and cost control.

Looking ahead, the banking giant consciously focuses on building equity through customer

lifetime value where it has little regard for initial costs when designing customer solutions. The focus is long-term customer retention (relationship marketing) and profitability as opposed to short-term transactional marketing. Additionally, the 4000 plus staff strength at Combank is a unique asset that can be leveraged. The management systems and a strong operational backend ensures that the business focus is integrated and reliable where, Management Information is readily available to expedite business transactions and take on more business volumes whilst ensuring compliance to Central Bank's regulatory norms at the same time. The organization's unique culture fosters employee loyalty and a strong sense of belonging whilst it abhors waste and rewards efficiency coupled with disciplined cross-functional teamwork on projects.

Case Questions

Question 01. What are the unique resources and core competencies contributing to the banking giant's success?

Question 02. Using Tracy and Wiearsma's Value disciplines for Market leaders, Explain Commercial banks route to competitive advantage and Market leadership?

Question 3. Com bank has used a tried and tested formula to get its millions of existing customers and new customers to adopt to the operationally excellent company's way of doing business. Looking into the future, will the banking giant be able to replicate this recipe for success in other markets? Explain.

Sources : www.combank.net

Interview with Mr. Hasrath Munasinghe

DGM - Marketing, Commercial Bank

CHAPTER 5

Strategic Marketing for Competitive advantage

5 Strategic Marketing for Competitive Advantage

"There's no reason to be the richest man in the cemetery. You can't do any business from there." - Colonel Sanders, founder of Kentucky Fried Chicken

5.1 *What is Competitive Advantage?*

"A competitive advantage is the means by which a company will use its core competencies and leverage its strategic strengths whilst investing and sustaining a consistent long term strategy to outperform its rivals and earn higher than average profits". Diasz (2012)

General Organisational Resources
- Firm reputation
- Brand names and patents
- Contracts and licenses
- Stakeholder relationships

Financial Resources
- Internal and external sources of financing
- financial strength

Organisational Resources

Physical Resources
- Land and buildings
- organisational locations
- Equipment
- Access to raw materials

Human Resources
- Skills, background and training of managers and employees
- Organisational structure

Figure 5.1 The classification of an organisations resources

Put in more simplistic terms it is how an organisation or a person will have an edge over rivals over the long term. The problem with competitive advantage is that competitors have a habit of copying it.

Resources and competencies

■ Resources are the assets that organisations have or can call upon (e.g. from partners or suppliers), that is, 'what we have' .

■ Competencies are the ways those assets are used or deployed effectively, that is, what we do well'

Core competencies

Core competencies are the linked set of skills, activities and resources that, together:

■ Deliver customer value

■ Differentiate a business from its competitors

■ Potentially, can be extended and developed as markets change or new opportunities arise.

Components of strategic capabilities

Strategic Capability

Resources: What we have, e.g.		Competencies: what we do well, e.g.
Machines, buildings, raw materials, products, patents, data bases, computer systems	**PHYSICAL**	Ways of achieving utilisation of plant, efficiency, productivity, flexibility, marketing
Balance sheet, cash flow, suppliers of funds	**FINANCIAL**	Ability to raise funds and manage cash flows, debtors, creditors etc.
Managers, employees, partners, suppliers, customers	**HUMAN**	How people gain and use experience, skills, knowledge, build relationships, motivate others and innovate

Figure 5.2 Adapted from Johnson, Scholes & Whittington (2008)

Criteria for the inimitability of strategic capabilities

V	**Value**: Do capabilities exist that are valued by customers and provide potential competitive advantage?
R	**Rarity**: Do capabilities exist that no for (or few) competitors possess?
I	**Inimitability**: Are capabilities difficult for competitors to imitate?
N	**Non-subsititutability:** Is the risk of capability substitution low?

Increasing bases of sustainable competitive advantage

Figure 5.3 Adapted from Johnson, Scholes & Whittington (2008)

5.2 The Competitive advantage Diamond

Create entry barriers

Core Competencies

Fit with the Environment

Leverage

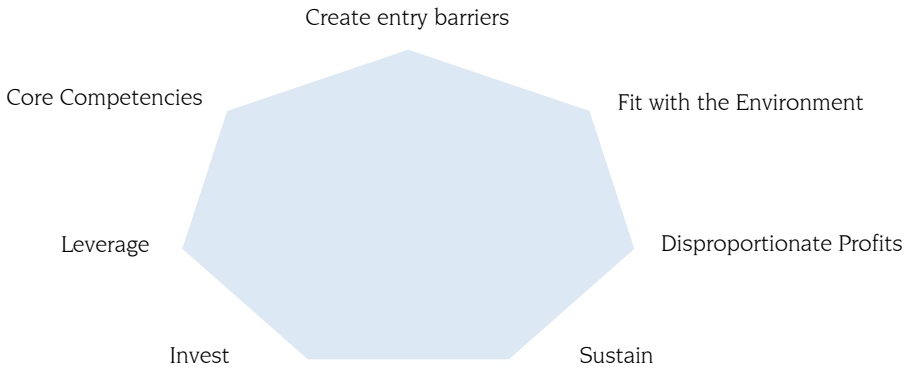Disproportionate Profits

Invest

Sustain

Figure 5.4 Characteristics of Competitive Advantage Diasz (2012)

The 21st century strategic marketer is the architect of competitive advantage in the organisation since a sustainable competitive advantage exists only if it is recognized by customers. Successful brands give consumers confidence and make them reluctant to switch. Henderson (1983) explained that those who can adopt best or fastest will gain an advantage over their competitors. This is like the law of the jungle where your survival will depend on how you adapt to the environment and how fast you adapt. Hamel and Prahalad (1989) exclaimed that a firm should not search for a sustainable competitive advantage; instead it should learn how to create a new advantage to achieve global leadership.

Hall (1980) further explained that a firm's success might depend on whether they offer the lowest cost relative to competition or the most differentiated position compared to competition. Porter (1985) introduces the generic strategies with low cost and differentiation positions as routes to competitive advantage. He then introduces the value chain as the basis for analyzing and delivering a competitive advantage where companies will create effective links with buyers, suppliers and distributors and then links the 5 forces to understand industry rivalry and attempt to create entry barriers.

Characteristics of Competitive advantage

1. Leverage your unique points of differentiation

Here, the manager must clearly understand the unique points of differentiation of a company and the first step is to gauge whether these points are being put to use or leveraged. How are you different to your competitor? How are we different to one another? The first step is to identify the points of differentiation and it is good to have a competitive frame of reference. Keller (2008) in his book strategic brand management argues that there are points of differentiation and points of parity (equal). He further explains that a competitive frame of reference is to list your competitors with which you will compare your performance.

2. Identifying Core Competence that deliver a competitive advantage

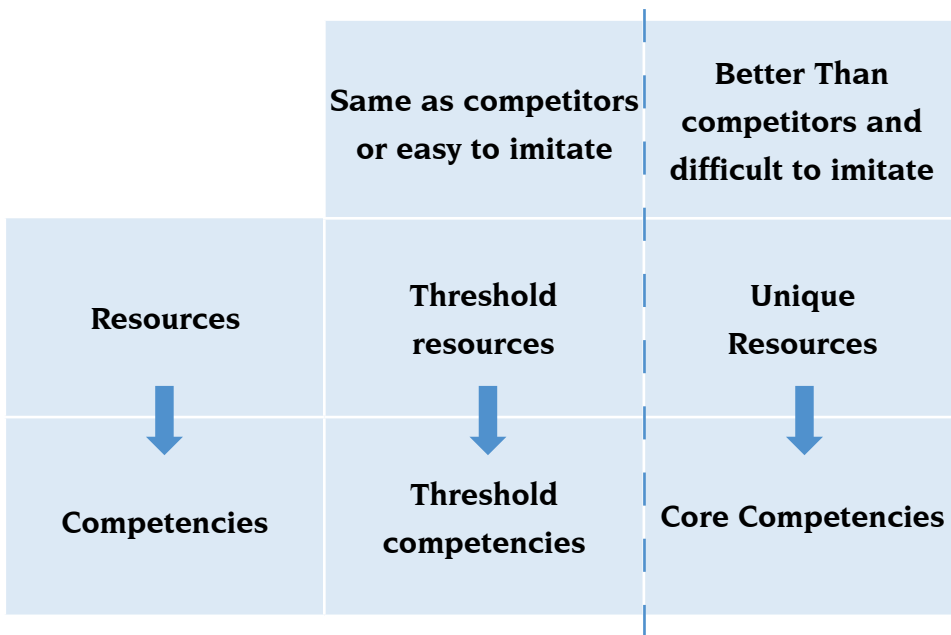|	Same as competitors or easy to imitate	Better Than competitors and difficult to imitate
Resources ⬇	Threshold resources ⬇	Unique Resources ⬇
Competencies	Threshold competencies	Core Competencies

Figure 5.5 A Resource Based view of strategy - Hamel & Prahalad (1990)

The core competencies of the organisation are the specific technical or marketing skills, which allow it to enhance the perceived value of the brand by increasing the perceived benefits and reducing the costs of ownership.

This, is something the company does or possesses which gives it an edge over its competitors. It can be defined as the skills and technologies that enable the company to provide a particular benefit to customers (Hamel and Prahalad, 1996, p. 219). The basic premise of the model is to explain that resources are required to form competencies. Threshold (a level of) resources will deliver threshold competencies. These are the same competencies competitors possess and are easy to imitate or replicate. Unique resources will results in core competencies, which is better than competitors and difficult to imitate.

It is important to bare in mind that whilst all core competencies are sources of competitive advantage, not all competitive advantages derive from core competencies. Some may stem from history, a particular location, preferential access to materials or labour and so on. It is important to distinguish between what has made you successful in the past and what will make you succeed in the future. Hall (1993) argues that access to unique resources will result in capability differentials witch will lead to a competitive advantage.

Doing things badly - a special incompetence, perhaps, or competitive disadvantage - offers opportunities for other firms to gain a competitive advantage. A low level of service can open the doors for a company offering a high level of service.

3. Sustaining your Competitive Advantage

Dierick and Cool (1989) explains that sustainability is based on how easily assets can be substituted or imitated. A successful competitive advantage is sustainable, not transitory. It should not be easily copied because the company wants to hold on to it in the long term. To some extent, the idea of a sustainable competitive advantage is an ideal for which we should strive but in reality is often hard to attain. Technological advantage, for example, is often fleeting, as competitors are able to reverse engineer the product. Successful brand names, on the other hand, tend to be more long lived.

The Sri Lankan cricket team had a competitive advantage on the run up to the 1996 cricket world cup. The team invented the technique of using two opening batsmen to defy all strokes in the game of cricket, go out there and take a risk, leather the ball, play outside the crease and mentally demoralize the opening bowlers within the first 10 overs where the fielding restrictions prevailed. They mastered this art successfully, and won the Wills world cup in 2006. However, soon after the world cup there were other countries such as Australia, Pakistan and India who soon followed suit and copied the competitive advantages since Sri Lanka could not sustain its edge. A competitive advantage must be delivered passionately.

4. Fit with External environment

A competitive advantage derives not only from a competitor's weaknesses (and therefore your strengths) but also from the market and conditions. Environmental dynamics can throw up threats and opportunities over time.

A well thought out SWOT analysis is invaluable here. The changes in the environment will happen anyway and there is nothing you can do to stop them. The trick is to be prepared for them and to adapt them to your advantage.

5. Route to above-average profits

The whole purpose of developing a competitive advantage is to earn above-average (for the industry) profits. By creating imperfect competition, attacking competitors' weaknesses and adapting to changes in the environment, the company gains an advantage in the market in which it operates.

Competitive advantage has an underlying assumption that the advantage is the result of past and present activity, and that it delivers (potentially at least) superior profits. However, competitors will be

striving constantly to match and overtake the advantage. Hence, superior profits must be reinvested to stay ahead.

6. Invest in your competitive advantage

Upon identifying your edge, an organisation must deploy significant resources and build on its edge. The investment in terms of money/ capital and more importantly in time and energy so that it is cultivated and nurtured. The Australian cricket team who suffered a humiliating defeat went back to the drawing board in 1997 and invested in 8 cricket academies focusing on incubating batsmen, fast bowling, spin blowing, keeping, fielding, umpiring, coaching and ground staff management where they had youngsters specializing in each of these disciplines of the game, as well as a focused effort and investment in time and money and other resources to build a competitive edge. They won 3 consecutive world cups after this defeat.

7. Create Entry barriers

Economists describe many entry barriers (economies of scale, high capital investment, patents etc.), but in fact the two most common barriers to entry are brands and core competencies based on organizational effectiveness (Doyle, 1994). These two are linked. This is easier said than done and is very difficult to achieve in practice. Or is it? For instance, look at the launch of Ceylinco VIP in Sri Lanka which was a revolutionary idea by the Ceylinco group and the launch of the on the spot claims which was an instant hit. However, they failed to create entry barriers and others followed suit almost instantly. Today is has become an expected service and the failure to introduce entry barriers has resulted in the industries overall cost going up since the product feature was easily replicated by competitors. In the pharmaceutical industry companies apply for patents and trademarks for their years of research and development work. Can an idea be patented? Marketers might need to check this with legal experts since many ideas can be patented. However, the adrenalin rush will provoke the marketer to launch the product without thinking about creating an entry barrier and others copy the idea. In some instances those who copy the idea deliver it much more effectively than the architect himself.

Johnson and Scholes (2008) introduces 3 sources of sustainable competitive advantage. Price based strategies and differentiation which is similar to Porters articulation. However, they propose a company should strategically lock in its customers using 4 sub strategies given in the diagram below. These are in essence entry barriers to increase the switching cost of the consumer. One Sri Lankan Company that has done this well is Dialog TV.
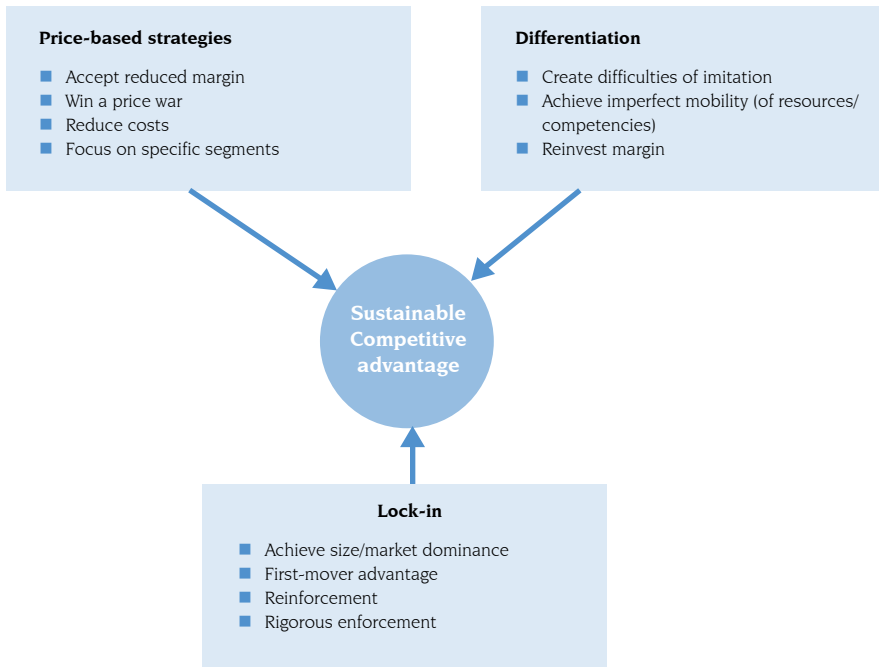
Sustaining Competitive Advantage

Price-based strategies

- Accept reduced margin
- Win a price war
- Reduce costs
- Focus on specific segments

Differentiation

- Create difficulties of imitation
- Achieve imperfect mobility (of resources/competencies)
- Reinvest margin

Sustainable Competitive advantage

Lock-in

- Achieve size/market dominance
- First-mover advantage
- Reinforcement
- Rigorous enforcement

Figure 5.6 Sources of sustainable competitive advantage by Johnson, Scholes & Whittington (2008)

Strategic Drift

Environmental change

Amount of change

Phase 1	Phase 2	Phase 3	Phase 4
Incremental change	Strategic drift	Flux	Transformational change or death
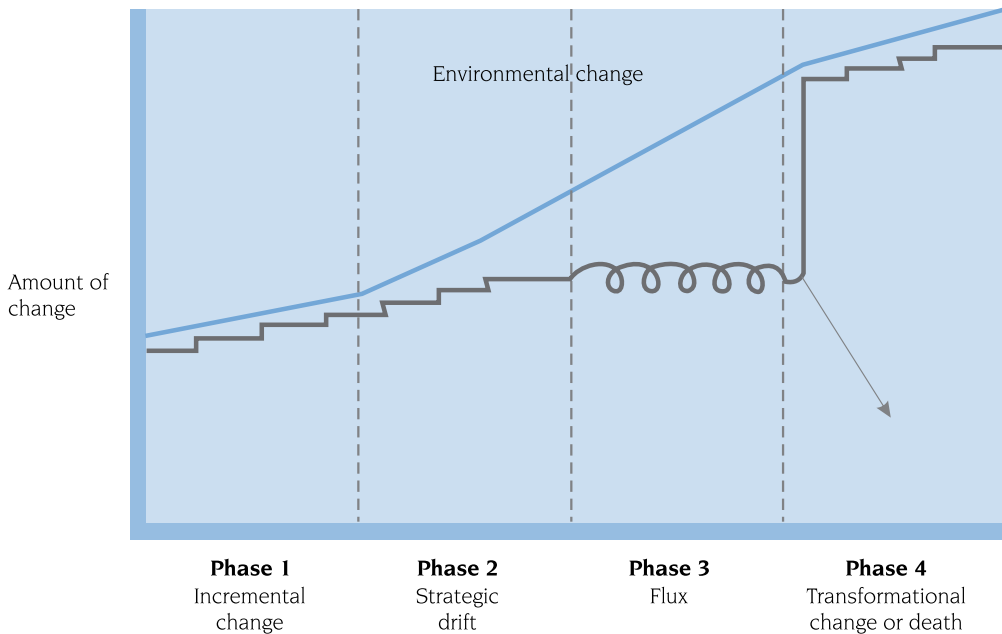
Figure 5.7 Strategy alignment to the environment by Johnson, Scholes & Whittington (2008)

5.3 Defining Strategy

Management gurus borrowed this word from the military. Other words borrowed from warfare are words like Mission, Consolidation, defensive, withdrawal etc.

a) Johnson and Scholes (2008) defines Strategy as the direction and scope of an organization over the long-term: which achieves advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfill stakeholder expectations".

b) Porter (1985) suggests that managers must separate strategy from goals, objectives, issues and tactics (cumulative steps we take in running the business every day). Strategy is; what unique (distinctive) position will we be able to achieve? Two positions that will give a firm a competitive advantage are proposed and they are Cost leadership and differentiation. Porter adds "a competitive strategy is about deliberately choosing a different by selecting a distinctive position". What's the organizations Sustainable competitive advantage at the end of the day? And this may require you to make 'trade-offs' in competing (to chose what not to do).

c) Mintzberg (1987) defined 3 components of strategy. Intended strategy (Plan for action), An emergent strategy (A process) and realized strategy (the outcome). He argues that strategy is not confined to Porters positions explained in the generic strategies. The Planned approach or intended strategy is the rational or formal approach to achieving a stated objective. Is it top-down planning and therefore likely to be ponderous. This is characterized by the word "formulated" Strategy and moves from the theoretical to practical and may be appropriate in a stable environments. This is when the Plan is clearly documented (written down) and a result of a formal, systematized process for planning with a start and end point.

According to Mintzberg it is also determined or endorsed by senior managers, with little direct involvement from operational managers, although they may be consulted.

The emergent approach to strategy or emergent strategies are those that develop out of patterns of behavior. The role of strategic management is to control and shape these emergent strategies as they develop. It is imperative to create a structure and cultivate a culture that supports the emergent approach because it may lead to chaos. No realized strategy will be wholly deliberated or wholly emergent. The line between deliberate and emergent elements within each strategy will be is part influenced by organisation structure and culture.

The rational approach fails to identify emergent strategies, or allow for them. According to Mintzberg and is practiced in traditional, hierarchical organizations. The operation level staff can be a source
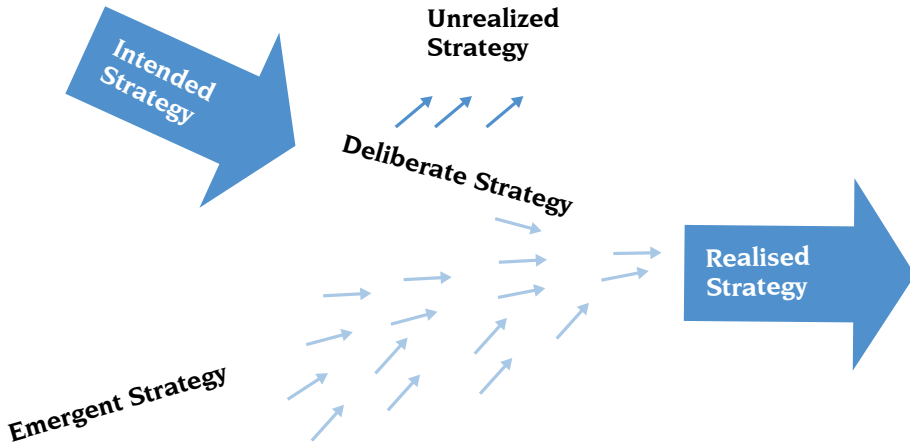
Emergent Strategy

Figure 5.8 Planned versus emergent strategy by Mintzberg, Quinn & Goshal, (1998)

of strategic change and since emergent strategies arise out of patterns of behavior they are not the result of the conscious intentions of senior managers. These have to be shaped or crafted and the emergent strategies are characterized by the term "formed" strategy as opposed to "formulated" or planned strategy.

d) Ohmae (1982) introduced "the Strategic Triangle" or the three C's and suggested that successful strategy can be characterized through the interplay of the three C's:
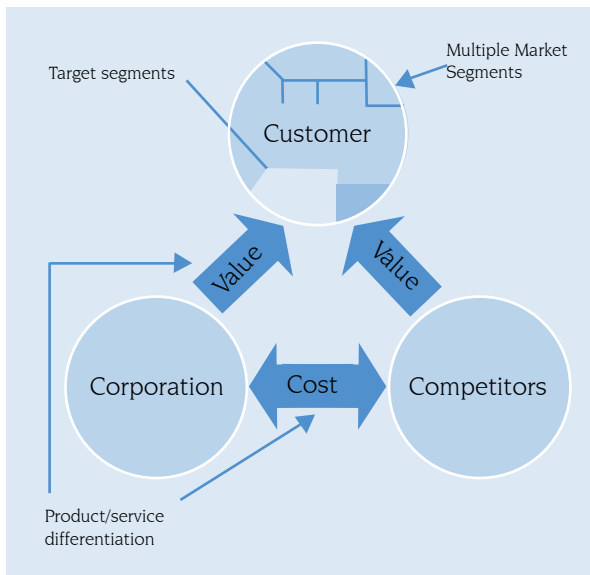
Figure 5.9 The Strategic Triangle by Ohmae (1982)

■ **Customer related questions** attempts to answer questions such as; who are our customers and potential customers? Are there any special segments that we dominate? Why do customers buy from us? What do our customers really want?

■ **Competitor related questions** are those such as; who are our competitors? What are the main factors in the market that influence competition? How intense is competition? How can the organization beat or at least survive against competition? What resources and customers do they have that make them successful? How does their organization compare to ours in terms of price, quality etc. Does the organization have a stronger distributive network than its competitors? What is necessary to achieve market superiority?

■ **Corporation related questions** are those such as; What special resources does the company itself possess and how do they compare with competitors? How does the company compare costs with their rivals? Technologies? Skills? Organisational ability? Marketing? What is the orientation of the organisation? The company's aim to satisfy customer needs? Innovate? Differentiate?

e) Igor Ansoff defined strategy through a product and market growth matrix. The model was invented by H. Igor Ansoff who was primarily a mathematician for the insurance industry to gauge risk versus reward. The Ansoff Matrix has four alternatives of marketing strategies; market penetration, product development, market development and diversification.

5.4 Perspective of Strategy (The 5Ps of strategy)

In his book "The Rise and Fall of Strategic Planning" Mintzberg (1987) outlines five perspectives of "Strategy".

■ **Strategy as a plan**, the "how and means" of getting from here to there.

■ **Strategy as a pattern** in actions over time; Mintzberg's definition of emergent strategy.

■ **Strategy as a position**, which reflects decisions to offer particular products or services in particular markets and justifies porters view on strategy.

■ **Strategy as a perspective**, i.e.. Vision and direction. Ohemes Strategic triangle as a perspective.

■ **Strategy as a ploy**, which is a specific manoeuvre intended to outwit a competitor. E.g. Kotlers attack versus defence strategies.

Organisational Structures

The span of control has a major impact on organisational effectiveness. So let's take a look at two different types of organisations. We can more easily refer to these as tall organisations and flat organisations.
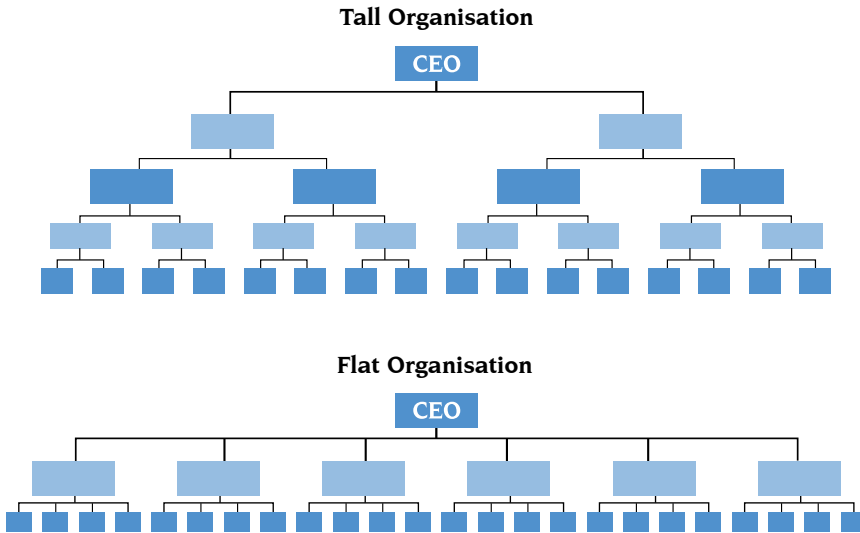
Tall Organisation

Flat Organisation

Figure 5.10 Span of Control (Tall vs. Flat organisations)

Organisational circle: moving back to flat

The flat structure is common in small companies (entrepreneurial start-ups). As the company grows it becomes more complex and hierarchical, which leads to an expanded structure, with more levels and departments. Often, it would result in bureaucracy, the most prevalent structure in the past. It featured multiple levels of command and duplicate service companies existing in different regions. The failure of this structure became the main reason for the company restructuring into a matrix.

Starbucks is one of the numerous large organisations that successfully developed the matrix structure supporting their focused strategy. Its design combines functional and product based divisions, with employees reporting to two heads. Creating a team spirit, the company empowers employees to make their own decisions and train them to develop both hard and soft skills. Some experts also mention the multinational design, common in global companies, such as Procter & Gamble, Toyota and Unilever. This structure can be seen as a complex form of the matrix, as it maintains coordination among products, functions and geographic areas. In general, over the last decade, it has become increasingly clear that through the forces of globalization, competition and more demanding customers, the structure of many companies has become flatter, less hierarchical, more fluid and even virtual.
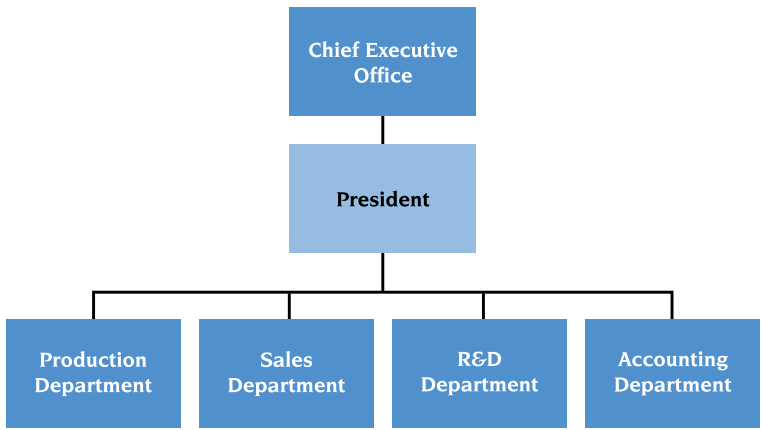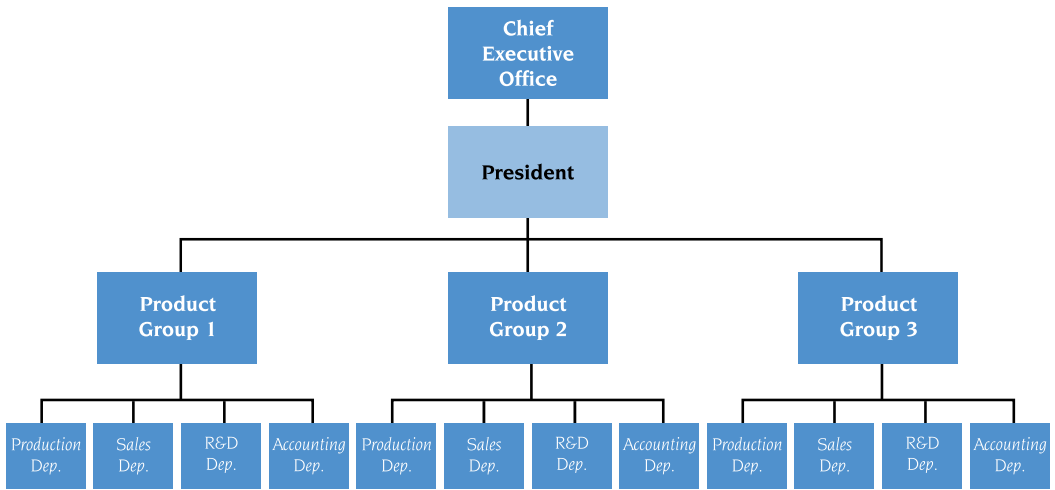
Advantages

- Chief executive in touch with all operations
- Reduces/simplifies control mechanisms
- Clear definition of responsibilities
- Specialists at senior and middle management levels

Disadvantages

- Senior managers overburdened with routine matters
- Senior managers neglect strategic issues
- Difficult to cope with diversity
- Coordination between functions difficult
- Failure to adapt

Figure 5.11 The Functional Organization Structure

Advantages

- Flexible (add or divest divisions)
- Control by performance
- Ownership of strategy
- Specialization of competencies
- Training in strategic view

Disadvantages

- Duplication of central and divisional functions
- Fragmentation and non-cooperation
- Danger of loss of central control

Figure 5.12 The Divisional Organization Structure
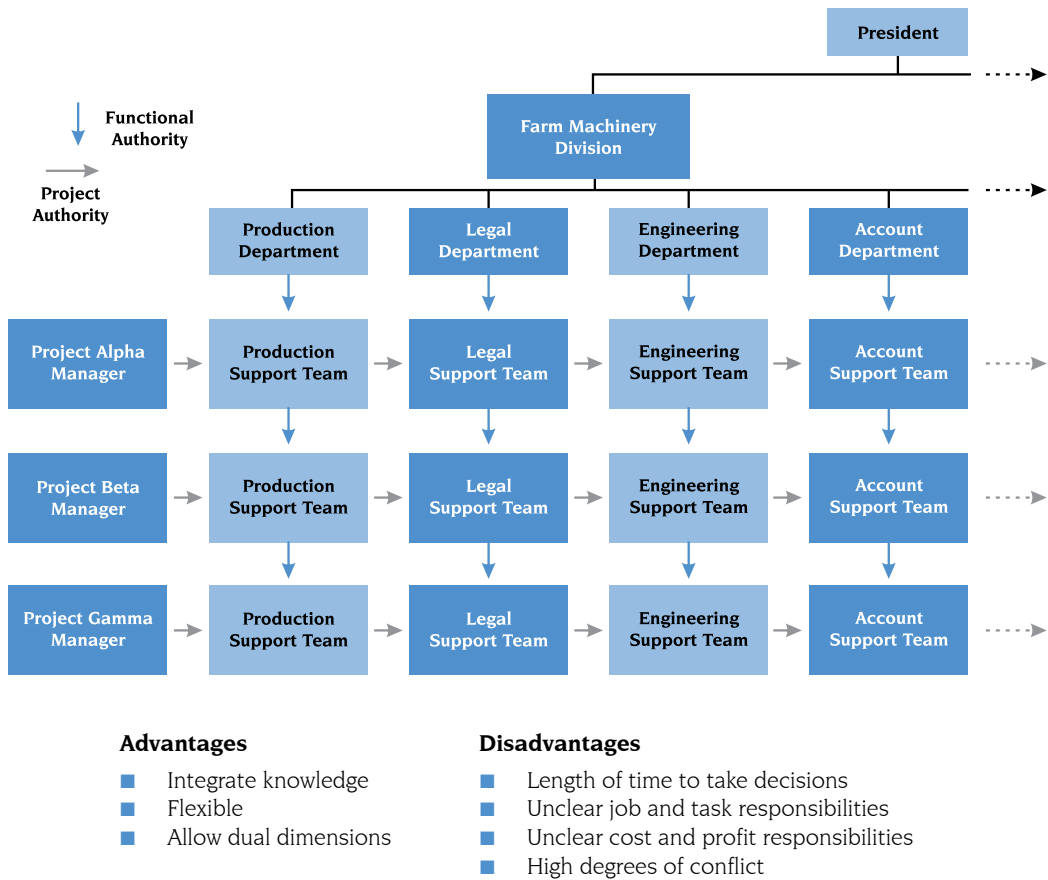
Figure 5.13 The Matrix Structure

This type of structure combines the traditional departments seen in functional structures with project teams. In a matrix structure, individuals work across teams and projects as well as within their own department or function.

For example, a project or task team established to develop a new product might include engineers and design specialists as well as those with marketing, financial, personnel and production skills.

These teams can be temporary or permanent depending on the tasks they are asked to complete. Each team member can find himself/herself with two managers - their normal functional manager as well as the team leader of the project.

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CASE 5

Cargills the Pride of Sri Lanka.

Cargills (Ceylon) PLC was established in 1844 and built on a strong foundation of values and ethics, guided by trusted leadership. It spearheads the sustainable development of the food industry in Sri Lanka. It's continuous investment in retail has made the Cargills retail arm, Cargills Food City the largest retailer in the island in all categories. Pursuing innovation and food safety, it's manufacturing brands Cargills Supremo and Cargills Finest (processed meats) Cargills Kist (processed fruits and vegetables) and Cargills Magic (ice cream and dairy products) lead sectorial growth. Its KFC franchise is the largest international restaurant chain in Sri Lanka. Through its marketing and distribution arm spread across the island Cargills distributes its manufactured brands as well as internationally renowned food and non-food brands.

In 1844, William Miller and David Sime Cargill commenced a general warehouse, import and wholesale business in Colombo, Fort. The establishment was named the 'House of Cargills. A successful bid by Sir Chittampalam A. Gardiner saw the House of Cargills being incorporated

as a Public Limited Liability Company on 1 March 1946. In 1981 Ceylon Theatres acquired controlling interest of the Company and Mr. Albert A. Page was appointed the Managing Director. Mr. Albert Page went on to become the Chairman of Cargills on 26 November 1982. Under the new management, Cargills explored the potential of innovating on its trading legacy. As a result, in 1983 Cargills established the first supermarket chain in Sri Lanka with the opening of its first outlet at Staple Street.

Cargills ventured into the production of processed meats in 1993 when the Company invested in its first manufacturing facility Cargills Quality Foods, in Mattakkuliya. In 1996 Cargills acquired the franchise license for KFC and innovated on its secret recipe to deliver products that suited the local palate.

Cargills began sourcing fruits and vegetables directly from farmers in 1999 when it established its first collection center in Hanguranketha. In 2002 it invested in a dairy processing plant and thereby expanded it's out grower network to

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include dairy farmers. Cargills Magic ice cream was the outcome of this endeavor. In the same year Cargills diversified into agri-processing with Cargills Kist, which created further market opportunities for farmers. In 2008 Cargills acquired Millers Limited consolidating its marketing and distribution operation.

According to research, vegetable prices are one of the many criteria considered in choosing a supermarket. These include the quality of service, the range of non-produce items and convenience of location. In general, there were 'store-specific' factors, both positive and negative, that impacted choice.

Cargills Food City is rated the fourth most valuable Brand in Sri Lanka and the most valued Retail Brand in the island according to research conducted by Brand Finance Lanka. Cargills Food City has been recognized for its innovation in taking super marketing to the masses. It has also earned the highest Brand Equity in the Asia Pacific region, with NTUC Fair Price Singapore coming second according to the 2004 survey on Shopper Trends by ACNielsen Being the only retail network with its own out-grower network Cargills Food City is proud of its ability to give the highest possible price to suppliers even as it provides nutritious

high quality goods to the consumer at the lowest possible price. The retail chain is geared with over 204 outlets spread across the island covering 23 districts. The Cargills agribusiness model has gained global recognition for linking farmers and entrepreneurs to the market through a sustainable and inclusive value creation process.

The Cargills business model is unique with the information supply and technical support networks which have been developed to benefit smallholders, consumers and Cargills alike. Under the leadership of CEO Ranjit Page, Cargills has embarked over the last decade on an innovative approach to building the capacity and profitability of the farming community in Sri Lanka. It purchases a wide variety of farm produce directly from small landholders. By eliminating middlemen, Cargills is able to minimize transaction costs. Resultant savings are passed on to farmers on the one end and consumers on the other. Its business model guarantees a minimum price that is at least 20% above the estimated production costs. By bringing markets to some 10,000 farmers, Cargills has contributed significantly in reducing distress sales during the time of glut. This has helped in alleviating rural poverty; reducing thereby general disenchantment to farming as an enterprise.

Cargills Food City, a chain of supermarkets in Sri Lanka, improves its competitive context by working closely with farmer communities that supply fruits, vegetables, spices, and rice to the chain. It typically pays 20% more than the market does, and importantly, guarantees a minimum, threshold price in order to cushion downward price movements in the market. Process inputs such as drip irrigation systems and collection centers are provided by Food City. Moreover, it underwrites loans granted by banks, and facilitates collaborative arrangements a number of NGOs have with the farmers, in setting up cleaning and packaging centers. Clearly, these CSR efforts benefit rural communities, as much as they help the company improve its competitive context.

The companies long standing strategy of linkages with producers and mechanisms to reduce wastage are the main reasons for relatively low prices. Whilst maintain a strong relationship with farmers Cargills employs a strategy to strengthen them, as farmers constitute a very important part of our internal vegetable supply chain. They work with farmers to make sure that they do not over-produce and make utmost efforts to reduce wastage, not only in farms, but also during transportation. Cargills, as a company, can do that because it has a direct relationship with farmers.

From a single seed in a farmer's field to a dinner table halfway across Sri Lanka Cargills brings ideas together to help satisfy our nation's needs. To get there, the company collaborates with customers to create better products and services, streamline supply chains, save energy, reduce costs and move goods to every corner of Sri Lanka. They help farmers get higher yields from fewer acres, and store crops so they have greater flexibility in marketing their harvest. Cargills believes in the philosophy of giving back to the communities where they do business through continuous efforts to improve nutrition, health and education, and protect natural resources. Every day, Cargills nourishes people and ideas-in both expected and unexpected ways.

The sustainability strategy is making social responsibility an integral part of everything they do. It is a Company-wide commitment that channels our expertise and knowledge to create sustainable value for every direct and indirect stakeholder we touch. Three commitments anchor the many programmes, projects and initiatives that Cargills takes on with the objective of reducing the Cost of Living - Enhancing youth skills and Bridging regional disparity.

The company's vision "is to be a Global Corporate Role Model in Community Friendly National Development" and the mission "is to serve the Rural Community, our Customers and all other stakeholders through the core businesses, food with love and other related businesses, based on our three main principles of, reducing the cost of living, enhancing youth skills and bridging regional disparities by enhancing local and global markets. Cargills values are (C.A.R.G.I.L.L.S) Customer focused, Accountable, Respect, Green, Innovative, Love, Lead, Serve the nation.

Empowering farmers is a commitment that embodies the heart and soul of Cargills and stems from our commitment to bridging regional disparity. Providing nutrition to Sri Lankan's makes Cargills direct partners of the thousands of farmers across Sri Lanka. Each year, Cargills works directly with hundreds of thousands of farmers to help increase their productivity, thereby helping to raise their standard of living and our access to quality raw materials. Activities include training farmers on best practices in crop and animal agriculture; providing credit, inputs, transport and infrastructure for farmers and cooperatives; establishing fair and transparent pricing policies; and increasing access to markets.

The relationships establish with farmers is a bond Cargills will have with the fields they sow, the families they nurture, the communities they live in and the schools where their children learn. Cargills has initiated a farmer community development fund where one rupee is given back to the village against kilogram of vegetables purchased from farmers. This fund is used to provide scholarships for needy children from the community, to provide resources for learning and advancement and to meet basic community needs such as utility connections. The focus is to engage the communities that work with Cargills to charter their own course of development.

"Enhancing Youth Skills" is one of the key principles of the Cargills business philosophy. It is incorporated into its mission statement as a commitment that the organization holds true to its heart. Not surprisingly as much as 70% of its work force is from rural Sri Lanka and 80% is below the age of 25.

Every single individual in our organization is welcome to give in new ideas and suggestions. The management entertains any new idea no matter how big or small it is. All ideas are carefully screened by a multi disciplinary innovations team, which strives to deliver responsible business

results. All multiple manufacturing sites are equipped with state of the art R&D facilities, which constantly generate product innovations to delight customers.

Cargills ensures that the food purchased, processes or manufacturing meet the highest quality, safety, environmental and social standards. Cargills Quality Dairies and Cargills Quality Foods are accredited with all three ISO Certifications ISO 9001: 2000 for Quality Management, ISO 14001: 2004 for Environment Management and ISO 22000:2005 for Food Safety Quality Management. The manufacturing processes, which are automated, take place in a sterile environment. Equipped with anti-bacterial cold rooms, cold storage and manufacturing areas the Cargills Quality Dairies and Cargills Quality Foods plants are the most technologically advanced facilities in the region.

The Cargills Kist quality assurance process is a stringent one that kick starts from the farm. Fruits are purchased during the season and processed in the UHT plant minus the use of any preservatives, aseptically packed and stored for use all year around. The newly installed Retort machine is the only one of its kind in Sri Lanka and will produce a novel TV Diner range of Ready

to Eat products in cans and pouches. The Total Quality Management process used by our Kist facility, including SLS certifications, CODEX, standards ensure consistently high product and process quality.

Cargills always figured that putting people before products just made good common sense. So far, it's been working out for us. The company's relationships with farmers yield the highest quality of rice, milk, fruits and vegetables. The connections they make in communities create a loyal following, and the support provided to suppliers pays off everyday. Cargills has the ambition to take their business to the next level via its Green Business program as part of its larger corporate strategy. Through the "Green Business" programme Cargills is committed to minimizing its environmental impacts throughout the entire supply chain, from the farm to the trolley. Cargills is also committed to a role of environmental leadership in all facets of business.

The One Trust came into being from the very heart of Cargills out of compassion and empathy for our fellow Sri Lankans whose lives were devastated in the Boxing Day Tsunami of 2004. Today One Trust has expanded its vision to heal the spirits and hearts of children affected by war and restore

their ability to hope and dream. One Trust aims to build a sustainable support system by engaging multiple stakeholders towards strengthening and empowering children directly or indirectly affected by conflict.

Round-the-clock convenience Cargills has further driven the growth of convenience stores in Sri Lanka through its 15 Cargills express outlets, which are located at 24-hour fuel stations. Cargills Express caters especially to the pressures of modern lifestyles, which leave many with little time to shop for essentials. The round-the-clock convenience stores offer everything from snacks and drinks to canned, packed and frozen foods, as well over-the-counter drugs, magazines and other convenience items.

Made from fresh milk collected from local dairy farmers, Cargills Magic is a big part of the Cargills promise of bringing nutritious, quality food to consumers at an affordable price and is Sri Lanka's No #1 Dairy Ice cream. Around 5,000 dairy farmers located in Banduragoda, Hanguranketha and the coconut triangle directly supply fresh milk to Cargills Magic. The farmers are organized into cooperative style associations through which Cargills provides them a guaranteed market and a standard price, raw materials at subsidized

rates, technical inputs etc. The entire production process is automated with the high-tech plant able to churn out as much as 3,200 liters of ice cream per hour. The plant has the capacity to produce over 10 million liters of ice cream per annum. Cargills Magic is a trailer blazer being the first Ice Cream manufacturer to introduce fresh fruit, indigenous flavors and festive collections to its product portfolio.

One of Sri Lanka's most trusted food brands, Cargills Kist offers a range of delectable Juices, Jams, Sauces, Cordials & accompaniments made from fresh produce directly hand picked from orchards. Today's Sri Lankan generation has grown up with the Kist brand, and they have grown to trust it for its quality and taste. Cargills leverages its ability to source the freshest quality produce from farmers and suppliers directly to ensure that Kist products retain all their natural goodness and flavour. The Kist production plant employs state-of-the-art aseptic packing and processing facilities that conform to international food manufacturing standards.

Agribusiness, as is well known, involves trade of food production in all its aspects. From that angle it includes farming, seed supply, agri-chemicals, farm machinery, wholesaling and distribution,

processing, storing, marketing, trade and retailing. Currently, Cargills Agri-business focuses on direct produce purchase from the farmers, processing and retailing. Its future plans on agri-business will follow an end-to-end approach. Thus, means Cargills, besides facilitating direct market access to farmers, would also concentrate on the development of farmer and farming. In that pursuit Cargills will undertake up-skilled farmers' knowledge and know-how through training and would make certain supply of high quality seeds and agri-chemicals.

Case Questions

Question 1.

Analyze the unique resources and core competencies of Cargills?

Question 2.

Using Porters Generic strategies, comment on the strategic position of Cargills SBU strategies? Suggest how the Porters value chain, the Porters 5 forces and activity maps can be used to describe the Super market SBU strategy?

Question 3.

Explain the Cargills corporate strategy using the Ansoffs growth share Matrix?

Source : www.cargillsceylon.com

CHAPTER 6

Marketing Research For Strategic Marketing

Case Study 6: Cinnamon Grand – The Sri Lankan Indulgence Brand

6 Marketing Research for Strategic Marketing

If Thomas Edison had used a focus group he would have just invented a bigger candle. -From The Brand Show episode "The Science of Branding"

The task of marketing research is to provide relevant and comprehensive information, which is needed by the management to make marketing decisions. Marketing research is problem specific and aims to reduce uncertainty and business risk. However, it is important to note that it cannot totally eliminate business risk, but provides SMART intelligence to prepare for contingencies.

Definition 01 - Marketing research is the systematic and objective form of data collection to make marketing decisions. The process involves specifying what information is required, design a method for collecting data, analyzing and presenting the data to the management for decision-making. – Kotler (1992)

Definition 02 - A process of systematic gathering, recording, analyzing and presenting information related to a problem in marketing of goods and services. - The American Marketing Association

Definition 03 - The collection, analysis and communication of information undertaken to assist in marketing decision-making. – Wilson (2006)

6.1 *The Value of Marketing Research*

- To identify changes and look for opportunities in the existing market place

- To solve ad hoc marketing problems

- To look for new segments

- To provide input to marketing plans

- To update the Marketing Information System

- To understand new habits and shifts in buyer behavior

Limitations of Marketing Research

- Absence of responsibility

- Customers are more sincere when spending rather than talking

- Marketing research being led by a marketer

6.2 *What are the types of Marketing Research?*

Research type	Application
Market research	■ Forecasting demand (now and existing products) ■ Sales forecast by segment ■ Analysis of market shares ■ Market brands ■ Industrial brands ■ Acquisition/ diversification studies
Product research	■ Likely acceptance of new products ■ Analysis of substitute products ■ Comparison of competitors products ■ Test marketing ■ Product extension ■ Brand name generation and testing ■ Product testing of existing products ■ Packaging design studies
Price research	■ Competitor prices (analysis) ■ Cost analysis ■ Profit analysis ■ Market potential ■ Sales potential ■ Sales forecast (volume) ■ Customer perception of price ■ Effect of price change on demand (Elasticity of demand) ■ Discounting ■ Credit terms
Sales promotion research	■ Analyzing the effect of campaigns ■ Monitoring/ analyzing advertising media choice ■ Evaluating of sales force performance ■ To decide on appropriate sales territories and make decisions as to how to cover the area ■ Copy research ■ Public image studies ■ Competitor advertising studies ■ Studies of premiums, Coupons, Promotions
Distribution research	■ Planning channel decisions ■ Design and location of distribution centers ■ In-house versus outsource logistics ■ Export/ international studies ■ Channel coverage studies

Figure 6.1 The applications of Marketing research

Primary data collection technique

Data collected specifically for a particular purpose, directly from the relevant source. Methods of primary research include survey research, experimental research, projective technique, observational research etc.

Secondary Data collection technique – (Desk research)

This can be defined as data, which has already been gathered and assembled for other purposes or general reference.

6.3. Stages of the Marketing Research Planning Process

1) Define the marketing issue, problem and objectives

Identify the research definition (define the problem), which can be a weakness or a threat. Getting down to the route cause is important! This is the most important step in the research process. "A problem well defined is half solved" or "if you do not know what you are looking for, you wont find it!"

The nature of the problem will determine the type of research study to be conducted. The manager may not know that something is wrong without knowing the specific causes. Declining sales, profit, market share or customer loyalty may be only symptoms and not the problem. (Much like a doctor looks at the patient's symptoms and treats the illness or the problem). The problem must be refined and can be transformed into a precise and definite statement.

E.g. the manager of a large discount retail store chain hastily decided that poor advertising caused falling sales, and they ordered research to test the companies advertising. When this research showed that current advertising was reaching the right people with the right message the managers were puzzled. It turned out that the real problem was that the chain was not delivering the prices, products and service promised as in the advertising.

The identification of a need or the problem to conduct marketing research will usually arise from the "strategic marketing planning process" at the analysis stage (SWOT). Determine the objective of the research - determine precisely what you need to know to deal with the weakness or threat. Remember that objectives need to be SMART.

E.g. using the above example the problem was identified as "the parity in the delivery of the company products and services verses the promise made in communications". Therefore the research objective will be to research on how the company can offer "added value" to the price charged for products and services.

It is a waste of time and money to collect answers to questions outside the research objective. The budget available and the time scale proposed for the research must be kept in mind at this stage, which will help tailor-make the research design.

2) Previous research

Here, research that was previously carried out should be reviewed to see whether the problem has been dealt with elsewhere. It might be that the solution lies in the work that has been done in other departments.

3) Redefine the problem

The output of this stage is a clear validated statement of the research problem that is agreed by all parties. Now the brief can be written.

4) Prepare a research brief, obtain proposals, evaluate and select an agency

The key to good research information, whether internal or external lies in the quality of the research brief. A research brief is prepared by the organisation commissioning the research and it will act as a guideline for the preparation of the research proposal. It will specify the research problem clearly and also specify specific objectives for the research to be conducted.

5) Research design

There are a number of alternatives when designing a research. The choice will largely depend on the objective of the research. Wilson identified three types of marketing research. Managers often start with exploratory research and subsequently follow with descriptive and casual research techniques.

<div align="center">Exploratory   →   Descriptive   →   Casual</div>

5. 1) Exploratory research

This is a type of flexible research, which is useful to gather preliminary information, which helps define the problem. If an organisation has a completely new idea for a product or service which consumers have never been offered before then exploratory research will be most appropriate in the first instance. Exploratory research studies will not try to acquire a representative sample, but rather, seek to interview those who are knowledgeable and who might be able to provide insights concerning situations. It is quick, however, not an accurate or scientific form of research study owing to the lack of a representative sample.

Exploratory research will involve discussions with those who are involved with the problem and its solution and a simple scanning of internal documents and resources. The aim is to become immersed in the problem and its potential solutions.

5. 2) Descriptive research

Descriptive research is more scientific than exploratory research. Using a representative sample it will attempt to answer questions such as Who? What? When? Where? Why? And How? A customer behaved over a period of time. This method is more meaningful than preliminary exploratory research.

5.3) Casual research

Casual research seeks to find "cause and effect" relationships between two or more variables. E.g. would a 10% decrease in price for tuition at a private collage result in an enrolment increase sufficient to recover the reduced tuition price?

6) Desk research

In the research plan, desk research is carried out before primary research. This is because it is generally cheaper. It may solve the problem without any need for expensive primary work.

7) Primary research

This is data collected specifically for the research objective and where secondary data cannot be used to solve the specific problem. Primary research may be qualitative or quantitative.

Qualitative research describes research that cannot be quantified or subjected to quantitative analysis. It typically uses small sample sizes and is designed to produce a depth of understanding, context and insight. It helps uncover the motivation behind the behavior rather than to identify the buyer itself. It seeks to get under the skin of respondents, uncovering their deeper feelings.

Quantitative research uses statistically verifiable, measurable, structured approach to problem solving using a sample of the population to make assumptions about behavior of the population as a whole.

8) Questionnaire or discussion guide design

The "Questionnaire" is the most important mean of collecting primary quantitative data and is essentially a data capture instrument, which the researcher will use to capture the respondents feedback. A questionnaire must adopt a logical sequence and a methodical approach. If not it will be a waste of money spent on research if it's badly designed. The most critical issue in a research project is the quality of the research techniques that have been used. If you are suspecting research findings, this may be most often due to the fundamental flaws in the design of the questionnaire. Qualitative research usually involves a creation of a topic guide (discussion guide), which helps the researcher ensure that all areas intended to be covered have been dealt with. Quantitative research is usually gathered and recorded via a questionnaire.

9) The Pilot run

All primary research should be piloted or tested to see that the data collection methods are sound. This may be difficult with some forms of qualitative work but a basic run through is very important.

Pilots will help the structure and sequencing of the questions and may identify areas of questioning that have not been considered. It ensures that the data collection device is effective and efficient.

10) Fieldwork

Fieldwork is the generic term given to the collection of primary data. The administration of a major quantitative study may involve serious logistical considerations whilst qualitative work may involve highly qualified and skilled researchers. This stage is very important as the failure to adhere to methodology at this stage may compromise the entire project.

11) Data input, coding and editing

Data that is gathered from respondents must be recorded and edited to produce a data set that is capable of being analyzed. In qualitative work, this may mean producing a transcript of the interview. In quantitative work, it means creating a data set that the computer can work with. Often data is sent straight into the computer via systems known as CATI, CAPI and CAWI

- Computer Aided Telephone Interviewing

- Computer Aided Personal Interviewing

- Computer Aided Web Interviewing

12) Data analysis

This stage will involve using various statistics and quantitative techniques for quantitative data and other means of analysis and summary for qualitative data to find out the results. (E.g. - SPSS) Results should be presented clearly with findings in order to make marketing decisions. Sophisticated statistical packages available today are capable of producing hundreds of tables, graphs and charts in various innovative forms.

13) Report /presentation

The final report is likely to take the form of a power point oral presentation given to an audience and a detailed written report explaining and summarizing the findings, with appendices of figures and tables etc.
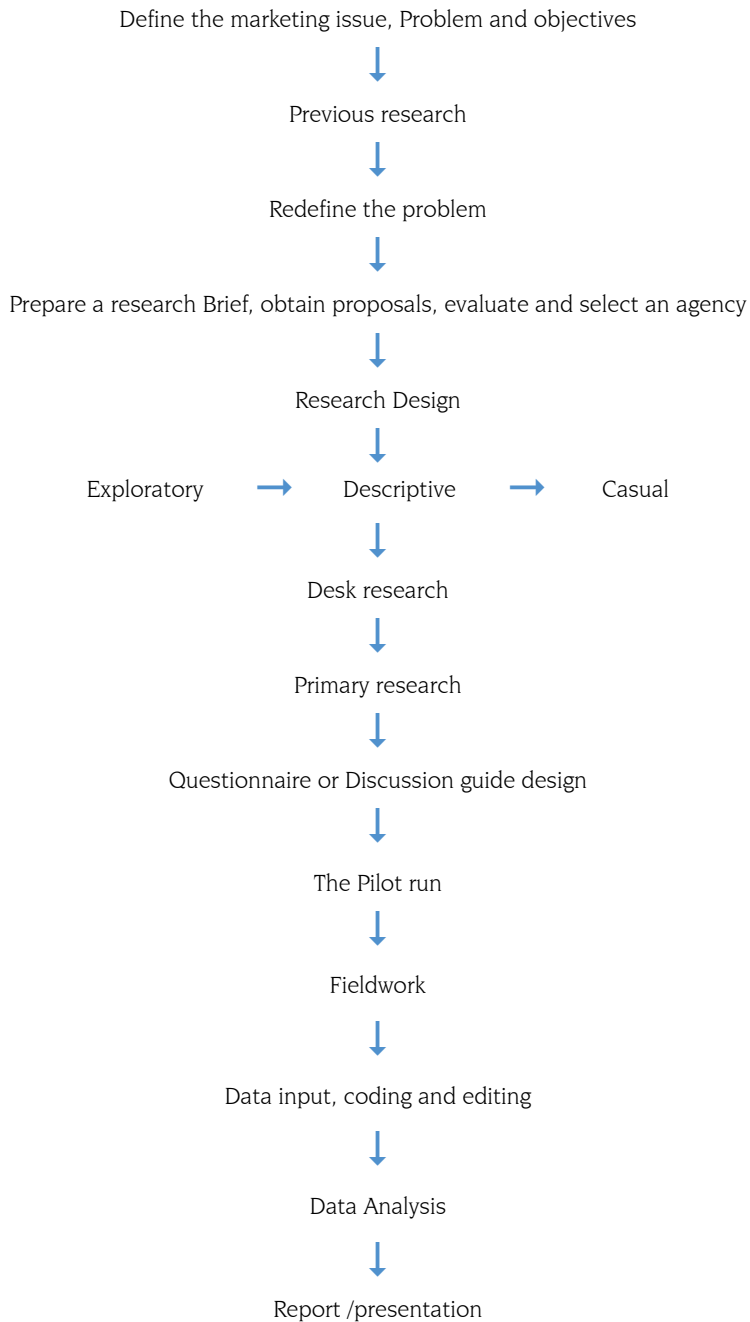
Stages of the Marketing Research Planning Process

Define the marketing issue, Problem and objectives

↓

Previous research

↓

Redefine the problem

↓

Prepare a research Brief, obtain proposals, evaluate and select an agency

↓

Research Design

↓

Exploratory → Descriptive → Casual

↓

Desk research

↓

Primary research

↓

Questionnaire or Discussion guide design

↓

The Pilot run

↓

Fieldwork

↓

Data input, coding and editing

↓

Data Analysis

↓

Report /presentation

Figure 6.2

6.4 The structure of a research proposal

Research proposals are prepared by research agencies that have been sent a brief and asked to put in a bid to do the job. The agency will undertake a preliminary study before drafting the "blue print" of the research proposal. In structure, a research proposal is similar to the research brief. But will be much more detailed in certain parts.

1) Identification details – Cover page

Key contact details, title and date on the cover.

2) Background / Situational analysis

This sets out the agency's understanding of the client company, its products and services, its market place and as well as the understanding of why the research is required. (This is a summary to establish the research, since the client knows about him self already!)

3) Research objectives

These will probably be the same as those identified in the brief, although the agency's understanding of research techniques may have helped to define them more precisely.

4) Methodology & field work - approach and method

This details how the agency proposes to carry out the research, what methods will be used, confidence levels, where the samples will be taken from, What data collection methods are proposed? Etc.

E.g. Desk research, field research, consumer research, focus groups, contact method – phone, mail, sampling etc.

5) Questionnaire / topic guide

It is unreasonable to expect the final questionnaire but an indication of what the agency expects to see in the questionnaire should be provided.

6) Data handling and processing

How will the data be captured, edited, coded and analyzed? What tables will be provided? How will the data be presented?

7) Reporting

This entails how the final information will be presented, whether interim reports will be made and so on. It will be appropriate to attach a sample format of a report.

8) Timing or activity schedule

How long the research will take and how will it be broken down into separate stages if appropriate. E.g. Gantt charts would be used to show clear milestones.

9) Budget / fees and expenses

The agency will have to set out their professional fees and expenses that will be incurred to carry out the above stated activities.

Activity	Cost (Rs.)
Secondary Data collection and analysis	150,000
Quantitative surveys	
Telephone Interviewing	300,000
Street Interviewing	450,000
Web survey	100,000
Qualitative Survey	
Focus Group	500,000
Observation Research	250,00
Analysis of Data	150,000
Report Printing and presentation	50,000
Total	**1,950,000**

10) Personal CV's

This includes CV's and credentials of the main agency personnel who will be involved in the project.

11) Relevant experience / references / supporting Evidence

The agency will wish to assure the client that it is capable of carrying out the research. Hence it will include information about similar projects undertaken in the past, and possibly reference details (previous clients who are willing to testify to the competency of the agency), such as the agency a member of a professional body?

12) Contractual details / Ethical issues

This will set out the agency's terms of trade, payment details, code of conduct, legal issues and clarify matters about ownership of the data collected. The data collected through marketing research should not be used for any purpose other than what it was collected for. (The Data Protection Act of 1998)

6.5 *Types of Secondary Data*

Secondary data is data that already exists in some form. Collection of secondary data is known as "desk research". In fact a great deal of research can now be done from your desk using your computer and the internet. Secondary data is data not created specifically for the purpose at hand but used and analyzed to provide marketing information where primary data is not available.

Definitions

The MRS (2003) defines desk research as "the collation of existing research results and data from published secondary sources for a specific, often unrelated, project".

Crouch and Housden (2003) define secondary desk research as data that has already been published by someone else, at some other time period, usually for some other reason than the present research requirement.

Wilson (2003) defines secondary data as "information that has previously been gathered for some purpose other than the current research project. The data is available either free or at a cost and can be delivered electronically by computer or in printed hard copy format".

2 Types of Secondary Data

Internal   **External**
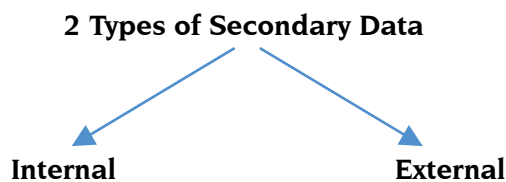
Usually, the researcher attempts to look for available secondary information before embarking on the collection of primary data. The researcher must also know where and how to look for existing information. Secondary information is now available in many forms and can be collected;

■   As a back up to primary research

■   As a substitute for primary research – when budgets are low and since primary research is very costly.

■   Used as a technique by itself – some types of information can only be acquired by examining secondary data. E.g. looking at trends over a period of time.

Secondary Sources

- Academic journals - Absco / Emerald

- Industry publications

- Computerized Databases - Acorn/TGI

- Trade associations/sector reports

- Government reports and agencies, councils, ministries

- Private reports and data

- Websites, U tube

- Newspapers and magazines and periodicals, TV

- User groups, forums and blogs

- Industry specific research reports

- Libraries

- Directories

- Panels - Consumer and retail panels

6.6 *Gathering Qualitative Data*

The main purpose of qualitative information is to understand consumer behavior and perceptions rather than to measure them. The main methods are the open-ended interview, whether this is an in-depth interview, (one to one) a group discussion, (focus group) or projective technique.

Definition

Qualitative research is research undertaken using an unstructured research approach with a small number of carefully selected individuals to produce non-quantifiable insights into behavior, motivation and attitudes. Wilson (2006)

The marketing manager needs to evaluate when qualitative research is most appropriate to commission the advantages and disadvantages of each method.

When to use Qualitative Research?

- New products and services are at the disadvantage of not having any existing data to measure and perhaps are nothing more tangible than an idea to present to people.

■ Qualitative research can help at the initial stages of development in terms of helping the company decide whether or not to continue with development at all, and later on, once there is a prototype of some kind, to find out what further development is necessary – What other benefits customers would like to see that could be included.

■ It may also help the company decide what part of the market to target:

■ Qualitative research is fairly widely used in the development of marketing communication messages to assess how consumers feel about a product or service and what sort of messages they are most likely to respond to.

■ Qualitative methods can also be used to pre test marketing communication messages to make sure the message is understood and that no unintended messages are conveyed.

■ Qualitative research is often used to conduct preliminary exploratory research for existing products and services and to find answers to a variety of questions about consumer attitudes, perceptions, segmentation, and buying behavior.
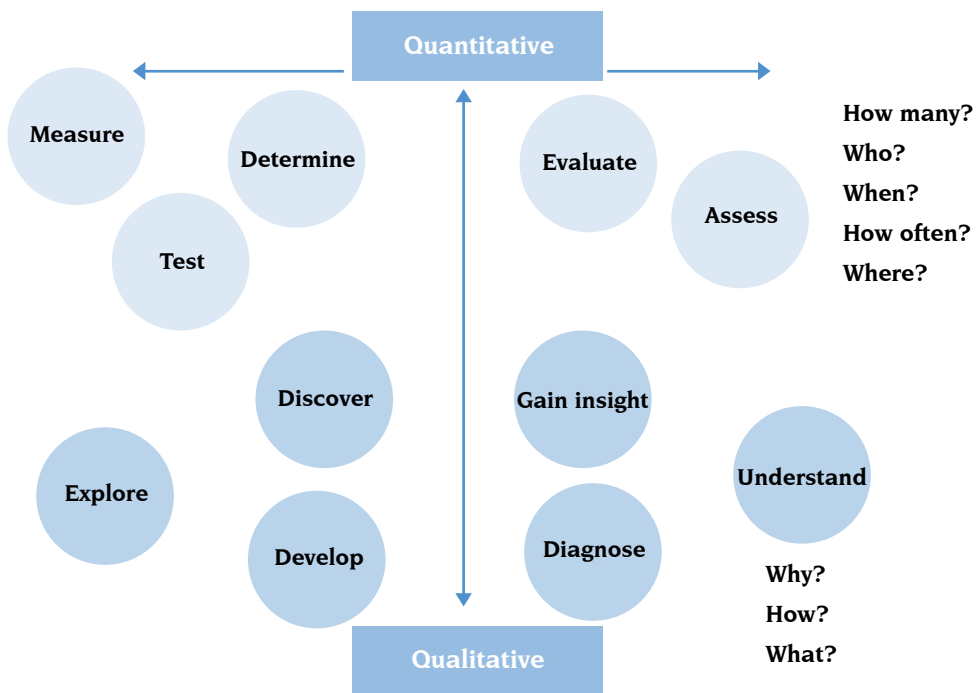
Figure 6.3 Qualitative versus Quantitative research questions

Comparative elements	Qualitative research	Quantitative research
Type of questions	Probing	Non-probing
Sample size	Small	Large
Information per respondent	Much	Varies
Management	Special skills	Fewer skills
Type of analysis	Subjective	Statistical
Ease of replication	Difficult	Easy
Type of research	Exploratory	Descriptive or casual
Research training needed	Psychology Sociology Consumer behavior Marketing	Statistics Decision Models Computer programming Marketing
Hardware needed	DVD recorders Digital voice recorders Web cams	Computers PDA CATI systems
	Describes and understands the consumer as an individual	Tests and measures the consumer as a mass market
	Depth of understanding	Statistical and numerical measurement
	Projective techniques	Statistical tools
	Unstructured and flexible, dynamic, open minded Discussion guide/unstructured	Structured questionnaire
	Response orientated	Question orientated
	Relies on Interpretation of the findings as an integral part.	Less dependent on research executive skills or orientation.

Figure 6.4 Key Differences between qualitative and quantitative research

In-Depth Interviews

In-depth interviews are conducted one on one. Motivational research often uses the psychoanalytic method of in depth interviews. The pattern of questioning should assist the respondent to explore deeper levels of thought. Audio and videotapes may be used here to capture narrations and expressions of the respondent to which meanings will be assigned. 10 -15 people are usually more than enough to be interviewed in depth. Motives and explanations of behavior often lie well below the surface. It is a time consuming and expensive process. Taped interviews and analysis of transcripts are often used. A single individual or a small team may conduct in depth interviewing and it may have less than ten respondents for the study. Feedback is through a presentation that draws together findings across a number of in depth interviews.

Projective techniques

Many interview techniques rely on the assumption that you need to ask people and they will tell you what you want to know. This is not always the case! People may respond differently to how they act. People may tell you what they think you want to hear or give you a different answer because their true answer may reflect badly on them or because they consider it to be personal. Alternatively, people may find difficulty in articulating their motives, which lie buried deep within the subconscious mind. As to overcome problems associated with articulating complex or subconscious motives, researchers have borrowed techniques developed by psychologists in their studies of mentally disturbed people who have difficulty explaining why they do things. The techniques used are known as "Projective techniques". Attitudes, opinions and motives are drawn out from the individual in response to given stimuli.

Here, a number of techniques can be employed;

a) **Third person** – the researcher asks the respondent to describe what someone else might do. For example "if someone wanted to buy a house, what would they need to do? Can you describe the steps they need to take?

b) **Word association** – is based on an assumption that if a question is answered quickly or spontaneously the sub conscious thoughts reveal attitudes, perceptions & motivations of the individual. The person's conscious mind does not have time to think up on alternative responses. E.g. what immediately comes to your mind when you hear the word "Protection"?

c) **Sentence completion** – is a useful way to get people to respond quickly so that the underlying attitudes and opinions are revealed.

Men who watch football are…?

Women wear red to?

d) **Thematic apperception tests** – (TAT tests) are when people are shown a picture and asked to describe what is happening in the picture. Is it believed that the descriptions reveal information about attitudes, beliefs, motives and opinions deeply stored in the sub conscious mind? He may be asked what happened just before or just after the incident in the picture?

e) **Story Completion** – This allows the respondent to say what they think

Happens nest and why?

f) **Cartoon Completion** – There are usually speech balloons, which need to be completed. A comment may be filled in one and the other may be left blank for the respondent to fill in.

g) **Psychodrama** – Consists of fantasy situations. Respondents are asked to imagine themselves as a product and describe their feelings about being used. Sometimes respondents are asked to imagine themselves as a brand and to describe particular attributes. For example, if a "Channel" dress were a woman how would she differ from "Dior"? What would she be like?

g) **Mood Boards** - Mood boards are collages of images that are cut from magazines and assembled, either glued or pinned on a board. This technique can reveal the associations with another products' images and colors that may not come out in conventional research.

h) **Brand personality or brand CV's** - Brand personality asks respondents to describe a brand as a person. Another term is the brand CV in which respondents write a mock bio-data for the brand under consideration. This can be very useful in determining the accuracy of positioning in the market.

i) **Brand mapping / Perceptual Mapping** - It is an extension of the brand personality test that involves multiple brands. Respondents are asked to identify key attributes or dimensions of a product sector and then position brands against those relative to the competition.

These are also known as perceptual maps and in the right hands can be very revealing. Many people, however, simply choose to use standard dimensions to build the maps. Most often price and quality. In the past, this was adequate to differentiate products in markets.

K) **Photo sorts** - Images of different people are presented and classified as to the brands they would and would not use.

L) **Role plays** - Respondents are asked to act out a scene. If used in groups, it is important that the group is well motivated and prepared to participate fully.

Focus Groups

Focus groups are an exploratory form of research useful in providing the researcher with qualitative data. Focus groups usually consist of 7 - 9 respondents and an interviewer taking the role of group moderator. The group moderator introduces topics for discussion and intervenes as necessary to encourage respondents or to direct discussions if they threaten to wander too far off the point. The moderator will also need to control any powerful personalities and prevent them from dominating the group. Group discussion is very dependent on the skill of the moderator. It is inexpensive to conduct, and can be done quickly and can provide useful, timely, qualitative data.

Factors to consider when planning a Focus Group

a)   **Identify the objective of the meeting**.

b)   **Number of respondents in the group** – a standard group is 7-9 respondents.

How a group member is recruited - Who takes part in the discussion depends on the research objective (users or non users of the product) whether they all need to be similar (homogenous). A focus group is typically demographically balanced, in line with the target population. E.g. Select members who are likely to be participative and reflective. Attempt to select members who don't know each other.

Respondents are screened by a short questionnaire to see whether they are suitable. In order to persuade them to join in, the members are usually given incentives plus expenses.

c)   **Breaking the Ice** – There should be an introductory session (15 minutes) Outlining;

- The purpose of the focus group

- Instructions

- Informing them that the discussion is being taped or observed

- Round robin introduction by the group

d)   **Number of groups** – 10 – 12 group interviews can be purposeful. Nothing new may come out although you may conduct more.

e)   **Discussion topics** – This will be decided by the researcher within which the focus group will take place. Carefully develop five to six questions. Session should last one to 1.5 hours. In this time, one can ask at most five or six questions. Focus groups are basically multiple interviews. Therefore, many of the same guidelines for conducting focus groups are similar to conducting interviews.

3. Plan your session

- **Scheduling** - Plan meetings to be one to 1.5 hours long. Over lunch seems to be a very good time for others to find the time to attend.

- **Seating and Refreshments** - Hold sessions in a conference room, or other settings with adequate airflow and lighting. Configure chairs so that all members can see each other. Provide name tags for members.

■ **Ground Rules** - It is critical that all members participate as much as possible and it is useful to have a few, short ground rules that sustain participation. Consider the following three ground rules: a) stay focused, b) maintain momentum and c) get closure on questions.

■ **Agenda** - Consider the following agenda: welcome, review of agenda, review of the goal of the meeting, review of ground rules, introductions, questions and answers, wrap up.

4) Supporting material

Plan to record the session with either an audio or audio-video recorder. Don't count on your memory. If this isn't practical, involve a co-facilitator who is there to take notes.

5) About three days before the session, call members to remind them to attend.

6) Facilitating the Session

■ Major goal of facilitation is collecting useful information to meet the objective of the meeting.

■ Introduce yourself and the co-facilitator, if used.

■ Explain the means used to record the session.

■ Carry out the agenda

■ Carefully word each question before the group addresses that question. Allow the group a few minutes for each member to carefully record their answers. Then, facilitate discussion around the answers to each question, one at a time.

■ After each question is answered, carefully reflect back a summary of what you heard (the note taker may do this).

■ Ensure even participation. If one or two people are dominating the meeting, then call on others. Consider using a round- table approach, including going in one direction around the table, giving each person a minute to answer the question. If the domination persists, note it to the group and ask for ideas about how the participation can be increased.

■ Closing the session - Tell members that they will receive a copy of the report generated from their answers, thank them for coming, and adjourn the meeting.

The "Discussion Guide" is the document prepared by an in depth interviewer or a qualified focus group moderator to guide the topics under discussion.

Format of a Discussion Guide – Wilson (2006)

A)   Introduction (15 Minutes)

-   Welcoming the group

-   Explain the objective of the meeting

-   Explain the topics that will be discussed and share agenda

-   Introducing participants or getting them to do so themselves.

B)   Discussive Phase (1 Hour)

-   Topic areas with themed sub-phases for discussion

-   Stimulus material and product trial

C)   Summarizing Phase (10 Minutes)

-   Summarizing discussion

-   Closing

-   Administration

6.7 What is Observation Research?

Interviews and questionnaires depend on respondents answering questions on behavior. However, it is sometimes better to observe behavior to get a more accurate record of buyer behavior than seeking answers for questions.

Observation can be OPEN observation / overt observation where the observer can be seen by the respondent or DISGUISED observation / covert observation where the observer uses a physical disguise. Structured Observation is when the researcher must know what is to be observed and unstructured is when the observation criteria is not predetermined.

Definition 01: Observation is the non-verbal means of obtaining primary data as an alternative or complement to questioning. – MRS (2003)

Definition 02 : This is a data gathering approach where information on the behavior of people, objects and organisations are collected without any questions being asked of the participant. – Wilson (2003)

Observation research is one of the fastest growing areas of marketing research. The use of CCTV and video means that the average consumer is caught on camera many times a day. This may raise many ethical considerations, which is a major draw back of this method. E.g. In a survey of smoking behavior, respondents have been shown to under report the number of cigarettes they smoke by a large number. The same applies to alcohol. Observation will be a good technique to be used for a very sensitive research of this manner.

Types of Observation techniques

1) **Ethnographic studies**

Ethnography is a research technique that has been used in social science for some time and is increasingly used in marketing. Ethnographic research involves total immersion in the life of the subject and researchers may spend a considerable amount of time with the subject of the research. Results may be recorded or written down post experience. The research may look at family interaction with a product or brand and may look for depth of sight to inform market positioning. E.g. Ethnographic research has been used by researchers looking at the problem of football hooliganism in the UK. Researchers travel with hooligans and later record their experiences. As you might imagine, other research techniques would be impossible to use to research this behavior.

2) **Mechanical observation**

a) **Phychogalvanometers**

This method is most often used for pre testing advertising copy and measures the response by the perspiration rate, which tends to increase when the subject is exciting and arousing. It uses the same techniques as a lie detector, measuring the electrical resistance of the skin.

b) **Eye cameras**

Eye cameras are used to assess an advertisement, which attracts the most attention and those parts, which are neglected. It tracks the movement of the eye around an object. This method has also been used on websites to explore the navigation of sites and may be combined with a mechanical record of keystrokes or mouse movement.

c)   **Pupil meters**

Pupil meters measure the responses through a measurement of the movement of the pupil of the eye.

d)   **Video cameras in natural settings**

In such settings there is an increased chance of observing real behavior but the researcher might have to wait a long time until the behavior occurs.

e)   **Tachistoscopes**

Reveal the test material in microsecond bursts. The respondent's ability to recall small details will be measured. It is believed to predict advertising effectiveness amongst other uses.

f)   **Pressure mats or automatic sliding doors**

Retail stores may use these techniques to count the number of customers.

3)   **Mystery shopping**

A mystery shopper is when a researcher visits a store as a shopper in disguise to obtain information on prices, promotions, service levels, ideas, new products, analyze front line staff, check the process, etc. This may be done by companies assessing the activities of competitors in the market or by companies assessing the performance of their own sales staff.

Definition - The use of individuals trained to observe experience and measure the customer service process, by acting as a prospective customer and undertaking a series of pre-determined tasks.

Mystery shoppers should present facts rather than opinions and these may include the shopping environment as well as interactions between the researcher and staff. There needs to be careful recruitment of mystery shoppers as staff may become familiar with them. The shopper needs to be natural and to make the experience as close to life as possible.

Types of mystery shopping exercises ;

- Actual visits by a person
- A hidden video camera or recording devices can be used to record
- Telephone mystery shopping – calling in disguise
- Internet / e mail mystery shopping

Steps in conducting a mystery shoppers exercise

a)   Find out the key competitors to be researched and analyzed.

b)   Determine objectives and make a list of information that is required, such as;

- Prices

- Promotions

- Check quality of products & facilities

- Customer service levels

c)   Device strategy

- How many will go? What time? What to mention?

d)   Maintain a record of the information and share it with management.

4) **Online observation**

The Internet allows a lot of data to be captured through remote observation. The use of cookies allow the website owner to identify repeat visits. A cookie is a text file placed on the browser's computer that allows the browser's computer to be identified on subsequent visits. A cookie may contain the computers address or the details of a customer registration. This means that when the customer logs on, a personalized greeting can be made or password provided. Cookies cannot extract information.

6.8 *Questionnaire Design*

The "Questionnaire" is the most important means of collecting primary quantitative data and is essentially a data capture instrument, which the researcher will use to capture the respondents feedback. A questionnaire must adopt a logical sequence and a methodical approach, if not it will be a waste of money spent on research if badly designed. The most critical issue in a research project is the quality of the research techniques that have been used. If you are suspecting research findings, this may be most often due to the fundamental flaws in the design of the questionnaire. It is always better to send a covering letter when you send out a questionnaire.

Designing a Questionnaire

Decide on areas for questioning from the research objectives

↓

Deciding on Wording & Phrasing

↓

Sequencing and Designing Layout

↓

Pilot test

Types of Questions

There are two main ways in which questions can be asked.

A) **Closed, set choice questions** (Structured response) give people a choice of predetermined answers or can simply be answered with a "Yes", "No" or a tick in a box or a very short factual answer. E.g. would you like a sales representative to call you?

    ✓   Yes

    ✓   No

The advantage is that you will get short, relevant answers that are easy to analyze. The disadvantage is that the choices may be too restricted to cover every possibility. Taking the above example "Yes!, but don't call me during office hours" cannot be mentioned.

B) **Open ended questions** (unstructured response) - Allows the respondent to provide a narrative answer with an explanation in their own words. Typically an open question begins with 'Why…?' Or 'How?' or a phrase like 'Could you describe…' The advantage of this type of questioning is mainly the freedom in the respondent's expression without any restriction. The disadvantage on the other hand is that you may end up collecting a large amount of narrative data that may not be relevant. A good questionnaire may have a blend of open ended and closed questions.

Types of Closed Ended Questions

A) **Dichotomous**

This is a question with two possible answers E.g. "Yes" or "No" or with a neutral response "Not sure"

B) **Multiple Choices**

A question with more than three answers.

C) **Likert Scale**

A statement with, which the respondent shows the amount of agreement. A list of statements are prepared about the topic being researched from strong agreement to strong disagreement with a numerical value given to each response.

Strongly agree   5

Agree   4

Don't Know   3

Disagree   2

Strongly disagree   1

Each respondent's scores for all the statements are added up to give a total score for the topic. Likert scales are simple to prepare and administer.

D) **Semantic Differential Scale**

A scale connecting two bipolar words where the respondent will select a point or a position of the object being researched on each continuum.

E) **Importance Scale**

A scale that rates the importance of some attribute.

F) **Rating Scale**

A scale that rates some attribute from "poor" to "excellent"

G) **Intention to buy Scale**

A scale that describes the respondent's intention to buy.

Types of Open Ended Questions

A) **Completely unstructured**

A question that respondents can answer in an almost unlimited number of ways.

B) **Word Association**

Words are presented, one at a time, and respondents mention the first word that comes to mind.

C) **Sentence completion**

An incomplete sentence is presented and respondents complete the sentence.

D) **Story Completion**

An incomplete story is presented, and respondents are asked to complete it.

E) **Picture Completion**

A picture of two characters is presented with one making a statement. Respondents are asked to fill in the empty balloon.

F) **Thematic Apperception Test (TAT)**

A picture is presented and respondents are asked to make up a story about what they think is happening or may happen in the picture.

6.9 *Quantitative Data*

Definition 01 - Quantitative research gathers statistically valid, numerically measurable data.

Definition 02 - The MRS defines quantitative data as "Research, which seeks to make measurements as a distinct form of qualitative research".

Definition 03 - Wilson (2003) defines quantitative research as research that is undertaken using a structured research approach with a sample of the population to produce quantifiable insights into behavior motivations and attitudes.

Types of Surveys

Self-Administered surveys   Interviewer administered Surveys

Face to face   Non face to face
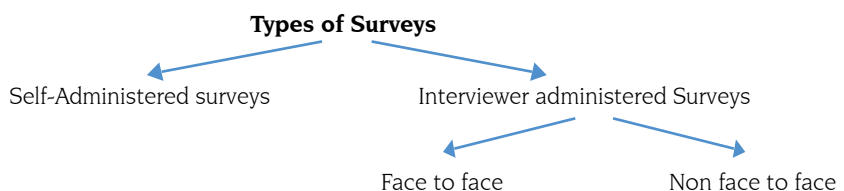
Surveys are defined by the MRS (2003) as "the systematic collection, analysis and interpretation of information about some aspect of study. In market research, the term is applied particularly to the collection of information by means of sampling and interviews with the selected individuals.

Types of Surveys

1.   **Interviewer administered surveys**

1.1   Face to face interviewer administered surveys

1.1.1   Street Interview surveys

Takes place in a busy town centre, with the interviewer approaching individuals as they pass by. They need to be brief and should not require too much concentration from the interviewers. A survey taking place in a shopping centre requires the centre managers permission, and a fee may be payable.

1.1.2   In - home or doorstep interview surveys

These are held at the interviewee's home or doorstep with the interviewer recruiting simply by knocking on doors. The respondent is at ease but generally this method is hard to manage.

1.1.3   Executive / Business interview surveys

This takes place at the interviewee's business premises and are always pre arranged.

1.1.4   Computer Assisted Personal Interviewing (CAPI)

CAPI is defined by the MRS as Computer assisted personal interviewing, conducted face to face, usually employing lap top computers or Personal Digital Assistants (PDA's)

1.2   Non face to face surveys

1.2.1   Telephone interviewing

This is where the questionnaire is conducted as an interview over the phone, and recorded by the interviewer; this offers speedy, interactive responses over a wide geographical area. Questions will have to be short and simple since there is an absence of visual support. The use of the telephone in market research in the UK is growing.

1.2.2   Web based surveys

Web surveys are becoming more and more common. Web or e-mail surveys can be administered expeditiously although there may be security concerns. It is cheap and interactive. However, respondents may be skeptical about being targeted with junk mail if they respond to a web based questionnaire.

1.2.3   Computer Assisted Telephone Interviewing (CATI)

It is defined by the MRS as " computer assisted interviewing, over the telephone. CATI has the following features;

■ Questionnaire can be customized and verbal comments can be recorded.

■ Inconsistencies can be immediately highlighted.

■ Automated dialing allows efficient management of the interviewer.

2.   **Self administered surveys**

Self-administered surveys are delivered to the respondents who then complete the questionnaire and return it.

2.1   Postal surveys

The questionnaire is sent out to the respondent to complete and return. This is a cost effective way of reaching a large sample, avoids the bias inherent in personal contact and allows the respondent to complete the questioner at ease. However, there is no guarantee that the respondent may fill it by him self; this can be avoided by giving the respondent an incentive.

2.2   Hand delivered surveys

Questionnaires can be handed out or left for collection for example, flight surveys or surveys left in bedrooms or given to diners in restaurants. These can achieve a high response rate and are cheap to administer but generally are hard to control and should be used carefully with support from other methods.

2.3   Fax surveys

This method share similar strengths and weaknesses to postal surveys. A few years ago this method was very popular, today they are less so. The development of e-mail and the Internet has spearheaded this technology that was used largely in B2B research.

2.4   E-mail and web surveys

This is a growing area of research in both B2B and consumer markets. The range of methods using e-mail and the Internet is expanding very quickly. E mail surveys and web surveys are difficult to separate out as e mail surveys may contain a link through to a website survey or they may include the questionnaire as an attachment to the e mail or within the e mail itself.

6.10 *Sampling*

What is Sampling? "A sample is a part of a whole to show what the rest is like"

Definition 01 - Crouch and Housden (2003) define a sample, as "A sample is a small number taken from a large group for testing and analysis, on the assumption that the sample is representative of the population as a whole".

Definition 02 - The MRS (2003) defines a sample as "A part or subset of a population taken to be representative of the population as a whole for the investigative purposes of research"

Definition 03 - Sampling is a technique, which is used to select a sub-set of the population so that it represents the total population.

Sampling is one of the most important tools of marketing research because in most practical situations a population will be far too large to carry out a complete survey. The researcher must consider the best sampling method for a given situation as well the size of the sample that is selected. To determine whom to interview for a research study, we should follow the sampling process described below to give us the most accurate and representative results.

What are the stages of the Sampling process?

1) **Defining the population or universe?**

   A population or universe in statistics simply means the set of individuals, items or data from which a statistical sample is taken. E.g. 01. You might send a questionnaire to a sample of 100 people who are aged 30 to 40: the population is all people aged 30 to 40. E.g. 02 We may be interested in all car dealers, we may be interested in Renault dealers, or we may be interested in Renault dealers in London.

2) **Determine whether to sample or to census**

   What is a census? Sometimes the population is small enough that all items can be examined. E.g. The examination results of one class of students. When the whole population is examined, the survey is called a Census! (100% surveyed) This type of survey is quite rare and usually the researcher has to choose the sample.

3) **Define the sampling frame for the chosen population**

   The ESOMAR (2003) defines the sampling frame as "A list of the population of interest that is used to draw the sample in a survey, for example a telephone directory or a list of members of a profession". A sampling frame is simply a numbered list of all the items in the population from which who is to take part in the survey is decided.

4)   **Choose the method of sampling**

Sampling can be broadly classified into two types. Probability sampling and non probability sampling.

4.1)   **Probability Sampling** (Random Sampling) is when the choice of respondent is truly random and every member of the population has a known, equal chance of being selected. E.g. Simple random sampling, stratified random sampling, cluster sampling and multi stage sampling etc. (Random - Chosen without a method or conscious choice) This method is scientific although time consuming to conduct as opposed to Non probability sampling. It is also a higher investment compared to Non probability sampling.

4.2)   **Non Probability Sampling** (Non random sampling) is when the choice of the respondent is not truly random and every member of the population does not have an equal chance of being selected. E.g. Convenience sampling, judgment sampling, quota sampling and snowball sampling etc. In this method there is the risk of a higher level of being biased. This requires low investment and shorter time compared to probability sampling.

Probability	Non Probability
Simple random Sampling	Convenience sampling
Systematic sampling	Judgment sampling
Stratified random sampling	Quota sampling
Cluster sampling	Snow ball sampling
Multistage Sampling	

Figure 6.5 Types of Sampling

Establish the population or universe

↓

Determine whether to sample or to census

↓

Select a sampling frame

↓

Choose the method of sampling
(Probability or non-probability sampling)

↓

Decide the sample size
(Depends on the degree of accuracy needed and the amount available)

↓

Decide the sampling plan
(Definitions and plans in executing the research)

↓

Implement the sampling procedure

Figure 6.6 The Sampling Process

6.11 *Profiling Tools*

a) The socio-economic classification of UK

Class Name	Social Status	Occupational Head of Household	% of UK Population
A	Upper middle class	Higher managerial, administrative or professional positions	3
B	Middle class	Middle managers, administrative or professional positions	14
C1	Lower middle class	Superiors or clerical, junior managerial administrative or professional positions	27
C2	Skilled working class	Skilled manual workers – carpenter, mechanic etc.	25
D	Unskilled Worker	Semi-skilled and un-skilled manual workers	19
E	Those at lowest level of subsistence	Sate pensioners or widows, casual, daily paid workers labourers	12

Figure 6.7 The Socio-economic Classification of UK

B) The Family Life Cycle - Wells & Gubar (1966)

Bachelor stage:	Young, single not living at home, few financial burdens fashion opinion leaders. Recreation oriented, buy: basic home equipment, furniture, cars, equipment for the mating game, vacations
Newly married couples:	Young, no children. Highest purchase rate and highest average purchase of durables: cars, appliances, furniture, vacations
Full nest i:	Youngest child under six. Home purchasing at peak. Liquid assets low. Interested in new products, advertised products
	Buy: washers, dryers, TV, baby food, chest rubs and cough medicines, vitamins, dolls, wagons, sleds, stakes
Full nest ii:	Youngest child six or over. Financial position better. Less influenced by advertising. Buy: many foods, cleaning materials, bicycles, music lessons,
Full nest iii:	Older married couples with dependent children, financial position still better. Some children get jobs. Hard to influence with advertising. High average purchase of durables: new, more tasteful furniture auto travel unnecessary appliances, boats, dental services magazines
Empty nest i:	Older married couples, no children living with them, head of household in labor force. Home ownership at peak. Most satisfied with financial position and money saved. Interested in travel, recreation, self – education. Make gifts and contributions not interested in new products. Buy: vacations, luxuries, home improvements
Empty nest ii:	Older married. No children living at home head of household retired. Drastic cut in income. Keep home, buy: medical appliances, medical-care products
Solitary survivor i:	In labor force. Income still good but likely to sell home.
Solitary survivor ii:	Retired: same medical and product needs as other retired group; drastic cut in income. Special need for attention, affection and security.

Figure 6.8 The Family Life Cycle - Wells & Gubar (1966)

c) Generations defined

	Builders 1925-1945 Aged 70s ~ 80s	Baby Boomers 1946-1964 Aged 50s ~ 60s	Generation X 1965-1979 Aged 30s ~ 40s	Generation Y 1980-1994 Aged 20s ~ early 30s	Generation Z 1995-2010 Aged kids ~ teens
Iconic Technology	Radio (wireless) Motor Vehicle Aircraft	TV Audio Cassette Transistor radio	VCR Walkman IBM PC	Internet, Email, SMS DVD Playstation, XBox, iPod	MacBook, iPad Google, Facebook, Twitter Wii, PS3, Android
Music	Jazz Swing Glen Miller Frank Sinatra	Elvis Beatles Rolling Stones Johnny O'Keefe	INXS Nirvana Madonna Midnight Oil	Eminem Britney Spears Puff Daddy Jennifer Lopez	Kanye West Rhianna Justin Bieber Taylor Swift
TV & Movies	Gone With the Wind Clark Gable Advent of TV	Easy Rider The Graduate Colour TV	ET Hey Hey It's Saturday MTV	Titanic Reality TV Pay TV	Avatar 3D Movies Smart TV
Popular Culture	Flair Jeans Roller Skates Mickey Mouse	Roller Blades Mini Skirts Barbie/Frisbees	Body Piercing Hyper Colour Torn Jeans	Baseball Caps Men's Cosmetics Havaianas	Skinny Jeans V-necks RipSticks
Social Markers/ Landmark Events	Great Depression Communism World War II Darwin Bombing Charles Kingsford Smith	Decimal Currency Neil Armstrong Vietnam War Cyclone Tracy National Anthem	Challenger Explodes Haley's Comet Stock Market Crash Berlin Wall Newcastle Earthquake	Thredbo Disaster Columbine Shooting New Millenium September 11 Bali Bombing	Iraq / Afghanistan war Asian Tsunami GFC (08) WikiLeaks Arab Spring
Influencers	Authority Officials	Evidential Experts	Pragmatic Practitioners	Experiential Peers	User-generated Forums
Training Focus	Traditional On-the-job Top-down	Technical Data Evidence	Practical Case studies Applications	Emotional Stories Participative	Multi-modal eLearning Interactive
Learning Format	Formal Instructive	Relaxed Structured	Spontaneous Interactive	Multi-sensory Visual	Student-centric Kinesthetic
Learning Environment	Military style Didactic & disciplined	Classroom style Quiet atmosphere	Round-table style Relaxed ambience	Cafe-Style Music & Multi-modal	Lounge room style Multi-stimulus
Sales & Marketing	Print & radio Persuasive	Mass / Traditional media Above-the-line	Direct / Targeted media Below-the-line	Viral / Electronic Media Through Friends	Interactive campaigns Positive brand association
Purchase Influences	Brand emergence Telling	Brand-loyal Authorities	Brand switches Experts	No Brand Loyalty Friends	Brand evangelism Trends
Financial Values	Long-term saving Cash No credit	Long-term needs Cash Credit	Medium-term Goals Credit savvy Life-stage debt	Short-term wants Credit dependent Life-style debt	Impulse purchases E-Stores Life-long debt
Ideal Leaders	Authoritarian Commanders	Commanding Thinkers	Co-ordinating Doers	Empowering Collaborators	Inspiring Co-creators

Figure 6.9 Adopted from Generations defined by Mccrindle

d) The Warner index of status characteristics

Class name	Description	Consumption characteristics
Upper-upper	Elite social class with inherited social position	Expensive, irrelevant, but purchase decisions not meant to impress; conservative
Lower-upper	Nouveau riche; highly successful business and professional; position acquired through wealth	Conspicuous consumption to demonstrate wealth, luxury cars, large estates, etc.
Upper-middle	Successful business and professional	Purchases directed at projecting
Lower-middle	White-collar workers, small business-people	Concerned with social approval; purchase decisions conservative; home and family oriented
Upper-lower	Blue-collar workers, technicians, skilled workers	Satisfaction of family roles
Lower-lower	Unskilled labour, poorly educated, poorly off	Attraction to cheap, 'flashy', low-quality items; heavy exposure to TV

Figure 6.10 The Warner index of status characteristics (1960)

e) Bases of segmentation

Geographic	Demographic	Behavioral	Psychographic
■ Customer location ■ Region ■ Urban/Rural ■ Acorn classification	■ Age ■ Gender ■ Occupation ■ Socio-economic Group	■ Rate of usage ■ Benefits sought ■ Loyalty status ■ Readiness to purchase	■ Personality ■ Lifestyles ■ Attitudes ■ Social Class

Figure 4.22 Bases of segmentation (B2C)

Demographic	■ **Industry**: Which industry should we serve? ■ **Company size:** What size of companies should we serve? ■ **Location**: What geographical areas should we serve?
Operating Variables	■ **Technology**: what customer technology should we focus on? ■ **User or Nonuser status:** Should we serve heavy users, medium users, light users, or nonusers? ■ **Customer Capabilities**: Should we serve customers needing many or few services?
Purchasing Approaches	■ **Purchasing organization**: Should we serve companies with highly centralized or decentralized purchasing organisations? ■ **Power structure**: Should we serve companies that are engineering dominated, financially dominated or so on? ■ **Nature of existing relationships**: Should we serve companies with which we have strong relationships or simply go after the most desirable companies? ■ **General purchase policies**: Should we serve companies that prefer leasing? Service contracts? System purchases? Sealed bidding? ■ **Purchasing criteria**: Should we serve companies that are seeking quality? Service? Price?
Situational Factors	■ **Urgency**: Should we serve companies that need quick and sudden delivery or service? ■ **Specific application**: Should we focus on certain applications of our product? ■ **Size of orders**: Should we focus on large or small orders?
Personal Characteristics	■ **Buyer-seller similarity:** Should we serve companies whose people and values are similar to ours? ■ **Attitudes towards risk**: Should we serve risk-taking or risk-avoiding customers? ■ **Loyalty**: Should we serve companies that show high loyalty to their suppliers?

Figure 4.22 Bases of Segmentation (B2B)

Research Methodology at a glance

1)   Research design – Exploratory / Casual / Descriptive

2)   Desk research (Secondary data)

- Types of secondary data – Internal / External
- Factors to consider when using secondary data
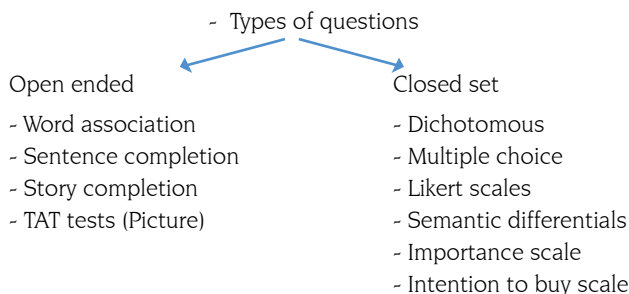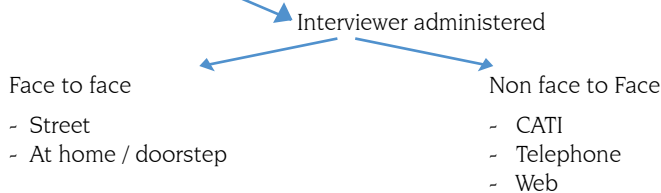- Types of information which will be provided by secondary data

3)   Primary research

a) Qualitative research → Focus groups
                          (How many?)   } Projective techniques
                          → Depth interviews
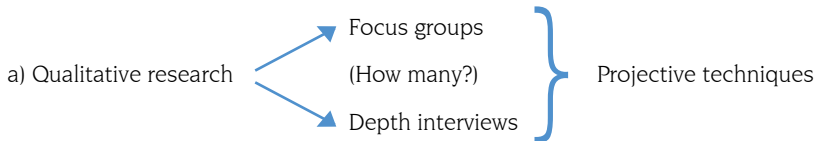
- Types of qualitative data analysis
- Qualitative data sampling
- Types of questions for qualitative research

b) Quantitative research → Surveys - Questionnaire
                          → Panels – Consumer / Retail panels
                          → Experimentation – Hall / Placement / field Test
                            Marketing / Simulated Test Marketing
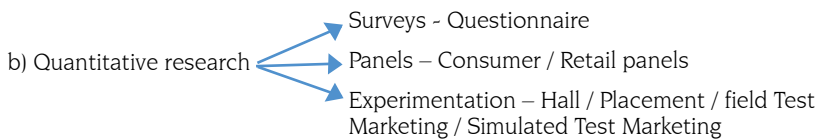
- Sample size and method
- Quantitative data analysis – Regression analysis / Co-relation / Hypotheses tests
  Trend Analysis

- Administering the survey → Self administered – Postal, Fax, CAPI, e mail,
                             Executive surveys,
                             hand written surveys
                           → Interviewer administered

Face to face   Non face to Face
- Street   - CATI
- At home / doorstep   - Telephone
                                                - Web

- Types of questions

Open ended   Closed set
- Word association   - Dichotomous
- Sentence completion   - Multiple choice
- Story completion   - Likert scales
- TAT tests (Picture)   - Semantic differentials
                                    - Importance scale
                                    - Intention to buy scale

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Cinnamon Grand
The Sri Lankan Indulgence Brand

Backtrack to the year 2003, a time when Sri Lanka was still engulfed in a domestic war and tourism was ebbing lower than ever before, the Keells Group of Hotels made a move that many at the time didn't see business sense in. Colombo Plaza or (previously known as the Oberoi Hotel) was purchased by the Keells Hotels group and was considered quite a bullish purchase considering the hotel was among the least desirable City Hotels and the tourism industry was increasingly flailing.

Many at the time didn't think it was the best of moves to make especially considering the fact that the war was a detrimental issue in the flow of tourists to the country and that there was no glimmer of hope of it ever ending. The property in itself wasn't among the top three city hotels and lacked the popularity to even draw local customers and guests to patronize the hotel. No one at the time could foresee the end of the war six years down the line and with the lack of experience the Keells Group had in managing City Hotels, there was the need to bring in someone with extensive experience both locally and internationally. This was the time when Rohan Karr was identified as the ideal man to spearhead the re-branding of the property.

Rohan Karr possessed creative foresight, international experience and an amazing positive attitude. One of Mr. Karr's most admirable features was that he always found the silver lining on a cloudy day. This trait helped him in his task to take a faltering business model into a success story now made legendary in Colombo, Sri Lanka. His attitude of doing things differently has now grown to be the Cinnamon culture and their secret to success.

At the initial assessment of the hotel, its people and its offering, Rohan Karr as the General Manager was able to relate to every employee since his career began with washing dishes. He was a man that rose from washing dishes to being a General Manager in a 14 year period. With this experience he was able to identify areas of improvement and areas that needed prepping and pruning. It was his brilliant leadership quality that led to a vision benefitting both the hotel as well as the worker and is proven to be successful to date.

Enjoying the Number one spot currently in the City, Cinnamon Grand has 501 rooms 26% of total room capacity in the country with 33% occupancy of the market, i.e. Cinnamon Grand enjoys a 30% premium against other hotels in the country; which means that more and more customers will pay a premium to stay at the Cinnamon Grand.

With the change of hands in management, there was the need for a name change. Future Brand was commissioned to do a global study and recommend a name that would be accepted the world over. Extensive research and studies were conducted to arrive at the name Cinnamon Grand that was found to have a strong and unique link to Sri Lanka. The name evoked strong sensorial pleasures and the aim of the management was to recreate their service offering in a manner that had never been attempted before. The aim of Cinnamon Grand began with the embryonic idea to please customers in the way they wanted and not in a rigid manner set out by the management. For example, residents of the hotel had the pleasure of having breakfast at any given time of the day, at any given location preferred by him or her. This level of flexibility was a key factor in winning the hearts of customers. Their launch campaign was apt to their service – asking the question, 'How May We Indulge You?' Indulgence and luxury was the core

of their service offering, going the extra mile and serving customers in a unique and memorable manner. This they achieved by being creative in their approach to everything. Two things that set Cinnamon Grand apart from the others in the City; is their creative flair and software, i.e. Their peoples skills.

Cinnamon Grand also identified important touch points that made their customers stay memorable and focused on building value in these areas. For example, it's crucial for a traveller whether on business or leisure to have a good night's sleep. Identifying the need for comfort and soft pillows translated into Cinnamon Grand launching the 'Pillow Menu' – the first ever in the country to offer residents the choice of pillows to suit their individual requirement. When Cinnamon Grand launched this service, it started off by offering residents a choice of seven different pillows and attests to the promise of 'enjoying indulgence' the way you want it, when you want it and with what you want it.

Cinnamon Grand did not and does not believe in a standardized offering to their customers, dictating to them how they think customers might enjoy their stay. Instead, they offer their customers the choice of indulgence just the way they want

to enjoy themselves. In the business of service, Cinnamon Grand has identified and mastered the true spirit of customized service, truly catering to the customer's wants and needs. Value for money is another aspect that Cinnamon Grand ensures the customer receives. Staff is trained to ensure that not a single customer leaves the premises without feeling that he or she has gotten the worth of their money spent.

As General Manager, one of his first initiatives was to launch the 'Cheers' Pub – taking inspiration from a typical British Pub, Mr. Karr utilized a loss making area within the property and converted it within months to a popular and bustling venue that both youngsters and the old frequented after work to catch the latest sporting matches on large screens over a keg of Beer. Initiatives such as this quickly made the property grow in popularity.

Another initiative to increase footfall in the property was to make the Coffee Shop 'Coffee Stop' popular by introducing famous bands to play in the lobby and making the Coffee Shop accessible and affordable to a younger age group. Very soon, the empty lobby of the property began flooding in with people who wanted to relax and enjoy the hits of Misty and other popular artists at the time. From a hotel that operated only two

restaurants, Cinnamon Grand opened its doors to some of the City's most popular and sought after restaurants, yet to date. Restaurants such as the Lagoon, TAO, Chutney's, Breeze Bar and Nuga Gama were introduced at the property. Where each have contributed tremendously, both as a value addition and tourist attraction (especially Nuga Gama).

Ground breaking initiatives and service excellence standards such as this was what earned them the Gold Award at the Brand Excellence Awards in 2006. Cinnamon Grand soon began to gather an accolade of awards each year and steadily made their way to be the Number One City Hotel in Colombo. Cinnamon Grand is also ranked among the Top 50 Brands in Sri Lanka by Brand Finance. Reaching Number One wasn't enough for Cinnamon Grand. Service excellence is a daily ritual that they continuously outdo. Members from different parts of the organization make up the Cinnamon Grand 'Think Tank' – this group of individuals come together to think out of the box and have weekly brainstorming sessions to come up with innovative and unique ideas. Numerous feedback forms flow into Mr. Karr's office each morning to review and analyze for his attention, commendation or rectification.

The property aims at exceeding customer satisfaction and as per these feedback forms, customer satisfaction on the overall offering is running at 91%. With stringent quality control and service excellence Cinnamon Grand manages to keep an overall high rating across the service standards reviewed by their guests as they check out. The Marketing Team's motto is 'Give something to the customer, before they even realized they needed it'.

Cinnamon as a brand has enjoyed immense success and has seen the re-branding of Trans Asia Hotel to Cinnamon Lakeside. Thus, anticipating the re-branding of all Keells properties under the Cinnamon umbrella shortly.

With the ending of the war and increased tourist influx into the country, there is great need for Cinnamon Grand to poise themselves for competition from new entrants in the Hotel Industry, such as Shangri-La, Movenpick, Marriot, Sheraton and Hyatt Regency. The advent of international chains coming into Sri Lanka has spurred Cinnamon Grand further to be able to stay relevant in the changing market dynamics; identifying new areas of concentration and improvement. Cinnamon Grand now braces itself to combat stiff competition from international Hotel chains that will soon vie for the same customers in the City.

Case Questions

Question 01. What are the Cinnamon Brand attributes?

Question 02. What suggestions will you make to improve the Cinnamon brand?

Sources : www.cinnamonhotels.com
           Interview with Mr. Rohan Karr
           General Manager

CHAPTER 7

Consumer and Business Buyer Behavior

7 Consumer and Business Buyer Behavior

"Catch a man a fish, and you can sell it to him. Teach a man to fish, and you ruin a wonderful business opportunity." - Karl Marx

"Buyer behavior" is one of the most fascinating topics for marketers in determining what makes a consumer choose one product or brand over another? Customer loyalty schemes are not always successful and consumers are easily tempted elsewhere! The study of buyer behavior will reveal answers to key questions and marketers will be able to target marketing communications in order to support and reinforce these decisions. The Human mind can be categorized into the conscious and unconscious mind. The conscious mind is what we already know and are conscious about. The unconscious mind, is a powerful force that plays a dominant role in determining human behavior.

7.1 Why study buyer behavior?

1) The buyer's perceptions, judgement, choices and decisions will have a major impact on the survival and success of the organisation.

2) It helps examine the main influences on what, where, when and how customers buy?

3) By understanding the motives behind purchase, marketers will be better able to plan effective marketing communications.

Not all customers behave the same way. A marketer must be able to adopt marketing communications to the needs of different target audiences. A person may buy a product for his or her use or buy a product on behalf of an organisation to be used by the individuals in the organisation. Therefore, the marketer will need to understand:

What they buy?   Where they buy?

Why they buy?   How often they buy?

When they buy?   How often they use?

Consumer buyer behavior refers to the buying behavior of final consumers, those individuals and households who buy goods and services for personal consumption. Organisational buyer behavior refers to the buying behavior of organisations, which buy goods and services to be used in the production of other products and services that are sold, rented or supplied to others.

Types of organisational buying

1) **New task purchase** – The organisation is facing a need or a problem for the first time and the full organisational buying process will probably occur.

2) **Modified re buy purchase** – This is when something about the buying situation has changed, but a lot still remains the same.

3) **Straight re buy purchase** – Occurs when the buyer routinely purchases the same product under the same terms of sale.

7.2 The Decision-Making Unit (DMU)

The decision-making unit is a group of people who participate in or influence the purchase decision at any stage in the buying process. Purchase decisions often involve more than one person. Many organisations have purchasing or other decision-making units.

Roles in a DMU

■ **Gatekeepers** – Control the flow of information of the product or service. – E.g. Secretaries, security, switchboard operator, receptionists, front line staff

■ **Indicator or initiator** – Draws attention to the product or suggests the idea of buying it. Maybe triggered by information bringing the need of purchase to the fore.

■ **Influencer –** Stimulates, informs or persuades at any stage of the buying process. Examples include children who urge their parents to buy, friends who recommend the product, or the expert in a TV commercial.

■ **Decider** – Makes the decision that the product should be bought.

■ **Buyer** – Implements the purchase decision by ordering or purchasing the product or service.

■ **Financier** – Sets the budget and authorizes or provides the funds for the purchase.

■ **User** – Uses, consumes or benefits from the product or service.

Example 01.

The secretary may receive office equipment catalogues and pass them on to relevant people. (Gatekeeper) The marketing assistant proposes the purchase of a color laser printer (Initiator). The marketing manager supports the idea and asks the office manager to recommend various models. (Influencer) The purchasing manager authorizes the requisition (Decider) the accounts manager authorizes the expenditure (Financier) and the marketing assistant sends a purchase order (Buyer). The marketing department utilizes the new printer. (Users)

Example 02.

A father browses the food section of the newspaper (Gatekeeper) and recommends that there is a new brand of cereal in the market. (Initiator) The mother approves of its nutritional content and the younger child begs for the promotional toy that comes with it (Influencer's) The mother decides to try the cereal (Decider) determines that it is within the weekly budget (Financier) and purchases the cereal (Buyer). The children eat the cereal (Users)

An individual may exercise one or more of these roles in a given purchasing process. The decider, buyer, financier, user for example may be the same person.

Learning from the DMU

Although the buyer may appear to be the "customer" at the point of sale, the entire decision making unit can be identified as the target audience for the marketing messages. The marketer needs to understand the complexity of the DMU e.g. Whether a women or the man in a household is the buyer / decision maker; whether a young or older person is the user; which gender or age group consumes which promotional idea! This will determine how you will select the necessary media to communicate with them. The communication mix should aim to influence purchase decision by reaching the most influential role with the least expenditure.

Application...

Gatekeepers	– Identify the most effective information media to reach them in getting attention.
Initiators	– Target them with messages that arouse their interest.
Influences	– Targets them with persuasive communication to arouse or reinforce desire.
Deciders	– Educate them on the benefit of acting quickly and arouse their interests. Communicate the benefits of the product and how it meets your needs and wants!

Buyers	– Target them with messages that will prompt action.
Financiers	– Target them with information to help them justify expenditure.
Users	– Target them with practical information, which will enable them to use the product safely and satisfyingly.

The decision-making unit of an organisation is called a buying centre. As Kotler (1996) notes, the buying centre concept present a major marketing challenge. The business marketer must learn who participates and each participant's relative influence in the decision.

7.3 The Decision Making Process (DMP)

■ Need recognition

This is the beginning of the process where the consumer recognizes a need or problem.

■ Information search

Kotler (1996) has identified three areas of obtaining product information:

a) **Personal sources** - Family, friends, neighbors, work and colleagues.

b) **Commercial and public sources** - Advertising, selling, packaging, point of sale and display, promotions, websites, exhibitions and mass media.

c) **Experiential** - Handling, examining and using the product.

Consumers generally receive most information from commercial sources. However, personal sources are the most effective because they endorse the product. Branding is important because the product or service is easily recognizable with its brand values.

■ Evaluation of alternatives

This involves the way in which consumers process information that lead to the choice of a particular brand. It may involve the rational calculation and weighting up of benefits and costs and the comparison of competing brands. In some cases the purchase may be impulse with little or no logical evaluation.

The marketers task is to find out what attributes and benefits the consumer desires in a particular product (positive evaluation) and include these in the product offering. E.g. – Super marketing – space, parking

The options that are found would be placed in one of the three categories described as follows;

1)   **The Evoked set** – Will contain the alternatives that will be actively considered during the final choice.

2)   **The Inert set** – Alternatives to which the consumer is neutral will be placed here.

3)   **Inept set** – Alternatives the consumer will reject will be placed here.

■ **Purchase decision**

Here the consumer forms the intention to purchase the brand, which most readily promises to satisfy the need. The task of the marketer is to ensure availability and effective customer service at this stage.

■ **Post purchase evaluation**

Having made the purchase the consumer will either be satisfied or dissatisfied with it depending on how his experience matches up to his expectations. The task of the marketer will be to manage consumer expectations, experiences and manage the post purchase relationship. "Cognitive dissonance" is when the consumer feels psychologically uncomfortable and a conflict takes place between different beliefs and attitudes.

7.4 What influences Consumer buying behavior?

The consumer decision making process can be mainly influenced by a number of internal and external variables. These may be broadly classified as follows;

Cultural factors in the wider social context in which the individual lives

Social factors in the roles and relationships of the individual

Personal factors in the life, lifestyle and circumstances of the individual

Psychological factors in the mental processes of the individual
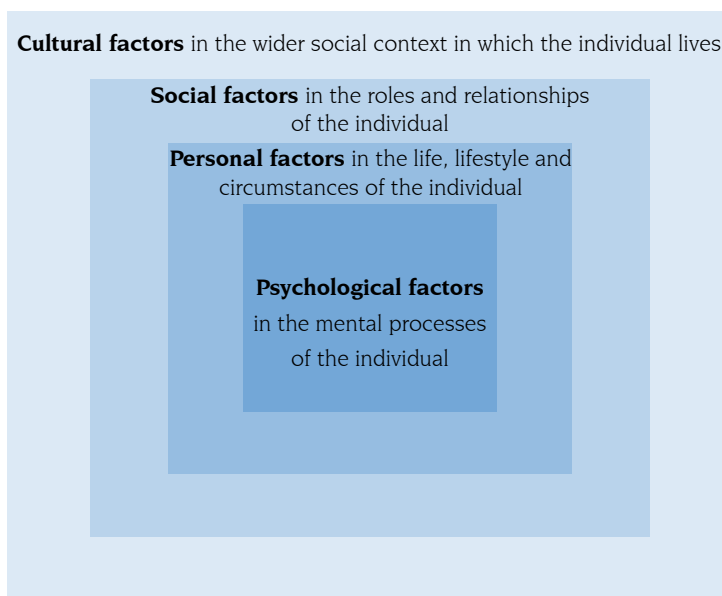
Figure 7.1 Factors that influence buying behavior by Kotler (1996)

(A) Motivation

Motivation has been defined as an inner state that energizes, activates or moves, directs or channels behavior towards goals. Human beings have certain innate needs and will choose to behave in ways that satisfy those needs. Abraham Maslow, in his influential needs theory, classified and arranged these in a hierarchy of importance or urgency.
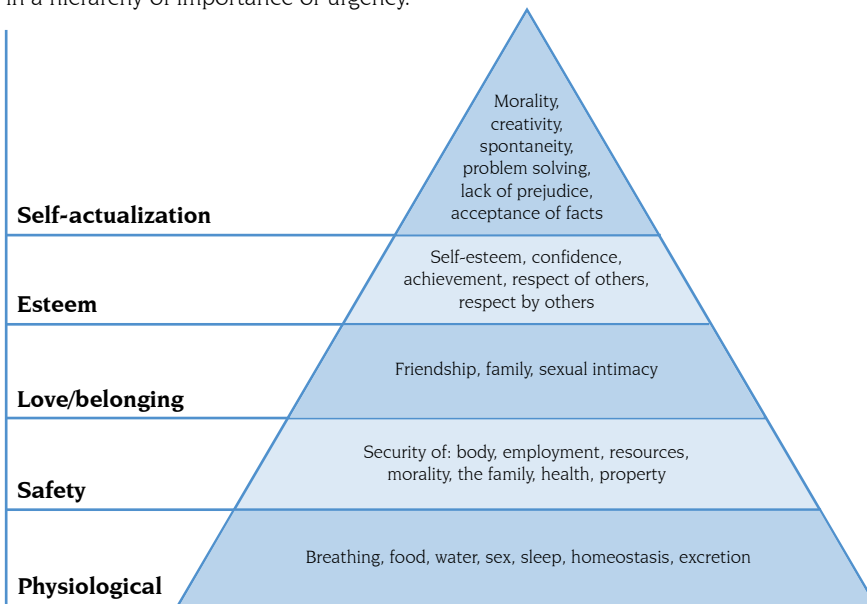
Figure 7.2 Maslow's Hierarchy of needs

The theory suggests that people occupied with more urgent needs such as hunger will not be motivated by the offer of higher satisfactions such as status or fulfilment. From the study of buyer behavior it was noted that Maslow described the different needs of human beings as being hierarchical in nature. At the bottom of the pyramid physiological needs such as hunger and thirst are of primary concern to the individual, almost to the exclusion in fact of anything else. Marketers can make use of this phenomenon and this can be witnessed in advertising soft drinks such as Coca Cola or fast food such as Burger King, McDonalds or KFC. Only when these basic, but important, physiological needs are satisfied will the individual turn his or her attention to the next category of need in the hierarchy. Their next need is safety and that of their family. In modern society these needs are reflected in goods and services such as burglar alarms, car locks, alarms, double-glazing, external lighting, insurance, saving schemes etc. Marketers use the motive of fear in order to market such products.

Thereafter loftier concerns assume more importance. People need to feel part of a group, appreciated by others and have the opportunity to both give and receive love. Fashion items like perfume, supporting the same 'pop' group or sports team are all examples of how marketing use social needs to sell products and services. Esteem needs can be translated into products and services through high status marquee cars, designer clothes or expensive holidays. Finally we reach the higher order need of self-actualization.

7.5 McGregor's theory X and theory y

McGregor's (1960) theory X and theory Y argued that a managers attitude to, and assumptions about, employees lead them to manage in a particular way and offered two opposing views on these assumptions.

Theory X assumptions

■ The average human being has an inherent dislike of work and will avoid it if they can.

■ People work mostly for money, status and rewards

■ Due to the characteristics of dislike for work, most people must be coerced, controlled, directed and/or threatened to get them to put adequate effort into achieving the organisations goals.

■ The average human being prefers to be directed, wishes to avoid responsibility, has relatively little ambition and wants security above all else.

■ Such assumptions are likely to lead to a more directive and autocratic style and a 'carrot and stick' approach may be used to reward the good and punish the bad behavior.

■ The assumption is that people will not take initiative and the best that can be achieved is to push people hard and often only provide money as a reward.

Theory Y assumptions

■ The expenditures, physical and metal effort in work is as natural as play or rest

■ External control and the threat of reprisals are not the only means of encouraging commitment to an organisations objective. People exercise self-direction and control on the service of objectives and commit to objectives as a function of the rewards associated with their achievement.

■ The average human learns under proper conditions to accept and also seek responsibility.

■ The capacity to exercise a high degree of imagination, ingenuity and creativity in the solution of organisational problems is widely, not narrowly, distributed in the population.

■ Intellectual potential of the average person is only partially utilized in the conditions of modern life.

■ Theory Y assumptions lead to a more democratic style of leadership and taps into people's desire for work and for achievement as the route to success. If the right conditions are created people will take initiative, are prepared to solve problems and can be motivated by a range of factors other than money.

7.6 Herzberg's two-factor theory

He argued that sometimes people enjoyed some aspects of work and found others dissatisfying. Off the factors that emerged as influencing motivation, Herzberg identified what he called motivators (or satisfier's) and hygiene (or maintenance) factors.

Hygiene factors were lower order needs. The relationship to the environment and factors that could cause dissatisfaction if they were missing or found wanting. E.g. they include salary, working conditions, supervision and job security.

Motivators were intrinsic higher order needs that had the potential to provide sustainable satisfaction to individuals. They include achievement, recognition, responsibility and job interest. If hygiene factors are causing dissatisfaction, for example salary or poor social conditions, motivators such as recognition or responsibility will have limited, if any success.

(B) Perception

Definition - Perception has been defined as the process by which people select, organise and interpret sensory stimuli into a meaningful and coherent picture.

Each individual's perception may be unique since individuals are exposed to different stimuli at different times from the environment. This results in a varied perception. There are two aspects of perception that are important for the marketer.

■ **Selective attention** – People do not give their attention to all messages they come into contact with.

■ **Selective retention** – People do not retain all the messages they receive in their short-term memory.

A unique selling proposition (USP) is to formulate some kind of benefit, motivation, identification, or any reason why the audience should think about or investigate the product. USP is defined as an explicit, testable claim of uniqueness or superiority that can be supported in some manner. E.g. Reebok claims that it is the only shoe that uses DMX technology, which provides a better fit.

(C) Learning

Learning is the process whereby an individual's behavior is changed as a result of experience. A bad or disappointing experience makes a customer less likely to buy the product again. A positive experience encourages repetitive purchasing.

(D) Attitudes

Attitudes are an enduring mixture of thoughts, feelings and tendencies which pre dispose the individual to respond in a certain way to objects which they relate to. Attitudes lead people to behave in a certain way towards other people, things, ideas and situations that are familiar to them. When attitudes are sedimented (hard etched attitudes) it is difficult to change. Changing an attitude is a complicated process and involves changing of how a person perceives something. Attitudes precede behavior. Therefore, to change behavior you need to change attitude, to change attitude you need to change perception.

- **Personal factors**

Personal factors that would have an effect on behavior include the following;

a) **Age** – which brands you associate? Preferences?

b) **Stage in the family life cycle** – Young singles, young married couples, full nest stage, empty nest stage, solitary survivor

c) **Occupation** – income, status, interests and attitudes.

d) **Earnings** – disposable income, savings, stability, borrowing power

c) **Lifestyle** – hobbies, sports, interests & opinions

- **Social factors**

The family is the primary social group. There are various other reference groups with whom the individual may have interactions and relationships. Reference group is the term given to groups with which an individual identifies and aspires to be a part of so much that he or she takes on many of the values, attitudes or behaviors of the group's members. These include;

a) **Primary groups** - Informal groups to which individuals belong and within which they interact Example -: family, friends, work groups and neighbors

b) **Secondary groups** – generally more formal, allowing less involvement and interaction Example -: trade unions, professional bodies.

c) **Aspirational groups** – the individual would aspire or like to belong.

"Aspirational buyer behavior" is a very important study explaining why people buy products to create an image of status, income, job position or lifestyle. The marketer must use members of aspirational groups such as celebrities & successful business figures to endorse products. Opinion leaders are influencer's who would have a strong personality, recognition or fame. The society at large would like to follow these opinion leaders and aspire to associate themselves in order to project an image. Marketers may use opinion leaders to endorse their brands to further strengthen the message.

■ **Cultural factors**

Culture comprises of the values, customs, rituals, language, attitudes, beliefs, ideas, art effects and other meaningful symbols represented in the pattern of life adopted by people that help them interpret, evaluate and communicate as members of society.
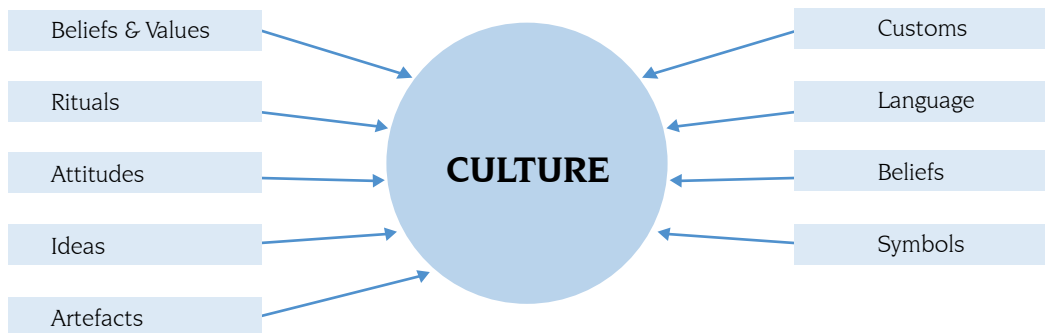
Figure 7.3 Components of Culture

Culture can be used to explain an individual's behavior, values and perceptions, as it is adsorbed through upbringing, education and "socialization" the process by which a person is taught to conform to the norms of a group. The study of international marketing opens up a whole new avenue of under-rating how various people behave in different cultures.

E.g.   1) Vauxhall Nova cars were a failure in South America since "No va" in Spanish meant, "doesn't work"

2) A silver tooth in Africa was a sign of prestige.

3) Perception of color in various cultures.

7.7 The Organizational Decision Making Process

1) **Recognition of a problem or need** - A product or service may be needed for the organisation to function better.

2) **Diagnosis or description of a need** – This need is discussed with relevant others in the organisation to further define the need.

3) **Product specification** – The exact requirements are specified, perhaps including elements such as objectives and the budget.

4) **Search for suppliers** – Potential suppliers are identified and reviewed.

5) **Evaluation of suppliers** – Suppliers may submit proposals or bids. The purchasing organisation may draw up a list of supplier criteria to aid in selection.

6) **Selection of supplier** – Using the order criteria the bids are evaluated before the final decision is made.

7) **Contract** – A contract containing terms and conditions may be drawn up for the work agreed.

8) **Review** – The work carried out by the supplier is reviewed and monitored against initial objectives.
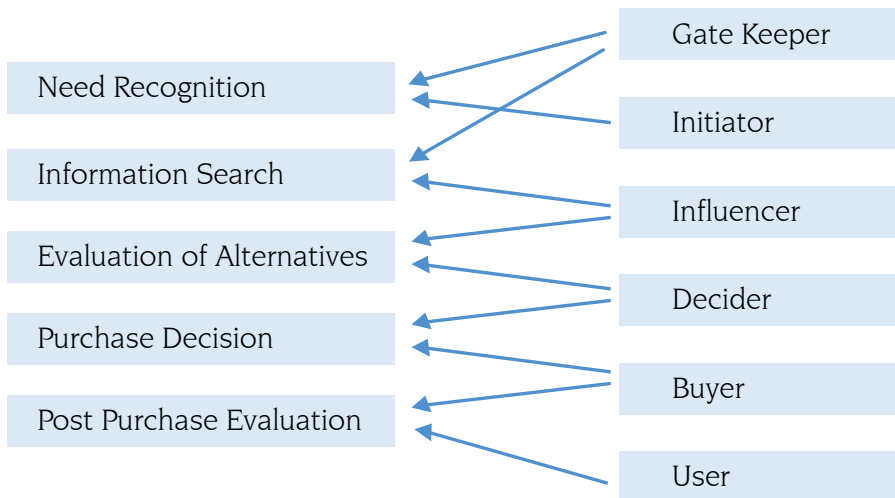
Figure 7.4 The Consumer Decision-Making Process (DMP) by Kotler (1996)

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Appendix 01 - Market Orientation survey by Hooley, Piercy, Nicoulaud (2008)

1. Customer Orientation

	Strongly agree	Agree	Neither	Disagree	Strongly disagree	Don't know
Information about customer needs and requirements is collected regularly	5	4	3	2	1	0
Our corporate objective and policies are aimed directly at creating satisfied customers	5	4	3	2	1	0
Levels of customer satisfaction are regularly assessed and action is taken to improve matters where necessary	5	4	3	2	1	0
We put major effort into building stronger relationships with key customers and customer groups	5	4	3	2	1	0
We recognise the existence of distinct groups or segments in our markets with different needs and we adapt out offerings accordingly	5	4	3	2	1	0
Total score for customer orientation (out of 25)						

2. Competitor Orientation

	Strongly agree	Agree	Neither	Disagree	Strongly disagree	Don't know
Information about competitor is collected regularly	5	4	3	2	1	0
We conduct regular benchmarking against major competitor offerings	5	4	3	2	1	0
There is rapid response to major competitor actions	5	4	3	2	1	0
We put major emphasis on differentiating ourselves from the competition on factors important to customers	5	4	3	2	1	0
Total score for competitor orientation (out of 20)						

3. Long-Term Perspectives

	Strongly agree	Agree	Neither	Disagree	Strongly disagree	Don't know
We place greater priority on long-term market share gain than short-run profits	5	4	3	2	1	0
We put greater emphasis on improving our market performance than on improving internal efficiencies	5	4	3	2	1	0
Decisions are guided by long-term considerations rather than short-run expediency	5	4	3	2	1	0
Total score for long-term perspectives (out of 15)						

4. Inter-functional Coordination

	Strongly agree	Agree	Neither	Disagree	Strongly disagree	Don't know
Information about customers is widely circulated and communicated throughout the organisation	5	4	3	2	1	0
The different departments in the organisation work effectively together to serve customer needs	5	4	3	2	1	0
Tensions and rivalries between departments are not allowed to get in the way of serving customers effectively	5	4	3	2	1	0
Our organisation is flexible to enable opportunities to be seized effectively rather than hierarchically constrained	5	4	3	2	1	0
Total score for inter-functional coordination (out of 20)						

5. Organisational Culture

	Strongly agree	Agree	Neither	Disagree	Strongly disagree	Don't know
All employees recognise their role in helping to create satisfied end customers	5	4	3	2	1	0
Reward structures are closely related to external market performance and customer satisfaction	5	4	3	2	1	0
Senior managements in all functional areas give top importance to creating satisfied customers	5	4	3	2	1	0
Senior management meetings give high priority to discussing issues that affect customer satisfaction	5	4	3	2	1	0
Total score for organisational culture (out of 20)						

Summary

Customer orientation **(out of 25)**

Competitor orientation **(out of 20)**

Long-term perspectives **(out of 15)**

Inter-functional coordination **(out of 20)**

Organisational culture **(out of 20)**

Total score **(out of 100)**

Interpretation

80-100 indicates a high level of market orientation. Scores below 100 can still, however, be improved

60-80 indicates moderate market orientation - identify the areas where most improvement is needed.

40-60 shows a long way to go in developing a market orientation. Identify the main gaps and set priorities to close them.

20-40 indicates a mountain ahead of you! Start at the top and work your way through. Some factors will be more within your control than others. Tackle those first.

Note: If you scored '0' on many of the scales you need to find out more about your own company!

Appendix 2. Leadership Style Survey

Below is a list of statements about leadership behavior, using the following scale, decide on the extent to which it actually applies to you. For best results, answer as truthfully as possible.

Never		Sometimes		Always	
1	2	3	4	5	

Item	Question	1	2	3	4	5
1	I always retain the final decision making authority within my department or team.	1	2	3	4	5
2	I always try to include one or more employees in determining what to do and how to do it. However, I maintain the final decision making authority.	1	2	3	4	5
3	My employees and I always vote whenever a major decision has to be made.	1	2	3	4	5
4	I do not consider suggestions made by my employees, as I do not have the time for them.	1	2	3	4	5
5	I ask for employee ideas and input on upcoming plans and projects.	1	2	3	4	5
6	For a major decision to pass in my department, it must have the approval of each individual or the majority.	1	2	3	4	5
7	I tell my employees what has to be done and how to do it.	1	2	3	4	5
8	When things go wrong and I need to create a strategy to keep a project or process running on schedule, I call a, meeting to get my employee's advice.	1	2	3	4	5
9	To get information out, I send it by e-mail, memos, or voice mail; very rarely is a meeting called. My employees are then expected to act upon the information.	1	2	3	4	5
10	When someone makes a mistake, I tell him or her not to ever do that again and make a note of it.	1	2	3	4	5
11	I want to create an environment where the employees take ownership of the project. I allow them to participate in the decision making process.	1	2	3	4	5
12	I allow my employees to determine what needs to be done and how to do it.	1	2	3	4	5
13	New hires are not allowed to make any decisions unless I approve it first.	1	2	3	4	5
14	I ask employees for their vision of where they see their jobs going and then use their vision where appropriate.	1	2	3	4	5
15	My workers know more about their jobs than me, so I allow them to carry out the decisions to do their job.	1	2	3	4	5
16	When something goes wrong, I tell my employees that a procedure is not working correctly and I establish a new one.	1	2	3	4	5
17	I allow my employees to set priorities with my guidance.	1	2	3	4	5
18	I delegate tasks in order to implement a new procedure or process.	1	2	3	4	5
19	I closely monitor my employees to ensure they are performing correctly.	1	2	3	4	5
20	When there are differences in role expectations, I work with them to resolve the differences.	1	2	3	4	5
21	Each individual is responsible for defining his or her job.	1	2	3	4	5
22	I like the power that my leadership position holds over subordinates.	1	2	3	4	5
23	I like to use my leadership power to help subordinates grow.	1	2	3	4	5

24	I like to share my leadership power with my subordinates.	1	2	3	4	5
25	Employees must be directed to threaten with punishment in order to get them to achieve the organisational objectives.	1	2	3	4	5
26	Employees with exercise self-direction if they are committed to the objectives.	1	2	3	4	5
27	Employees have the right to determine their own organisational objectives.	1	2	3	4	5
28	Employees seek mainly security.	1	2	3	4	5
29	Employees know how to use creativity and ingenuity to solve organisational problems.	1	2	3	4	5
30	My employees can lead themselves just as well as I can.	1	2	3	4	5

Item	Score	Item	Score	Item	Score
1	3	2	3	3	2
4	3	5	2	6	3
7	4	8	1	9	1
10	2	11	4	12	4
13	4	14	2	15	2
16	3	17	2	18	3
19	2	20	1	21	3
22	3	23	3	24	2
25	3	26	1	27	3
28	4	29	2	30	2
Total	31	Total	21	Total	25
	Authoritarian Style		Participative Style		Delegate Style
	(Autocratic)		(Democratic)		(Free Reign)

Management Philosophies from the game of Golf

Golf is a game I love. Whether you play it or not, business managers can derive an array of vital lessons from the game which can be applied in management and in most instances cannot be learnt in management books. Moreover, it can fundamentally teach you many things about life within four hours of walking almost 5 - 7 Kilometers. You can celebrate the best stroke you've ever played (a hole in one) and be on top of the world and at the same time be at your lowest, disappointing stage by missing a simple 1 foot putt (The easiest shot) in the same game. We have all been victims on many occasions where you smell the fragrance of victory and alas humbled at the final 18th hole of the game with a triple Bogey (3 strokes above the normal allotted strokes for the whole). No matter how disappointing it may get, you will always keep coming back for more the next day! There's something spiritual about the game of Golf, which has transformed me and made me a better person. Here are a few unforgettable lessons from the game of Golf, which I apply in business and life.

■ **Forget your opponents and always play against par**

Golf is a competitive game and when you turn pro you play at the highest level of the game. Upon receiving some basic lessons in the practice range a golfer embarks on the golf course with a handy cap usually from 1 to 28. Michael Porter's theories on competitive rivalry and competitive advantage; Davidson's theories on competitor response profiling; and Kotler and Singh's Competitive attack and defense strategies articulate how an organization must attempt to beat or crush its competitors and orient themselves to this cause. Instead, Golf is a game where you would attempt to constantly improve your stand (Handy cap) and you are your biggest opponent or benchmark. You will fight hard to finish the game at either the same number or the lowest number of strokes of your previous best games. This means you are in total control of your own game and may need to improve your best score or learn how best to play your game rather than always orienting your self to beat your competitor. Golf is probably the only game in the world where you would play better than your competitor and still loose to yourself! In business this is equally true. You need to develop your strategy to serve your selected customer segments, and do it in a way that is different and better than the competitor rather than focus exclusively on your competitor because the true driver of value is your customer.

■ **Mental & Psychological competence**

This is to be in control of your emotions and deal with any Cognitive dissonance. This is to have the mental strength and learn to deal with uncomfortable feelings caused by holding conflicting ideas

simultaneously. A Golfer will need the psychological competence to recover fast from a very bad shot rather than to let any dissatisfying thoughts sediment and affect the stoke in the next hole. This is to master the virtue of patience! Every hole in the game of Golf is a new beginning with new resolutions and a brand new outlook. It's a game that will teach you to control your nerves and use your emotions effectively. A friend of mine compared it to free anger management therapy. The development of the cognitive emotional quotient is apparent in the game of Golf and the skill of assertiveness where one learns how to strike a balance between a continuum of aggression and submission. This is a paramount skill for senior managers leading project teams. We need to manage the ups and downs and a roller-coaster of emotions over 18 holes and learn the art of putting that bad hole behind and concentrate on the ones ahead. Although it is meant to be a social game, I have met a few serious golfers who would not want to talk during the game of golf (4 long hours) and be distracted. However, a seasoned golfer will learn from any mistakes and attempt to apply the lessons learnt in the holes ahead. A "never say never" attitude and the will to keep on keeping on requires mental agility. A positive attitude is a key attribute for a manager and no one expects you to have a smile permanently, but it helps neither the project nor your team if you are visibly and chronically weighed down by the burden of issues and risks.

■ Consistency and razor sharp focus

Anyone can hit a good shot once, but getting low scores is about being consistent from tee to green and every inch is about meticulous, flawless execution with razor sharp focus! Even the most chaotic manager can successfully manage a project on occasion, but managers that follow a consistent procedural routine will experience a higher percentage of successful projects. To be a golfer of sorts, you need certain competencies and skills. You need to know how to hit a draw or a fade, you need to know how to swing the club, whether it is an iron of a driver or a fairway wood. And all of us need to visit a coach to teach us these technical skills. Business is no different. You need to have certain competencies, such as management, leadership; strategy; finance; marketing; and HR skills. You also need to visit a business school to develop and or refresh these skills of yours. As in golf, you need to develop and update these skills continuously. Ernie Els needs to do it, as does the CEO's of our top companies in Sri Lanka. In golf, you need to have a firm footing when you play the shot. You need to be as level as possible. You cannot have both feet (or even just one) in the air when you play the shot. The power you generate when playing the shot, requires both feet on the ground, and your body in a condition of balance! Without this, forget about a shot going in the required direction and the required distance! Even the top ranked natural golfers use swing coaches and will switch coaches to "shake up" their games. The older we get, the easier it is to believe that there is nothing new to be learned in our profession. Improving soft skills is a life long pursuit. Both business and golf require hard work, constant practice and meticulous focus!

■ **Learn to balance risk versus reward**

Pulling out your driver to cut across a hazard on a dogleg might be needed on the PGA tour, but an average golfer may be better served by playing the hole conservatively with a comfortable 7 Iron club. Business is about taking calculated risks and mitigating any controllable threats whilst using your unique resources and core competencies to exploit opportunities. There are fourteen different clubs in a bag and all have their purpose. The first step is to master the art of picking the right club for each shot and play to your strengths whilst protecting your flanks. Power and strength cannot win you a game of golf and it is sometimes the same in business. A strategic business manager may need to know his business strengths that can be leveraged effectively and weaknesses that make the firm vulnerable just like in the selection of the choice of club in Golf!

■ **Play like a Gentlemen**

Integrity and character are core values of the game of Golf. The nature of golf is such that honesty is non-negotiable. You score yourself. You are frequently the only person that will know whether the ball moved before you hit it or not. If integrity is not part of your make-up, the game of golf will degenerate into chaos before long. Already I see signs of people playing to win above all else and as the saying goes: "To lie to others is immoral and to lie to yourself is pathetic!" This is equally true in business. Business ethics have become very important. The Enron's and Worldcom's of the world were once fortune 500 companies and the lack of integrity, greed and dishonesty have become drivers in business. To win at all costs, a credo that has the potential to destroy society and ones self! Respect in the game of golf, this is a very important aspect. You need to show up, on time, dressed appropriately. When the other player is playing, you stand still, out of his line of sight. You do not chat while he is addressing the ball. You do not keep the players behind you waiting. You repair your pitch mark and your divot holes. No arrogant person will have long-term sustainable success in Golf because it will constantly show you up if you are arrogant. The truly successful people in the game are people that are humble and they make the best business leaders.

■ **Master the course or terrain**

A Golfer must master terrain by gauging wind and rain, as well as factors such as the slopes and shapes of the fairway; the shapes, slopes, and speed of the greens. Sometimes the shape in which the grass has been cut can lead you to play an extra stroke if not gauged effectively. This is equally true for business. Events and changes in the Macro and Micro environments have an impact on the industry and eventually on your strategy. You need to take notice of events here on a continuous basis in order to develop and implement a strategy that will allow you to better serve the needs of your customers.

■ Celebrate a private victory

Enjoy the Game! In the professional version of the game, it is important to win. But if you are only doing it for the money, you are not a lot different from a prostitute! This is valid for both business and golf! Private victories are personal and relate to you as an individual person. The most gratifying shots I have played on the course are around 6 am in the morning when I am all by my self on the 9th hole. Building your confidence and optimism in a private setting will teach you to deal with your ego and may arise when you need it the most! Sometimes all we need to get something done in business is to know we can do it and take away any doubt and it is not enough to be the best when you have the ability to be great! You are the creative force of your own life!

■ The art of thriving in chaos

Tiger Woods and Sergio Garcia sometimes shape shots off the rough that seem virtually un-playable. They were faced with a certain set of conditions and knowing the course as well as having trust in their skills enabled them to come up with a shot that has the whole golfing world in awe! I played 6 bunker shots recently and have had 7 balls in the water the next hole and played two birdies (1 shot below par) subsequently. I love the most challenging shots and attempt to carry this same enthusiasm when managing business.

Lewie Diasz (18 Handy Cap)

Subject index

Life's Little Instructions by William Snell (95 years old)

- Sing in the shower.

- Treat everyone you meet like you want to be treated.

- Watch a sunrise at least once a year.

- Never refuse homemade brownies.

- Strive for excellence, not perfection.

- Plant a tree on your birthday.

- Learn three clean jokes.

- Return borrowed vehicles with the gas tank full.

- Never waste an opportunity to tell someone you love them.

- Leave everything a little better than you found it.

- Keep it simple.

- Think big thoughts, but relish small pleasures.

- Become the most positive and enthusiastic person you know.

- Be forgiving on yourself and others.

- Say "thank you" a lot.

- Say "please" a lot.

- Avoid negative people.

- Wear polished shoes.

- Remember other people's birthdays.

- Commit yourself to constant improvement.

- Have a firm handshake.

- Send lots of valentine cards, sign them.

- Look people in the eye.

- Be the first to say "hello."

- Return all things you borrow.

- Make new friends but cherish the old ones.

- Keep secrets.

- Plant flowers every spring.

- Have a dog.

- Always accept an outstretched hand.

- Stop blaming others.

- Take responsibility for every area of your life.

- Wave at kids on school buses.

- Be there when people need you.

- Don't expect life to be fair.

- Never underestimate the power of love.

- Drink champagne for no reason at all.

- Live your life as an exclamation, not an explanation.

- Don't be afraid to say, "I made a mistake."

- Don't be afraid to say, "I don't know."

- Compliment even small improvements.

- Keep your promises no matter what.

- Marry only for love.

- Rekindle old friendships.

- Count your blessings.

- Call your mother and your dad too, if they happen to be alive.