

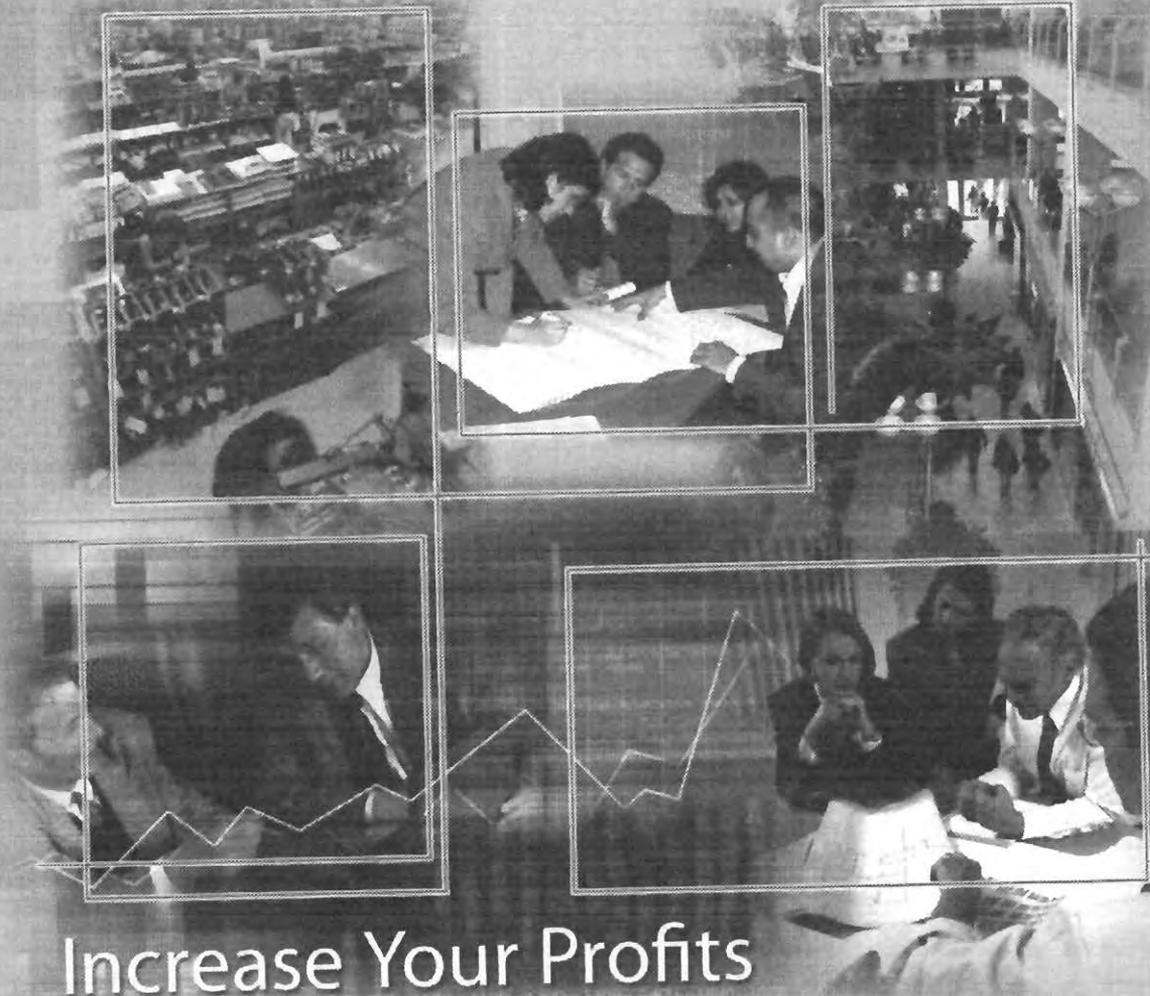
# EYB

وسمّع أعمالك

## Expand Your Business

An Integrated Support Program For Growth Oriented Enterprises

## Strategic Marketing Management



## Increase Your Profits



# EYB

## وسّع أعمالك

**Expand Your Business**

**An Integrated Support Programme for Growth Oriented Enterprises**

# STRATEGIC MARKETING MANAGEMENT

JORDANIAN EDITION

Written by Mark Tamsma and Andreas Klemmer

Adapted by Fareez Barakat



## About Expand Your Business (EYB)

**EYB** stands for Expand Your Business. It is an integrated business training and support programme for small to medium scale enterprises that have growth potential and capacity to create more and better jobs.

The vision of the **EYB** Programme is to assist growth oriented enterprises that have growth potential to develop effective strategies to exploit the growth potential of their enterprises. They are also assisted to strengthen their business functional areas in marketing, human resources and finance.

The **EYB** Programme is targeted towards Growth Oriented Enterprises (**GOEs**) that have a growth potential, employ between 6 to 100 employees, have basic management systems and have been in operation for at least one year. The **EYB** Programme is designed to enhance the knowledge and skills of Owners, Executive Directors, General Managers and functional managers in marketing, human resources and finance. The programme is designed to assist the **GOEs** to anticipate, plan and successfully manage the growth of their enterprises.

The **EYB** is an integrated programme, which involves classroom training, facilitation of business and financial linkages, individual counselling sessions and facilitation of Business Support Groups. The individual counselling sessions assist **GOEs** to complete their Business Growth Plans. The Business Support Groups provide an opportunity for **GOEs** to meet and discuss common problems, challenges and solutions, network and receive expert advice from invited resource specialists in identified areas.

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### **Strategic Marketing Management**

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## In this module you will find:

### ■ Relevant business knowledge and information

Read the simple theory and information relevant to the topic of this module. The examples on the case study that follow the theory and information show how that knowledge is applied to manage a business well.

### ■ Practical exercises

Do the exercises in the module and then compare your answers with the suggested answers given at the end of the module to find out how much you have learnt.

### ■ Action and Growth Plans

Fill in and use the action and growth plans. This will help you to put your new knowledge into practice.

### ■ Useful business terms

Useful business terms are printed in bold italics when they appear for the first time in the module. Look up the meaning of these terms in the text box next to them. Memorize their meanings. They are also listed in the annexes section of this module.

### ■ The symbols

You will see the following symbols in the left hand margin. The symbols indicate the nature of the text contained in the boxes next to them as explained below.



Next to this symbol you will find the objectives of the module and its chapters.



Next to this symbol you will find exercises for you to do or questions for you to answer.



The box next to this symbol tells you where to find more information in the other modules or elsewhere, for example: **EYB Modules: Strategic Financial Management** tells you more about how to interpret financial ratios.



The box next to this symbol contains questions for you to answer about your own business.



The box next to this symbol tells you something, which is extra important for you to memorize. For example, **the customer is the most important person for your business.**



The box next to this symbol provides you with examples on the case study used in this module. It shows how theory and information is applied in the case study.

## **PREFACE**

### **1. About the Strategic Marketing Management Module...**

The escalating importance of providing customer satisfaction, responding to diversity in the marketplace, developing really new products, and recognizing local and global competition challenges require effective marketing strategies for gaining and keeping competitive edge.

One of the key ingredients for any growth-oriented business is the ability to develop and execute competitive marketing strategy for expanding its markets. This module is designed to help you to do just that through, providing you with the tools that help you in selecting the most suitable strategic option or combination of options to expand your markets.

This module concentrates on four strategic options to expand your markets, namely: **market penetration, market development, product development, and diversification strategies.**

### **2. Who this module is for...**

This module is for YOU if you are managing a business, and are willing and planning to expand it. It is for you if your business is currently employing between 6 and 30 employees, and having good market opportunities, good financial and human resources, and a quality product.

This Module is for you if you are holding one of the following posts in the business:

- **General Manager/Owner/Partner**
- **Marketing Manager, Sales Manager**
- **Chief Executive Officer of Marketing/Sales**

This module is for you if you have acquired the basic business management systems in marketing, record keeping, costing, buying, stock control and business planning basics.

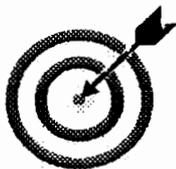
### **3. Before you read this module: -**

You will benefit more from this Module if you first, read the **EYB Module: Strategic Management**

## 4. What you will learn in this module ...

As your business expands, you need to identify the direction of your expansion by analysing the available strategic options, and choose what fits with your growth goal taking into consideration your resource capabilities and the surrounding environment.

You will then expand your markets by planning and executing the product, pricing, promotion, and distribution of your goods and services to the target markets.



**After studying this module, and completing the exercises in it, and with the guidance of your business trainer, you will be able to:**

- **Understand the marketing mix elements.**
- **Differentiate between goods and services as per their marketing implications.**
- **Understand your market through Market Scanning.**
- **Apply the product-portfolio matrix to analyse the growth potential of your products**
- **Identify the concept of Product Life cycle, and its marketing implications.**
- **Identify the concept of marketing strategies for growth.**
- **Realize the importance of quality for growth.**
- **Expand your market by using Market Penetration Strategy.**
- **Develop new markets in your local environment and beyond the borders of your country.**
- **Conduct a Marketing Research.**
- **Develop new products.**
- **Expand your market by using Diversification Strategy.**
- **Build customer locality and customer retention.**
- **Design your Marketing Plan.**

## 5. The case study used in these modules:

Throughout this module, we will use the case study of **Hana Juice Company (HAJCO)**, a company that produces citrus juices and wants to expand its business. In every chapter, we provide examples and exercises based on this company.

The case study provided at the start of the Strategic Management module, also provided additional information on HAJCO. For the complete case study, you are referred to the Strategic Management module, chapter 0. However, the information relevant to this module is reprinted here for ease of reference with additional information of importance to this module.

HAJCO is a relatively small company firm located in the Jordan Valley. The company is owned and run by a Mr. Jameel and his wife Mrs. Hind.



### CASE STUDY

#### Hana Juice Company (HAJCO) Ltd.

##### Market

HAJCO specialise in processing citrus like lemon, orange, and grapefruit. Their main products are high quality citrus juices. The key clients are elite tourist hotels in Jordan and supermarkets.

##### Customer credit problems

HAJCO's management noticed that as the number of their customers grew, more customers demanded credit and they also wanted to keep increasing their sales. They set the credit policy that customers could pay for their orders 30 days after they received the order. After a few months, the HAJCO's management noticed that their company was running out of money although sales were improving since they had started extending credit to customers.

##### Distributor problems

HAJCO engaged Theqa Distributors, a wholesale company that distributes a large variety of products to hotels and supermarkets throughout Jordan. Recently, though Mrs. Hind learnt that Theqa Distributors has started representing a Lebanese Company who produces quite similar products, and has noticed an obvious decline in orders from Theqa Distributors. Earlier, sales to Theqa Distributors made up 40% of total sales. Today, there are down to 30% and dropping further.

##### Expansion plans

HAJCO's management plan to expand. They wonder if their current citrus juice products could compete in the Gulf region. At the same time, they are also concerned that Lebanese competition will enter into the Gulf markets. HAJCO's management contemplate to sell citrus juices to a wider market range through main supermarket chains in Jordan. Apart from this, they believe that they could also produce tomato paste to supply the local market. Furthermore, they think that they could export citrus juice concentrates to Europe in response to the high appreciation of their current products by tourists from these countries.

Continued on the next page...



## CASE STUDY

### Hana Juice Company (HAJCO) Ltd.

Continued from the previous page...

Mr. Jameel attended the EYB Strategic Management workshop that preceded the Strategic Marketing. He did his strategic analysis when attending the course, based on which he decided to follow a 'differentiation strategy'. This means that he has chosen to grow on the basis of products that add value to a larger segment of the market. HAJCO is, therefore, planning to move away from its current 'focus strategy' whereby the company only serves the higher-end tourist market in Jordan. This strategy will allow HAJCO to expand, and is in line with their competitive advantage in the market. Some of the above expansion ideas fit with this strategy, but HAJCO is not sure at this stage which approach to follow, and whether to penetrate existing markets, develop new markets, and introduce new products or to diversify with new products, into new markets. HAJCO feels that it has to choose something to be successful, as it believes it cannot do everything at the same time.

# INTRODUCTION TO MARKETING

*Marketing* refers to a social and managerial process by which individuals and groups obtain what they need and want through creating, offering and exchanging products of value with others. It also refers to strategies that are adopted to ensure that you have the right product, at the right price, distributed from the right place, using the right promotion and through the right people.

**Market** is more than a physical market where people meet to exchange goods, services and money to the satisfaction of both parties. It consists of all the potential customers sharing a particular need and wants who are willing and able to engage in exchange with suppliers to satisfy that need and want.

## What you will learn in this chapter ...



**After studying this chapter, and completing the exercises in it, and with the guidance of your business trainer, you should be able to:**

- **Define marketing.**
- **Define marketing mix variables.**
- **Explain how the marketing mix can help your business to grow.**
- **Differentiate between the marketing of services and the marketing of goods.**
- **Use the extra 3 P's for marketing of services.**

# 1. Marketing versus production orientation

There are enterprises that lack a marketing orientation in their marketing management, and pursue production or product orientation. Enterprises that employ a product/production orientation are organized along the assembly line principles, and assume that if products are better, then customers will buy them. Their marketing function is primarily limited to delivering products to locations where they can be purchased. However, this approach is only appropriate in instances where the demand for products is far greater than the supply, and is prone to a risk of poor service and poor quality.

On the other hand, a marketing orientation emphasizes the importance of developing and marketing products and services that are based on satisfying what potential customers *need* and *want*.

**Needs** are the things required by consumers to sustain their lives, e.g. food and shelter by individuals or computers by businesses.

**Wants** refer to additional goods and services that go beyond 'sustenance', e.g. chocolates or watches.

Understanding customers' needs and wants enables your business to achieve its objectives such as maximizing profit.

Well-known companies have expressed the marketing concept in various slogans:

- "Customer based strategies are the basis of all strategy"(McKinsey Group)
- "Have it your way" (Burger King)
- "You are the boss" (United Airlines)
- "Putting people first" (British Airways)

Good marketing management is the key to successful entrepreneurship. In any business environment, there are three different types of entrepreneurs:

- *Those that make things happen*
- *Those who watch things happen*
- *Those who wonder what has happened*

Effective marketing is about those entrepreneurs who make things happen and thereby, exploit the potential to grow their businesses.

## 2. What is the marketing mix?

Marketing mix is a set of marketing tools that your organization uses to pursue its marketing objectives in the target market(s).

The marketing mix consists, in a classical way, of four elements:

- **Product**
- **Price**
- **Place (Distribution)**
- **Promotion**

These days marketing experts add on a new 'p' element called personnel or people. In this chapter, we will discuss the classical 4 P's, and the additional 3P's for marketing of services.

The 4 P's represent the sellers' view of the marketing tools available to influence buyers. From a buyer's point of view, each marketing tool is designed to deliver a customer benefit which means that every marketing "P" refers to a customer "C":

- Customer needs and wants (Product),
- Cost to the customer (Price),
- Convenience (Place),
- Communication (Promotion).

### 3. How can the marketing mix help to grow your business?

By understanding the 4 P's of the marketing mix, it helps you to make decisions on how to divide the total marketing budget in an effective, efficient and customer-oriented way among the various tools in the marketing mix.

After introducing the marketing strategies for growth, discussed later in this module, you will be able to determine what kind of changes and actions should be taken in the marketing mix elements to reflect the growth strategy you choose.

## 4. How to use the marketing mix?

### 4.1 Product: (the first element of the marketing mix 4P's)

The most basic marketing mix tool is product – your companies' tangible or intangible offer to the market, tangible offers are *goods*, and the intangible offers are *services*.

#### 4.1.1 Goods

Goods divide into two main types: 'consumer' and 'industrial'. The end user purchases consumer goods, while industrial goods are used in the manufacture of a further product, which may then itself be sold to the end user.

Consumer goods include quality, design, features, benefits, branding, and packaging. As part of its goods offering, companies can also provide various services as a part of the product, such as leasing, delivery, repair, training etc. Such support services can provide a competitive advantage in the globally competitive marketplace.

Consumer goods can be subdivided into three classes: convenience, shopping, and specialty goods on the basis of consumer shopping habits.

- **Convenience goods:**

These are goods purchased frequently, and with a minimum effort (tobacco products, soaps, and newspapers etc).

- **Shopping goods:**

These are goods that the customer, in the process of selection and purchase, characteristically compares on such basis as suitability, quality, price, and style (furniture, clothing, used cars etc.)

**These can be divided into two groups:**

- a) **Homogeneous**

(the buyer sees those as similar in quality but different enough in price to justify shopping comparisons). The seller has to negotiate price with the buyer.

- b) **Heterogeneous**

(product features are often more important to the customer than the price. The seller must therefore carry wide assortment to satisfy individual tastes and must have well trained sales-people).

- **Specialty goods:**

Are goods with unique characteristics and/or brand identification. A significant group of buyers is habitually willing to make a special purchasing effort for these specialty goods. (For example, *a Mercedes Benz is a specialty good because interested buyers will travel far to buy one. Specialty goods do not involve the buyer making a wide range of comparisons.*)



## CASE STUDY

### Hana Juice Company (HAJCO) Ltd.

HAJCO consider that their fresh citrus juice is a specialty good with unique characteristics above regular citrus juice in terms of its freshness and quality. They, also think buyers in luxury supermarkets consist of a target group willing to obtain the product at an extra price because they value the quality of the product above other products. The reason why HAJCO want to sell it in supermarkets is that they hope that the early adoption of this new product, will also lead to a bigger awareness by a wider group of 'followers', who may then, also start purchasing the product.



Under which category do you classify your goods? Why?

### 4.1.2 Packaging

Many of your physical products going to the market have to be packaged and labeled. **Packaging** can play a minor role (inexpensive hardware items) or a major role (e.g. cosmetics). Many marketers have called packaging a fifth P. Most marketers, however, treat packaging and labeling as an element of your product strategy.

**Packaging:** includes the activities of designing and producing the container or wrapper for a product.

In recent times, packaging has become a potent marketing tool. Well-designed packages can create convenience value for the consumer and promotional value for the product. The following factors have contributed to the growing use of packaging as a marketing tool:

- Self-service (an increasing number of products are sold on a self-service basis in supermarkets and discount houses).
- Consumer affluence (rising consumer affluence means consumers are willing to pay a little more for the convenience, appearance, dependability, and prestige of better packages).
- Company and brand image (companies recognize the power of well-designed packages to contribute to instant recognition of the company or brand).
- Innovation opportunity (innovative packaging can bring large benefits to consumers and profits to producers e.g. toothpaste pump dispensers).



### CASE STUDY

#### Hana Juice Company (HAJCO) Ltd.

HAJCO used two sizes of waxed cartons, with photographic images to show the fresh content and flip and screw-top pourers to meet the different consumers' behaviours of their target market; the carton is a little bit silvered to give the drink a 'colder visual and distinguished design.

HAJCO uses side labels on the carton to relay information and health statistics about the contents of the carton, production and expiry dates, logo of the company, against a picture of the Jordan Valley landscape, where the product is produced. Information is written in both Arabic and English languages because HAJCO is also targeting the tourists market.



### Think about the packaging of your goods:

What type of material do you use for packaging? Why did you use that material? Is it well designed? Do you have a logo on the package? Can the consumer distinguish your product through its packaging? What is the information written on the package? In what language? Is it well printed?

## 4.1.3 Services

It can be difficult to define just what is meant by a service because most products we buy contain a mixture of goods elements and service elements. A meal in a restaurant contains a combination of goods elements (the food) and service elements (the manner in which the food is served). Even apparently "pure" goods such as timber often contain service elements, such as the service required in transporting timber from where it was produced to where a customer requires it.

**Service** is any activity or benefit that one party can offer to another which is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product.

"Pure" *services* have a number of distinctive characteristics that differentiate them from goods, these characteristics are: Intangibility, Inseparability, Variability, and Perishability.

- **Intangibility:** Unlike goods, services cannot be touched, handled, smelt, tasted or owned. This means that potential customers cannot 'try out' a service in the same way as they can a good. It is more difficult to compare services on a 'like for like' basis and so businesses can find it difficult to justify higher prices to prospective customers.

Measuring quality for services can be very different compared with goods. Goods generally have tangible benchmarks against which quality can be assessed (e.g. durability, reliability, taste). In the case of services, these benchmarks can often only be defined in the minds of consumers.

- **Inseparability:** Businesses usually produce goods in one central location, and then transport them to the place where customers most want to buy them. On the other hand, the consumption of a service is said to be inseparable from its means of production. Producer and consumer must interact in order for the benefits of the service to be realized. Both must normally meet at a time and a place that is mutually convenient, in order that, the producer can directly pass on service benefits. In the extreme case of personal care services, the customer must be present during the entire production process.

- **Variability:** Goods can often be standardized through the production process. It is much more difficult to achieve levels of standardization and quality with services. For example, one visit to the dentist will be different to the next; even though the benefit you gain (repaired teeth or reassurance) will be the same.

For services, variability impacts upon customers not just in terms of outcomes, but also in terms of processes of production. It is the latter point that causes variability to pose a much greater problem for services, compared to goods.

Because the customer is usually involved in the production process for a service at the same time as they consume it, it can be difficult to carry out monitoring and control to ensure consistent standards. The opportunity for pre-delivery inspection and rejection, which is open to the goods manufacturer, is not normally possible with services.

- **Perish ability:** Services cannot be stored and sold later. For example, once a train leaves without selling tickets for its full capacity, the opportunity to fill the empty seats is lost forever.

## 4.2 Price (the second element of the marketing mix 4P's)

A critical marketing mix tool is price: the amount of money that customers pay for the product. The price should be commensurate with the offer's perceived value.

A business might decide on 'wholesale' and retail prices, discounts, credit terms etc. In this section, we will explain which pricing objectives you can choose, and which pricing techniques you can use in your business.

### 4.2.1 Selecting the pricing objective

A company can pursue any of the following six major objectives through its pricing **survival, maximum current profit, maximum current revenue, maximum sales growth, maximum market skimming, or product quality leadership**. When you have chosen a specific pricing objective based on your business situation, it is important that you communicate your price objectives through your business, especially, to your sales people.

- **Survival:**

If the business is plagued with over capacity, intense competition, or changing consumer wants, then the survival objective has to be chosen. To keep the plant operating and the inventories turning over, companies will cut prices. As long as prices cover variable costs and some fixed costs, the companies stay in business.

- **Maximum current profit:**

Many companies try to set the price that will maximize current profits. They estimate the demand and costs associated with alternative prices, and choose the price that produces maximum current profit, cash flow, or rate of return on investment.
- **Maximum current revenue:**

Some companies set a price that maximizes sales revenues. Revenue maximization requires estimating only the demand function. Managers believe that revenue maximization will lead to long-run profit maximization and market share growth.
- **Maximum sales growth:**

Some companies want to maximize their sales volume, believing that a higher sales volume will lead to lower unit costs and higher long-term profit. They set the lowest price, presuming the market is sensitive to price. This practice is called market-penetration pricing.
- **Maximum market skimming:**

Many companies favour setting high prices to 'skim' the market. Skimming is a pricing strategy meant to earn back the initial high investment for developing the product quickly before competitors enter the market. Especially early adapters are willing to pay the premium price. When competition comes up, the price will be slowly lowered. In this way a business skims a maximum amount of revenue from various market segments. E.g. Polaroid introduced an expensive new camera, and then gradually introduced simpler, lower price models to draw in new price-sensitive segments.
- **Product-quality leadership:**

A business might aim to be the product-quality leader in the market.



## CASE STUDY

### Hana Juice Company (HAJCO) Ltd.

HAJCO want to gain a larger market share before competition introduces fresh citrus juices. Their product, still not well known to the market. HAJCO management decided to adopt the 'maximum current revenue' pricing approach, by setting a lower price, because they believe this will assist them in gaining market share faster. Once they will have reached a critical mass of consumers and built up a brand name in the market, then they will increase the price to reflect the product-quality image in the market. HAJCO management believe that this pricing approach will help the company to earn more money and benefit from its achieved position in the market.



**What would you set as the pricing objective of your business?**

## 4.2.2 Price discounts and allowances

Most companies will modify their basic price to reward customers for such acts as early payment, volume purchases, and off-season buying. These altered prices are also called discounts. Therefore, you should measure cost of granting each discount or allowance against its impact on making the sale. There are several types of discounts:

- **Cash discounts:**  
A price reduction to buyers who promptly pay their bills.
- **Quantity discounts:**  
A price reduction to buyers who buy large volumes.



**Many companies are so ready to grant discounts to their customers that they may fail to realize that they remain with little profit.**

## 4.2.3 Discriminatory pricing

Companies often, modify their basic price to accommodate differences in customers, products, locations, and so on. Discriminatory pricing occurs when a business sells a product or service at two or more prices that does not reflect a proportional difference in costs. There are several forms:

- Customer-segment pricing: where different customer groups are charged different prices for the same product or service. A good example is student admission fees for museums. This is generally lower than for the rest of public.
- Product-form pricing: different versions of the product are priced differently, but not proportionately to their respective costs, e.g. a 1-litre bottle of mineral water costs J.D 0.250 while a 2-litre bottle of the same water costs J.D 0.580 .
- Image pricing: pricing the same product at two different levels based on image differences. Example; a perfume manufacturer can put the same perfume in two different bottles and ask two different prices.
- Location pricing: the same product is priced differently at different locations even though; the cost of offering at each location is the same. E.g. a theatre varies its seat prices according to the audience preferences for different locations.
- Time pricing: prices are varied by season, day, or hour. E.g. Telecommunication Company varies their rates to commercial users by time of day and weekend versus weekday.

### 4.3 Place (the third element of the marketing mix 4P's)

This is another key marketing-mix tool that can make the product accessible, and available to target customers. Most businesses use third parties or **intermediaries** to bring their products to market. They try to establish a "*distribution channel*".

**Distribution Channel** is all the organizations through which a product must pass between its point of production and consumption.

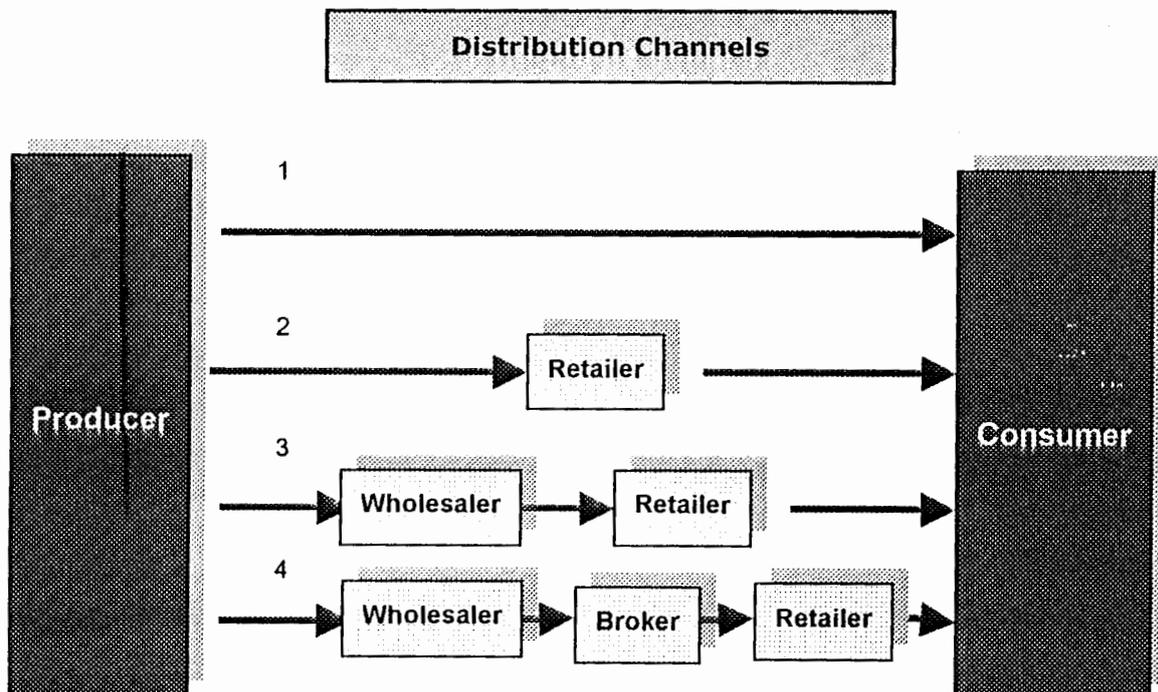
#### 4.3.1 The importance of the distribution channels

Why does a business give the job of selling its products to intermediaries? After all, using intermediary's means giving up some control over how products are sold, and whom they are sold to.

The answer lies in efficiency of distribution costs. Intermediaries are specialists in selling. They have the contacts, experience and scale of operation which means that greater sales can be achieved than if the producing business tried running a sales operation itself.

#### 4.3.2 Distribution Channel Levels

Each layer of marketing intermediaries that performs some work in bringing the product to its final buyer is a "channel level". The figure below shows some examples of channel levels:



In the previous figure, Channel 1 is called a "**direct-marketing**" channel, since it has no intermediary levels. In this case, the producer sells directly to customers. An example of a direct marketing channel would be a factory outlet store.

The remaining channels are "**indirect-marketing channels**". Channel 2 contains one intermediary. In consumer markets, this is typically a **retailer**; they operate outlets that trade directly with household customers (e.g. clothes stores, groceries, furniture stores).

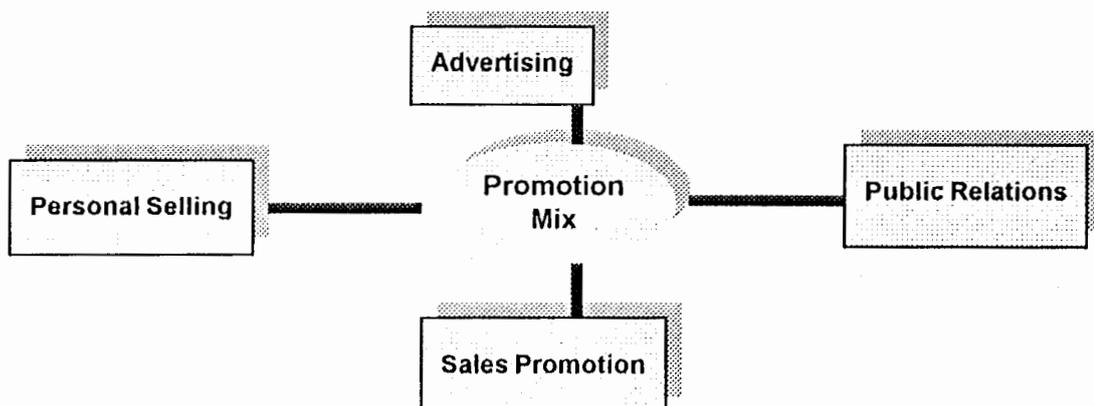
Channel 3 contains two intermediary levels - a wholesaler and a retailer. A wholesaler, typically, buys and stores large quantities of several producers' goods, and then breaks into the bulk deliveries to supply retailers with smaller quantities. For small retailers with limited order quantities, the use of wholesalers makes economic sense. This arrangement tends to work best where the retail channel is fragmented - i.e. not dominated by a small number of large, powerful retailers who have an incentive to cut out the wholesaler. A good example of this channel arrangement in the Jordan is the distribution of drugs.

Channel 4 contains three intermediary levels - a wholesaler, a retailer, and a **broker** who sell the products in return for a commission (a percentage of the sales revenues).

Understanding what, where, why, when and how target customers buy is the basic information in designing the distribution channel.

## 4.4 Promotion (the fourth element of the marketing mix 4P's)

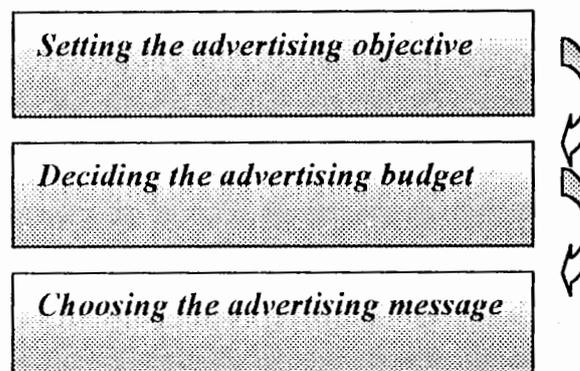
The fourth marketing mix tool includes all the activities your business undertakes to communicate, and promote in its goods/services to the target market(s). Your business might consider setting up communication and promotion programmes consisting of advertising, sales promotion, public relations, direct and online marketing etc.



### 4.4.1 Advertising

Advertising is one of the most common tools companies use to direct persuasive communications to target buyers and publics. A definition of advertising is: *any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor.*

To develop and manage an advertising program, the following steps can be taken:



#### a) Setting the advertising objective

The first step is to set the advertising objectives. These objectives must flow from prior decisions on the target market, market positioning and marketing mix. The marketing positioning and the marketing mix strategies define the job that advertising must do in the total marketing programme.

Advertising objectives can be classified according to whether their aim is to inform, persuade, or remind.

- **Informative:** This figures heavily in the pioneering stage of a product, where the objective is to build a primary demand.
- **Persuasive:** This becomes important in the competitive stage, where a business's objective is to build selective demand for a particular brand. Most advertising falls into this category
- **Reminder:** This is highly important with mature products.

The choice of the advertising objective should be based on a thorough analysis of the current marketing situation

### b) Deciding on the advertising budget

There are five specific factors to consider when setting the advertising budget:

- **Stage in the product life cycle:** New products typically receive large advertising budgets to build awareness and to gain consumer confidence. Established brands usually are supported with lower advertising budgets as a ratio to sales.
- **Market share and consumer base:** High market share brands, usually, require less advertising expenditure as a percentage of sales to maintain their share. To build a larger share by increasing market size requires larger advertising expenditures.
- **Competition and clutter:** In a market with a large number of competitors and high advertising spending, a brand must advertise more heavily to be heard above the noise in the market. Even simple clutter from advertisements not indirect competitive to the brand creates a need for heavier advertising.
- **Advertising frequency:** The number of repetitions needed to put across the brand's message to consumers has an important impact on the advertising budget.
- **Product substitutability:** Brands in a commodity class (e.g. cigarettes, soft drinks) require heavy advertising to establish a differential image. Advertising is, also important, when a brand can offer unique physical benefits or features.

### c) Choosing the advertising message

When you are ready to choose an advertising message, and you are not using a professional advertising agency, you must at least give a message based on your competitive edges, and the buying behaviour of your customers. E.g. a Fresh Juice producing company found out that their customers buy their product for health, and that their competitive edge is the freshness. Therefore, they should use freshness and mention the health aspect in the advertising message.

## 4.4.2 Sales promotion

Sales promotion consists of a diverse collection of incentive tools, mostly short term, designed to stimulate quicker and/or greater purchase of particular products/services by consumer or the trade.

Where advertising offers a reason to buy, sales promotion offers an incentive to buy. The main consumer-promotion tools are:

- Free Samples.
- Coupons (certificates entitling the bearer to a stated saving on the purchase of a specific product)
- Price discounts
- Product warranties (explicit or implicit promises by sellers that the product will perform as specified, or that the seller will fix it or refund the money during a specific period)
- Seasonal sales

### 4.4.3 Public relations (PR)

Public relations involve a variety of programmes designed to promote and/or protect a business's image or its individual products.

PR activities perform the following five activities, not all of which support marketing objectives:

- Press relations (presenting news and information about the organization in the most positive light).
- Product publicity (sponsoring various efforts to publicize specific products).
- Corporate communication (promoting understanding of the organization with internal and external communications).
- Lobbying involves dealing with legislators and government officials to promote or defeat legislation and regulation.
- Counseling involves advising management about public issues and business positions and image. This includes advising in case of a product mishap when the public confidence in a product is shaken).

### 4.4.4 Personal selling

Personal selling is oral communication with potential buyers of a product with the intention of making a sale. The personal selling may focus initially on developing a relationship with the potential buyer, but will always ultimately end with an attempt to "close the sale".

#### a) Main steps of the selling process

The main steps of the selling process are:

- **Prospecting** - trying to find new customers
- **Communicating** - with existing and potential customers about the product range
- **Selling** - contact with the customer, answering questions and trying to close the sale
- **Servicing** - providing support and service to the customer in the period up to delivery, and also post-sale

#### b) The advantages of using personal selling as a mean of promotion:

- Personal selling is a face-to-face activity; customers, therefore, obtain a relatively high degree of personal attention.
- The sales message can be customized to meet the needs of the customer.
- The two-way nature of the sales process allows the sales team to respond directly and promptly to customer questions and concerns.
- The face-to-face sales meeting gives the sales force chance to demonstrate the product.
- Frequent meetings between sales force and customer provide an opportunity to build good long-term relationships.

Given that there are many advantages to personal selling, why do more businesses not maintain a direct sales force?

### c) Main disadvantages of using personal selling

The main disadvantage of personal selling is the cost of employing a sales force. Sales people are expensive. In addition to the basic pay package, a business needs to provide incentives to achieve sales (typically this is based on commission and/or bonus arrangements) and the equipment to make sales calls (car, travel and subsistence costs, mobile phone etc).

In addition, a sales person can only call on one customer at a time. This is not a cost-effective way of reaching a large audience.

## 5. Marketing of services

Since services are different from goods, it makes sense that they should be marketed in a slightly different way. The points of difference encourage us to think how we should go about marketing services.

The marketing implications of services characteristics discussed previous are:

### ■ Intangibility

- **Making Tangible** the intangible through providing evidence of service quality showing the buyers quality place, equipment, people, communication material, and brochures.
- **Promotion** needs to be emphasized to explain what the service contains.
- **Pricing** needs to be linked to, and to communicate quality.

### ■ Inseparability

- As customers are involved in the service, they need to feel confident and comfortable.
- Customers link services directly with the organizations that provide them, so a high level of customer care is necessary.

### ■ Variability

- Personal selling is often used to be able to personalize and communicate the benefits of services.
- If the business is already established under a brand, then the introduction of a new service is made easier through trust that already exists.
- Invest in hiring and training procedures to ensure standards of service are maintained.
- Monitoring customer satisfaction through suggestion and complaint system.

### ■ Perish ability

- Pricing methods can be used to maximize sales of services to shift demand from peak to off-peak periods (e.g. discount prices for health clubs at morning hours).
- Reservation system to manage the demand level.
- Supply of services needs to be timed and resources scheduled to meet demand.

## 6. The 3 extra 'P's in the service marketing mix

In order to deal with these differences and characteristics, we can add three more 'P's to the traditional marketing mix of the 4 'P's of Product, Price, Promotion and Place.

### 6.1 People

People are involved in the delivery of most services. You might want to make sure that the members of your staff involved in service delivery:

- Are recruited for their aptitude for dealing with customers.
- Are given the necessary training to do their job efficiently.
- Are given the necessary authority to make speedy decisions for customers.
- Are satisfied in their work (*Internal Marketing*).

**Internal Marketing** is about making the employees more satisfied at their job by supporting and rewarding them for good performance and helping them to cope with their lives outside the office that will make them providing quality services to the customers.



**EYB Module: Strategic Human Resources Management tells you more about recruiting your employees.**



**The quality of the service depends on the quality of the service provider.**

### 6.2 Process

Systems used in service delivery should be designed with customers in mind. Consider:

- Clear and easy procedures can give you a competitive advantage
- Employing part time staff to cover busy periods can help to reduce queuing and to speed up service delivery.







## EXERCISE

Describe your current marketing mix:

Continued from the previous page...

My Current Marketing Mix

Promotion:

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## 7. Chapter Summary

The marketing mix is the set of marketing tools that your business uses to pursue its marketing objectives in the target market(s).

The marketing mix consists, in the classical way, of four elements: product, place, price, and promotion. The 4 P's represent the sellers' view of the marketing tools available for influencing buyers. From a buyer's point of view, each marketing tool is designed to deliver a customer benefit.

- **Product:** your companies' tangible offer (goods) or intangible offer (services) to the market.

**Goods** divide into two main types: 'consumer' and 'industrial'. Goods include the quality, design, features, branding, and packaging. As part of its product offering, companies can also provide various services. Consumers buy a vast array of goods. These goods can be classified on the basis of consumer shopping habits. We can distinguish convenience, shopping, and specialty goods among a list of them.

**Services** have a number of distinctive characteristics that differentiate them from goods, these characteristics are: Intangibility, Inseparability, Variability, and perish ability.

Products have a life cycle that typically divided into four stages: introduction, growth, maturity, and decline.

- **Price:** amount of money that customers pay for the product/service. The price should be commensurate with the offer's perceived value. A company might decide on 'wholesale' and retail prices, discounts, allowances, credit terms etc. There are several pricing strategies: *survival, maximum current profit, maximum current revenue, and maximum market skimming and product-quality leadership.*

There are several types of discounts and allowances: *cash discounts, quantity discounts.*

Discriminatory pricing occurs when a company sells a goods or services at two or more prices that does not reflect a proportional difference in costs. There are several forms: *customer-segment pricing, product-form pricing, image pricing, location pricing and time pricing.*

- **Place:** includes the various activities your company does to make the product accessible and available to target customers.
- **Promotion:** includes all the activities your company does to communicate and promote its products/services to the target market(s).
- **Advertising:** any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor. Advertising objectives can be classified according to whether their aim is to inform, persuade, or remind. The choice of the advertising objective should be based on a thorough analysis of the current marketing situation.

There are five specific factors to consider when setting the advertising budget: *stage in the product life cycle, market share and consumer base, competition and clutter, advertising frequency and product substitutability.*

- **Sales promotion:** consists of a diverse collection of incentive tools, mostly short term designed to stimulate quicker and/or greater purchase of particular products/services by consumer or the trade. The main consumer-promotion tools are: *free samples, coupons, price discounts, product warranties, and seasonal sales.*
- **Public relations:** involves a variety of programs designed to promote and/or protect a company's image or its individual products. PR activities perform the following five activities: *press relations, product publicity, corporate communication, lobbying, and counseling.*
- **Personal selling** is oral communication with potential buyers of a product with the intention of making a sale. The steps of personal selling are: *prospecting, communicating, selling and servicing.*
- **Marketing of services** is slightly different from marketing of goods; each service characteristic has its own marketing implications. Services marketing mix has three more 'P's to than the traditional marketing mix of the 4 'P's, namely: **P**eople, **P**rocess, and **P**hysical evidence.

## MARKET SCANNING

Before you can choose an appropriate marketing growth strategy, it is necessary to understand your market. This chapter explains the importance of and how to do market scanning for your present and growing business. This information is required to build a successful marketing oriented business, and to make balanced strategic marketing growth decisions as discussed in later chapters.

### What you will learn in this chapter...



**After studying this chapter, and completing the exercises in it, and with the guidance of your business trainer, you should be able to:**

- **Define market scanning.**
- **Explain how market scanning can help to expand your business.**
- **Implement a market scanning process at your business.**

# 1. What is market scanning?

To understand the importance of market environmental scanning (or analysing the market environment), it is necessary to recall some essential marketing terminology first.

- a) A **market** is a group of potential customers with similar needs and wants, interested in exchanging something of value with sellers offering various goods and/or services that satisfy those needs and wants.
- b) A **customer** is a person with needs and wants looking to satisfy these, through your goods or services. It is your responsibility to profitably fulfil those needs and wants according to the customer expectations, and surpass the abilities of your competitors.

Market scanning is about obtaining and analysing all-important information from the market you operate in or want to operate in, in order to design marketing growth strategies that will result in achieving the growth objectives.

If you have the right information and are able to analyse it, you can make predictions on the present and future demand and supply, and understand the forces that might influence your product/markets. In a market-oriented business, market scanning is a continuing process. It should, therefore, play an important role in your daily business.

Market information must at least focus on the following market features:

- (Potential) Competitors
- (Potential) Customers
- The Industry



## CASE STUDY

### Hana Juice Company (HAJCO) Ltd.

HAJCO want to expand their business. They contemplate to; (a) sell citrus juices in supermarkets, (b) introduce new product (tomato paste), and (c) export citrus juice concentrates to Europe. According to the case study, which kind of information do you think is important for HAJCO to make strategic growth decisions?

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## 2. How can market scanning help to expand your business?

To develop a successful growth strategy, you should take an outside-inside view of the business. This means that you analyse the market first, and then adapt your business to the market (make things happen), rather than setting up your business, and then watch the market (watch things happen). The market environment is constantly generating new opportunities and threats. If you identify your opportunities and threats, you will be able to act accurately on it and expand sales.

Decisions on marketing growth strategies have a great influence on your entire business operation, which you can not turn back after finding out that your marketing strategy was not the most appropriate one. If you analyse your market extensively and base your strategic marketing decisions on that market information, you will enhance your chances of success.

Knowing exactly who your customers are, and what their drives are, enables you to increase sales by customizing your products/services, and creating a strong competitive advantage.



### CASE STUDY

#### Hana Juice Company (HAJCO) Ltd.

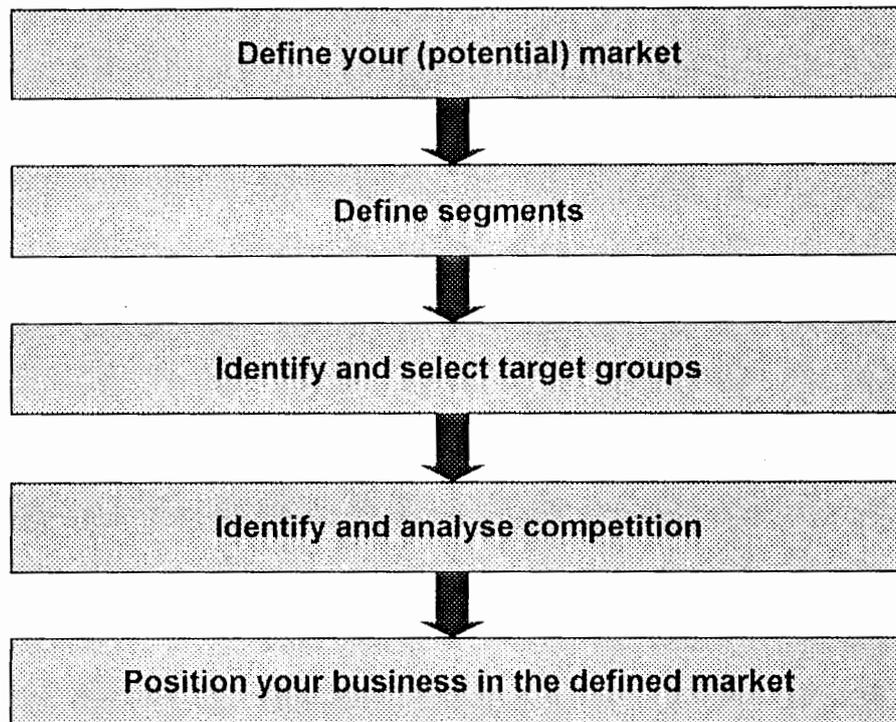
HAJCO supply fresh citrus juices to hotels in Jordan, mainly for tourists. The company is continuously screening the market and looking for new market opportunities. They need to keep monitoring tourist inflows into the country and consumption patterns. They need the information to adapt their business to the needs of the market.

HAJCO also needs to monitor activities of competitors in the markets. HAJCO forgot to screen the activities of possible competitors, and only learned recently that Theqa distributors is now importing and distributing fruit juices from a Lebanese competitor. They understand now that it is important for the future to scan the market, and be ahead of competitors rather than to react to events that impact negatively on HAJCO's sales and profitability.

## 3. How to scan the market?

As mentioned earlier, market scanning is a continuous process because the environment changes all the time. If you want to scan your market, follow the following steps.

## Steps in the market scanning process



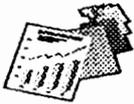
### 3.1 Defining the market

Before you can start to analyse the environment, you should first, define your market (the one you are in or want to be in). You could have described your market in your initial business plan, but usually that market differs from the actual market you are in. Use your present customer information to define your market. Ask yourself the following questions:

- What product they are buying? (*what*), and
- Why they buy? (*To meet what*).
- What type of customers you have? (*for whom*);
- Where your customers are coming from? (*where*);

In this manual, we will define the product-market combinations. A complete product/market definition includes the following:

<i>What?</i>	Product type (type of good and type of service)
<i>To meet what?</i>	Customer (user) needs
<i>For whom?</i>	Customer types
<i>Where?</i>	Geographic area



## CASE STUDY

### Hana Juice Company (HAJCO) Ltd.

HAJCO describe their current and possible future product-market as follows:

**Present product-market definition HAJCO fresh citrus drinks**

*What?* Fresh citrus drinks  
*To meet what?* A need for healthy and pure nature thirst-quenchers  
*For whom?* Tourists who want high quality fresh citrus drinks  
*Where?* Jordan

**Future possible product-market definition: Fresh citrus drinks (Market Development)**

*What?* Fresh citrus drinks  
*To meet what?* A need for healthy and pure nature thirst-quenchers  
*For whom?* All potential consumers who want high quality fresh citrus drinks  
*Where?* Jordan

**Future possible product-market definition: Tomato paste (Diversification)**

*What?* Tomato paste  
*To meet what?* A need for healthy and pure natural tomato  
*For whom?* All potential consumers who want high quality meals with tomato  
*Where?* Jordan

**Future possible product-market definition: HAJCO citrus juice concentrates (Diversification)**

*What?* Citrus juice concentrates  
*To meet what?* A need for healthy and pure nature citrus juice  
*For whom?* All potential consumers who want high quality citrus juices  
*Where?* Western Europe



## EXERCISE

Define the product-market combinations for your own business. You can define the product-market you are already in, and the ones you want to get into. If you have more product-market, try to define them all. If you have many products cluster them into related product groups first

**Product-market I**

<i>What?</i>	
<i>To meet what?</i>	
<i>For whom?</i>	
<i>Where?</i>	

Continued on the next page...



## EXERCISE

Continued from the previous page...

### Product-market II

What?	
To meet what?	
For whom?	
Where?	

### Product-market III

What?	
To meet what?	
For whom?	
Where?	

## 3.2 Segment the market

After defining the product-markets you are in or want to get into, you need to get a more detailed insight into your (potential) customers. Use market segmentation to do so.

The basic aims of market segmentation are to meet needs of subgroups, and to improve customer loyalty and company returns.

To customise your marketing mix, identify the differences between the customers in the market you are in or want to get into. Customisation is based on the fact that nobody is the same. Therefore it is important to identify and define the different kinds of segments in your market through *market segmentation*.

**Market segmentation** is 'the subdividing of a market into distinct and increasingly homogeneous subgroups of customers, where any group can conceivably be selected as a target market to be met with a distinct marketing mix'

With market segmentation, you can define your target groups within a market, and adapt your marketing mix to the target group(s). The main rule when you do segmenting is that the consumers within a segment are as homogeneous as possible, and that the segments are as different as possible. Another important rule is that the segments are big enough to create sales potential. You can segment as detailed as possible, but ensure that the segment has sales potential to support targeted marketing effort.

## Factors for Segmenting Markets

In segmenting the total market, consider those factors that are common to each segment. The following are some factors that you can use as a framework for market segmentation:

- **Geographic segmentation** refers to dividing the market according to country, region, urban and rural communities.
- **Demographic segmentation** based on elements such as size, age, education, ethnicity, religion, composition and distribution of the population. Better-educated people may have a higher willingness and ability to spend on natural products. The natural cosmetics market could, therefore, be segmented on the basis of education (HBC case).
- **Psychographics segmentation** divides the market according to consumer lifestyles, activities, opinions and beliefs.
- **Behavioural segmentation** divides the market according to consumer behaviour (product usage, consumer needs for certain benefits, price sensitivity, brand loyalty, occasions).
- **Benefit segmentation** divides the market according to benefits sought by consumers (clean teeth, belonging, beauty, and security).

As you can see, there are different ways of segmentation. It is not easy to decide what segmentation factors should be used for a specific product or industry.



### CASE STUDY

#### Hana Juice Company (HAJCO) Ltd.

Besides the hotel market, HAJCO is thinking of selling to all potential consumers in Jordan who want a high quality fresh drink, perhaps through supermarkets. To be able to segment the general population of Jordan, HAJCO developed a questionnaire for potential consumers in the country. The questionnaire included questions about the household income, residence, the reason why customers would buy fresh citrus juices, where they want to buy fresh citrus juices? What they want to pay for it? etc... The questionnaire was conducted randomly, including high and low income persons, as well as people from the urban and rural areas. The overall result of the survey showed that people with relative higher incomes were more interested in fresh citrus drinks than people with lower incomes. So the first segment factor was 'demographic' and based on 'income'. HAJCO made two main segments (low and high incomes) and decided that the high incomes were an interesting segment.

The high-income section was segmented again, but along the demographic factor 'age' into young, middle, and older people. These three segments had huge differences between them; it was therefore useful for HAJCO management to keep all segments in the research and analyse the differences further. Older people usually bought their citrus drinks at the speciality stores in their neighbourhood, while families bought their drinks in the elite supermarkets and younger people at sport clubs, places of entertainment and school.

Continued on the next page...



## CASE STUDY

### Hana Juice Company (HAJCO) Ltd.

Continued from the previous page...

The segments within are quite homogenous, while the differences between the segments are quite significant considering the different buying places.

HAJCO obtained information about the needs and wants of Jordanians, in general, which would be useful in identifying segments for other future product, namely tomato paste. This information was kept for later use.

HAJCO initially zoomed in further on the segment 'buying places', by focusing on different types of sport clubs and entertainment that younger people frequent. However, the company soon realised this would make the segments too small and detailed. Such detailed differentiation, would make it difficult later to market their products to. HAJCO felt that the segments, as identified now, were sufficiently homogeneous while the differences in buying behaviour was sufficient to approach them separately with their marketing mix.

The results are summarised in the following table:

Type.	Income	Age	Freq. Buying	Amount	Where	Why
Tourists	High	all ages	Often	250ml cartons	Hotels	Healthy to stay young, refreshing
Young	High	13-25	Little	250ml cartons	School, cinemas & sport clubs.	Trendy; To increase energy
Middle age	High	26-55	Often	250ml & 1litre cartons	Elite supermarkets & restaurants.	Tasty; Healthy not to get old, for lunch boxes
Senior citizens	High	>55	Little	250ml cartons	Supermarkets, Specialty Stores	Healthy to live longer

### 3.3 Identifying and selecting the target groups

In this section, we will discuss how you can identify and select interesting target groups from the segments identified earlier based on the criteria of segment size and market growth. Fortunately, we can obtain a lot of data on the size of markets, especially demographic data. Some possible product-markets may have almost no market potential. Without hard facts, we risk aiming at such markets.

The most effective and reliable way to identify your (potential) customers/groups (and get more information on their behaviour) is to ask them directly. Interviewing (by telephone or face-to-face) or using a questionnaire are two tools that are very effective. Interviewing (potential) customers produces a higher response, but also takes a lot of effort to perform. If your organization is not able to interview customers, you might consider using a market research company, or hire someone to do it. Another useful way to identify target groups is through the use of national statistical and census data.



Chapter 6 of this Module tells you more about conducting a market research.



## CASE STUDY

### Hana Juice Company (HAJCO) Ltd.

HAJCO obtained information from the Jordanian department of statistics and analysed it as follows:

The total **High Income** by age group:

- Youth: 25%
- Medium aged (25-55): 45%
- Senior (>55): 30%

The future projections (8 years from now) are indicated below:

- Youth: 30%
- Medium aged: 50%
- Senior: 20%

Based on the above information, you can see that the youth is smallest group whose percentage will increase in 8 years time. Over the same period, the senior group will decrease by 10%. The medium-aged group is the biggest.

HAJCO decide to select the youth and medium-aged population, as their target groups, as they will become the two biggest groups in the future.



## EXERCISE

Based on the example, which factors would you use to segment your market for your products and why? Which important questions would you ask your (potential) market for segmentation? Which segments could you identify? Which target groups would you identify?

Factors to segment your business (give explanation.)

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Continued on the next page...



## EXERCISE

Continued from the previous page...

Questions to ask your (potential) customers:

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Identification of segments (and additional characteristics / information):

Type:

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Size and market growth potential for each market segment:

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Important statistical information that influenced choice of segments:

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Can you define the target groups (present or future) of your (potential) target markets based on your market segmentation and the statistical information? Please explain:

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Choice of target groups:

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Selected target groups based on the statistics please explain:

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## 3.4 Analysing Competitors

### 3.4.1 Why is it important to identify your competitors?

In most cases, a company will not be the only one offering products to the market. Consumers have different choices to satisfy their needs and wants. If you are able to satisfy those needs and wants better than your competitors, you can create a strong market position. Next, you have to study your competitors operating in the same target market. Although you might think that your product is so unique that you might not have any competition, it is better to check that first. If you know your competitors, you will be able to compare their goods/services with yours, and you will be able to formulate your strengths and weaknesses. Understanding your strengths and weaknesses will help you to make strategic decisions, and show your customers your competitive edge.

### 3.4.2 How can you identify your competitors?

#### a) Get information from statistics, databases or by acting like a consumer:

There are some practical tools to identify your competitors. You can start by reading through industry reports, to see which companies are in the same business.

Besides the market information you might get from public or private companies, you can act like a potential customer and try to contact the competitors that offer the same products (by phone or by using a person competitors do not know). Try to find out what and to whom they are offering products, and what they think their competitive edges are, ask them why you should buy from them and not from other suppliers.



### EXERCISE

1. How do you currently analyse your competitors?

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2. Where do you get the information?

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### b) Get competition information from your own (potential) customers

The more effective way of getting information is to ask your (potential) customers about your competitors. You can do that by developing a questionnaire or visiting them (if you only have a few (potential) customers). After you have identified your (potential) competitors, make a list of all the competitors and their features. The features you should list depend on the business you are in, and the elements that your (potential) customers think are important in their buying decision. If for example, you are in the car sales business, the features might be, showroom surface area, location, number of showrooms, parking facilities, service center, assortment, after sales services etc.

In general, you need to analyse your (potential) competitors as detailed as possible. The more information you get from your competitors, the better you can position yourself in the market. If you want to develop new markets or new products, it is recommended that you do the same analysis.

From your competition analysis, you will know what your customers think is important in their buying process. If you are able to satisfy the important buying elements considered by customers better than your competitors that is your strength or a competitive edge. Let us try to find the competitive edge of HAJCO.



## CASE STUDY

### Hana Juice Company (HAJCO) Ltd.

HAJCO actually didn't know who its competitors were. Therefore, they first used a national database from the Jordan Chamber of Commerce, or Jordan Chamber of Industry to identify all suppliers of citrus drinks in the country. HAJCO management then used the 'industry key success factors' as the core features to be used for the competitor analysis. They also brainstormed with their management team to look for other important features in the citrus drink business, and they also asked present customers (hotels) what they thought were important influences to their buying process. Then, they called their competitors and acted like a potential customer, and asked them who their clients were (asked for references), how they could fulfil the buying behaviour of customers, and HAJCO asked what the competitors thought their competitive edges were. With that information, HAJCO developed a matrix, and filled in the results together with their own features.

Some of the results were as follows:

Feature	HAJCO	Competitor 1	Competitor 2	Competitor 3
Main clients	Hotels	Supermarkets Hotels	Supermarkets	Local stores Hotels
Area	Jordan	Jordan	Jordan	Jordan

Continued on the next page...



## CASE STUDY

### Hana Juice Company (HAJCO) Ltd.

Continued from the previous page...

Feature	HAJCO	Competitor 1	Competitor 2	Competitor 3
Material supply	Jordan Valley ++	Central district +	Import ---	Country-wide +
Distribution system	Own truck -	Own truck -	Outsourced +	Outsourced ++
Cost control	Average	Poor	Average	High
Technology	Traditional	Outdated	Average	High tech
Quality	Very high	Low	Average	High
Price	Average	Low	Average	High
Real citrus	Yes	No	No	No
Fruit pulp	Yes	No	Yes	Yes
Assortment	Wide Citrus drinks	Wide fruit drinks	Wide citrus drinks, and tomato paste	Small fruit drink Wide citrus drinks
Discounts	No	Based on volume max 10%	Based on volume max 5%	No
Delivery	By distributors Extra charge	By themselves free of charge (only large amounts)	By distributors extra charge with small amounts	Average
Credit	Yes, 30 days	No	Yes, only large accounts and 30 days	Yes, 40 days
Relationship	Personal, large accountants by Mrs. Hind	No, communication by national press	Large accounts by sales reps.	Personal
Size company	Small	Large	Large	Small
Promotion	Nil, but max PR (Jordan Valley)	"Cheap" letters and cost leadership slogans. Adv. in newspapers	Adv. on radio and television	Expensive bill boards, adv. in magazines

What do you see as the main strengths of competitors 1-3, and which would you say are the strongest competitors for HAJCO? Why?

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## EXERCISE

Perform the competition analyses for your own business, and write down your competitive edges and those ones of your direct competitors.

Feature	Your business	Competitor 1	Competitor 2

My competitive edges are:

.....

.....

.....

The competitive edges of my direct competitors are:

.....

.....

.....

## 4. Product Positioning

Now that you have insight into the buying behaviour of your target markets, and also detailed information about your competitors, you have to position yourself in the market through **product positioning**.

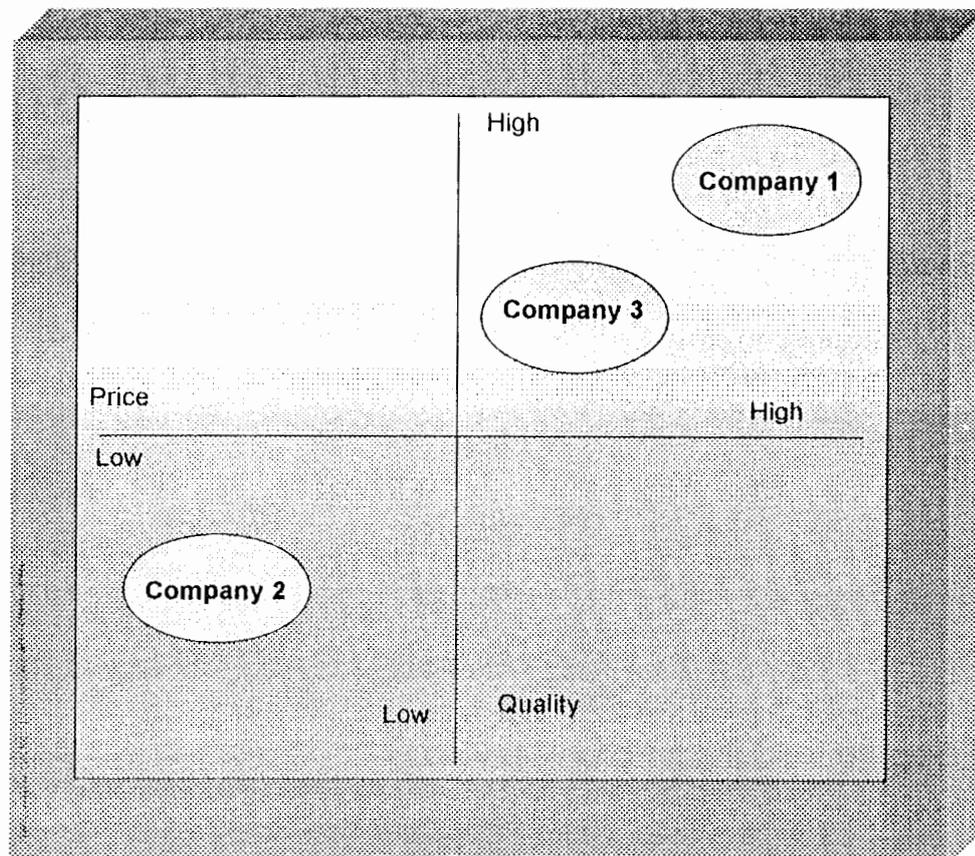
*Product positioning* is the effort aimed at creating and maintaining in the minds of target customers the intended image of the product relative to other brands, so that the target customers will perceive the product as having the attributes they want.

Imagine that you are looking at a map of your country with signs of towns dotted on it. You can tell each of the towns is located either in the east, west, north or south. The same can be done with products of different entrepreneurs offering products in the same market. You can plot where your products are situated on the map in comparison with your competitors. The plotting is done on the basis of attributes that satisfy the needs of customers, e.g. positioning by product attributes (features), positioning by use or application and positioning by product class.

A *positioning map* shows the positions occupied by your products and competitor's products in terms of certain consumer attributes. It is developed using consumers' perceptions of the attributes of those products. The positioning map suggests where gaps exist, and where new brands can be positioned. It, therefore, acts as an indicator of business growth opportunities for your business to take on.

To be able to position yourself in a market, you should know your own strengths and weaknesses, especially those strengths and weaknesses that have an influence on your competitive edge. The marketing department can then, check whether the marketing mix should be revised to adjust to the product's position. The most effective way to identify your strengths and weaknesses is to take the buying behavior elements of your target market. For each buying behavior element, you decide if your business performs better or weaker on that element.

The following figure provides an example of a positioning map using two attributes; quality and price.





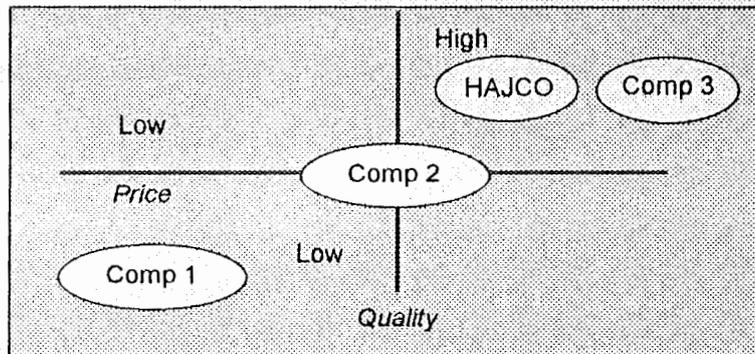
## CASE STUDY

### Hana Juice Company (HAJCO) Ltd.

HAJCO has three competitors as analysed in the previous section offering citrus juices; high quality for a reasonable price is a critical success factor in the citrus juice market.

Feature	HAJCO	Comp 1	Comp 2	Comp 3
Price	Average	Low	Average	High
Quality	Very High	Low	Average	High
Real citrus	Yes	No	No	No

As HAJCO positions itself in the market based on price and quality the figure will be as follows:



Competitor 3 is the main competitor of HAJCO in the citrus juice market, offering a high quality product. Competitor 3 is active in the hotel market and in the local speciality stores. Fortunately, HAJCO is the only one offering fresh citrus juices that give HAJCO enough power to increase its market position in 'the high quality' citrus juice offers. HAJCO, also manages to offer a more moderate price than competitor 3, probably because HAJCO has a relatively better internal cost structure.

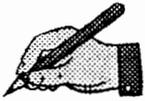


## EXERCISE

Can you position yourself like HAJCO did for its market on price/quality and possibly other important factors?

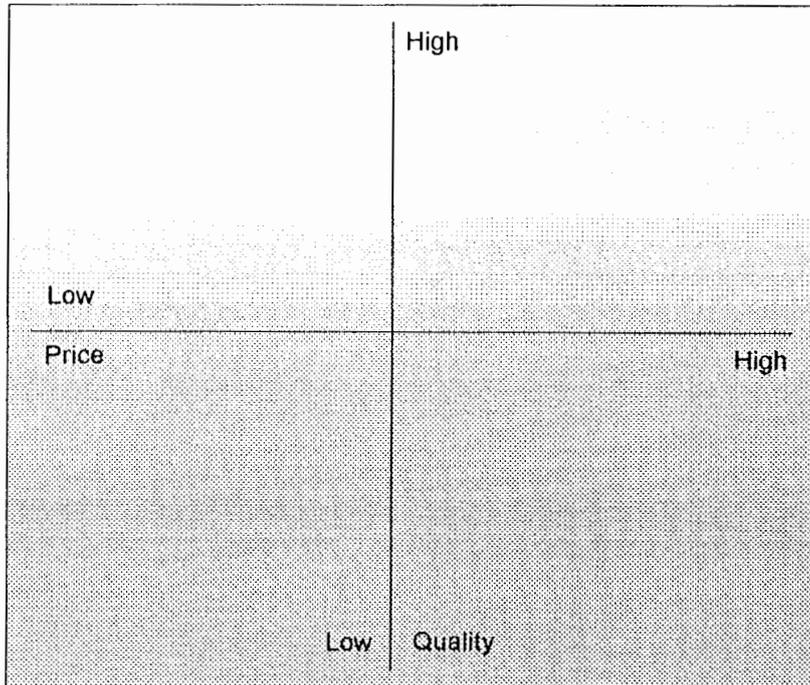
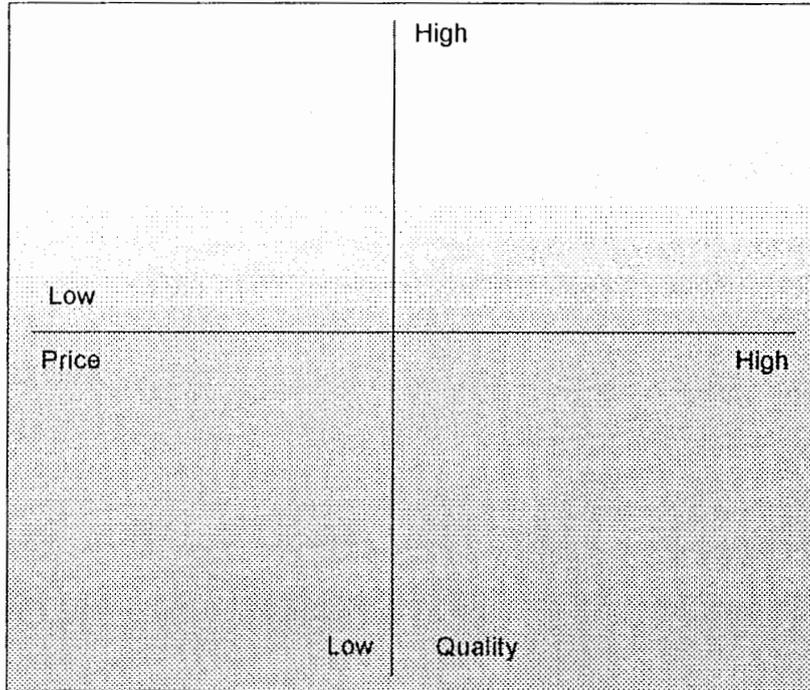
Feature company	Your Company	Competitor 1	Competitor 2	Competitor 3
1. ....				
2. ....				
3. ....				
4. ....				

Continued on the next page...



# EXERCISE

Continued from previous page...



## 5. Chapter Summary

Market scanning is getting and analysing all-important information about the market you are in or want to get into. This information is important, as it enables you to make profitable strategic decisions 'to make things happen'. If you have the right information and you are able to analyse it, you can predict the future demand and supply forces that might influence your product-markets.

Market scanning is a continuous process, and should therefore, play an important role in your daily business.

Decisions on growth strategies have a great influence on your business operation. If you analyse your market extensively and base your strategic decisions on that market information, you will increase the chances to be successful.

Market information must at least focus on the following market features:

- a) (Potential) customers
- b) (Potential) competitors
- c) The Industry.

The following steps can be taken to analyse your present or future market:

- a) Define your (potential) market.
- b) Segment your (potential) market.
- c) Identify and select your target groups.
- d) Identify competition in your (potential) market.
- e) Position yourself in the market.

# MARKETING STRATEGIES FOR GROWTH

In order to expand your market, you must have clear objectives for your business; those objectives will be your guidance to reach your ultimate goal of expanding your business.

Marketing *strategies* discussed in this module depend on strategic options available at your marketplace for growing your markets.

**Strategy** is a broad plan by which an organization aims to achieve one or more of its objectives by matching its activities to its resource capability and the surrounding environment.

## What you will learn in this chapter ...



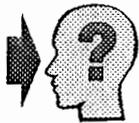
**After studying this chapter, and completing the exercises in it, and with the guidance of your business trainer, you should be able to:**

- **Define marketing strategies for growth.**
- **Set your business marketing related objectives.**
- **Explain how marketing strategies for growth can help to expand your business.**

# 1. What is Marketing Strategies for Growth?

Marketing strategies for growth is about:

- Analysing the available strategic options a marketer has, to reach a defined organizational growth goal.
- Identifying the most suitable option, or a combination of suitable options.
- Planning and executing the product, pricing, promotion, and distribution (the marketing mix) of goods and services, to create market exchanges that satisfy the identified goal.



**Do you have a written mission statement and objectives for your business?**



**EYB Module: Strategic Management tells you more about writing a mission statement and objectives to your business.**

## 2. Setting marketing related business objective(s)

In order to make the right marketing growth decision, you should know the long and short-term marketing objectives that are set in your strategic business plan. If you have already set those objectives please write them down in the following Activity and Exercise. If not, take some time here to develop such objectives for your business; those objectives must reflect your strategic choice from the three generic strategies i.e. **cost leadership strategy, differentiation strategy and focus strategy** discussed in Strategic Management module.



### CASE STUDY

**Hana Juice Company (HAJCO) Ltd.**

Mr. Jameel refers back to the objectives he had developed during the Plan and Strategic Marketing module and identifies the marketing related objectives. He writes them down below:

Long term	Short term
<p>Customer orientation</p> <ul style="list-style-type: none"> <li>• Increase re-buy of customers to 90%</li> <li>• Delivery to distribution channels within 2 days of request</li> </ul>	<p>Customer orientation</p> <ul style="list-style-type: none"> <li>• Maintain at least 95% of current clients over the next 12 months</li> <li>• Distributors are always answered by phone; Quotations are sent within 24 hours; deliveries are reduced to 2 days by the end of the year</li> </ul>

**Continued on the next page...**



## CASE STUDY

### Hana Juice Company (HAJCO) Ltd.

Continued from the previous page...

Long term	Short term
<p>Competitive position:</p> <ul style="list-style-type: none"> <li>• A growth of sales turnover of 25 percent per year</li> <li>• Citrus juice has entered new local markets within planning period and achieved higher market share in current market</li> <li>• Segmentation of products from tourism market to local markets within planning period</li> </ul>	<p>Competitive position:</p> <ul style="list-style-type: none"> <li>• Sales growth of 25 % in next 12 months</li> <li>• Market share in the hotel market reaches 40% in 12 months</li> <li>• First development phase of tomato paste completed by next year.</li> <li>• Market research on customer profile conducted; existing product achieves 1 million J.D sales with current and new target group in year 1.</li> </ul>

**For example;** objectives for your own business could be for example: a growth of sales turnover of 15 % per year; a new product line introduced within the planning period; an increase in re-buy of customers to 90% etc. The marketing related objectives are what you aim to achieve through your marketing efforts.



## EXERCISE

Write down your business's marketing related objectives:

Long term objectives:

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

Short term Objectives:

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_



The growth plan that results from this module should enable you to achieve the growth objectives that you have listed here. These objectives are, therefore, your reference when you develop this growth plan.

### 3. Marketing strategies for growth discussed in this module

The marketing strategy employed by you as a growth-oriented entrepreneur is essentially a function of the overall growth option chosen by the business (**low cost strategy, differentiation strategy, differentiation focus or low cost focus**). You have the following basic growth options: You can either produce more of the same goods and services, or produce different types of goods and services, or do both. In all cases, you need to attract new customers and/or attract existing customers to buy more from your business.

Growth-oriented entrepreneurs have the following basic marketing growth-options to reach the business growth objectives:

- **Market Penetration** (increasing the market share of existing products in existing markets).
- **Market Development** (find new markets for existing products).
- **Product Development** (develop new products for existing markets).
- **Diversification** (develop new products for new markets).

Marketing Strategies for Growth

		MARKET	
		CURRENT	NEW
PRODUCT	CURRENT	Market Penetration	Market Development
	NEW	Product Development	Diversification

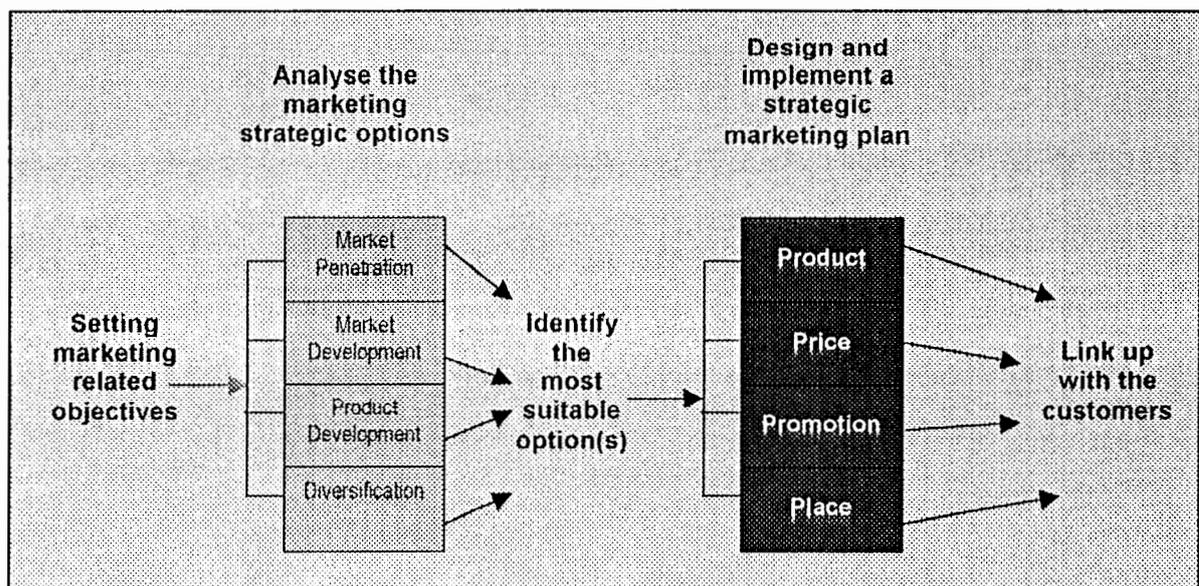
## 4. How “Marketing Strategies for Growth” can help to expand your business

Marketing strategies for growth can help you in various ways to expand your business:

- A smart choice of one (or a combination of more than one) of the marketing strategies for growth will increase your sales volume. **As a result**, you will strengthen your financial resources to be used in expanding your operations.
- Assess the implications of the essential growth options for the marketing function first, and before planning the detailed activities of the marketing management process. **As a result**, the risk of failure of the marketing effort is likely reduced.
- Focus the marketing effort on one or several clearly specified goals, and to control progress with the help of performance indicators. **As a result**, the marketing effort has clear direction and is transparent.
- Visualize the interrelation between product, price, place and promotion. **As a result**, the marketing mix is likely to be more coherent.
- Allocate resources efficiently; by translating the planned marketing mix into a timetable of activities and assigning tasks and inputs clearly for each activity. **As a result**, the marketing effort will likely render better results for less money.

The figure shown in the next page summarizes the rationale behind the structure of this module, at the first chapter of this module you are asked to write down your current marketing mix (the 4Ps), at the beginning of this chapter you are asked to set your marketing related objectives, then the coming chapters from 3-8 will help you understanding and selecting the appropriate marketing growth strategy for your business, and you will be asked at the last chapter of this module to write your marketing plan (4Ps) to reflect your strategic choice.

### Marketing Strategies for growth visualized





The market oriented business understand customers needs and wants, and effectively combines and directs the skills and resources of the entire organization to provide high levels of satisfaction to its customers



The choice of a marketing strategy for growth has implications on the human resource management (HRM) strategy of a growth-oriented business. The implications of the various growth scenarios for the HRM function of an enterprise are described in separate EYB module on "Strategic Human Resources Management" for growth-oriented enterprises. Finally, you will largely increase the success rate of your growth strategy if you have the capacity to apply a set of key finance management tools. Finance management tools to plan and control business growth are the subjects of a separate EYB module on "Strategic Financial Management".

## 5. Chapter Summary

**Marketing strategies for growth is about:**

- Analysing the available strategic options a marketer have to reach in order to reach a defined organizational growth goal.
- Identifying the most suitable option or a combination of suitable options.
- Planning and executing the product, pricing, promotion, and distribution (the marketing mix) of goods and services, to create market exchanges that satisfy the identified goal.

**Marketing strategies for growth can help you grow your business by:**

- Increasing your sales volume, this will strengthen your financial resources to be used in expanding your operations.
- Assessing the implications of the essential growth options first, before planning the detailed activities of the marketing management process.
- Focusing the marketing effort on one or several clearly specified objectives, and on controlling your progress.
- Visualizing the interrelation between product, price, place and promotion so as to ensure coherence in efforts.
- Allocating resources more efficiently, by translating the planned marketing mix into a timetable of activities and assigning tasks and inputs clearly for each activity.

From a strategic marketing point of view, if you want to grow your business, you can choose from the following strategies:

- **Market penetration.**
- **Market development.**
- **Product development.**
- **Diversification.**

# THE PRODUCT-PORTFOLIO ANALYSIS

Now that we have learnt how to scan our (future) business environment in chapter 2, we will now show you how to use this information to create a successful and balanced product-portfolio.

## What you will learn in this chapter...



**After studying this chapter, and completing the exercises in it, and with the guidance of your business trainer, you should be able to:**

- **Define product-portfolio analysis.**
- **Explain how product-portfolio analysis can help to expand your business.**
- **Define the steps to analyse product-portfolio.**
- **Explain the Product life cycle stages and related Marketing strategies.**
- **Apply the Product-Portfolio Matrix and its relation to the product life cycle.**

## 1. What is product-portfolio analysis?

From a marketing perspective, there are two main criteria to assess the current (and future) business performance, namely:

- a) **Products**
- b) **Markets**

**Product-portfolio** analysis helps you to understand the general growth potential of a product and the growth potential of the product within a specific market. One of the purposes of the product-portfolio analysis is that you will build a balanced product-portfolio. With a balanced product-portfolio, you will improve the chance for success by making balanced strategic marketing decisions.

## 2. Why is product-portfolio analysis important to the growth of your business?

Growing your business means that you are going to invest in (present or new) products for (present or new) markets. If you were going to invest, you would like to know if your investment would have an attractive 'return on investment' (also will be discussed in the financial management manual). Therefore, you should know if your product would have enough growth potential (demand), and if the product would be able to create an attractive market share in the market (supply). Based on that information you can make better strategic marketing decisions. For example: If you know that the demand of the product you sell or want to sell will not increase any more and that the competition is high, why would you invest in that product?

Before making marketing growth choices, it is important first to know the *status quo* of your business portfolio. In this chapter we will help you to use a product portfolio analysis based on two tools: the product life-cycle (**PLC**) that gives you the opportunity to analyze the present position of your product(s) and the **BCG** matrix that helps you to identify your position within the market (of those products).

Product-portfolio analysis enables you to make strategic marketing (investment) decisions on products or **SBU**s (strategic business units) on the basis of the two most important criteria: growth rate (or growth potential) and market share. The objective of a product-portfolio analysis is to create a well-balanced product-portfolio, which makes it possible to create a high market share in a growing market and with that, a successful and profitable company.

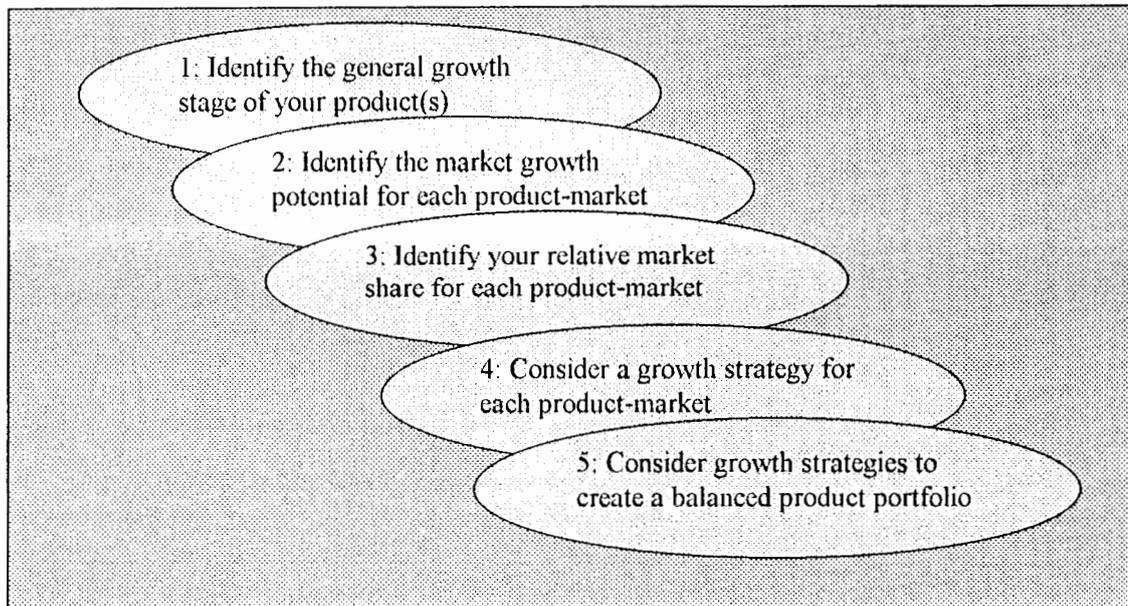
To expand your business by increasing sales you should search for growing markets and try to create a profitable market share. Always look for growing markets, and then try to increase your market share in that growing market.

Understanding the life cycle of a product makes it possible to identify the stage your product is in, so that you can also predict when it reaches the end of the maturity stage or the start of the decline stage. By following your product in the different stages, you will be able to look for new opportunities and make decisions for the right strategy in time. The strategies you can follow will be discussed below.

The product-portfolio matrix helps you define a specific marketing strategy for each single product (line). It shows the stage/cycle of every product-market combination. Companies, which have a wide range of products, should be aware that their portfolio is in balance. That means that you have at least some products in the categories 'stars', cash-cows, and question marks. Having some 'cash cows' that generate a lot of cash is necessary to finance the "introduction" period for your new 'question marks'.

### 3. How to analyse the product-portfolio

The process is graphically illustrated below:



Whilst the process might seem cumbersome, as stated earlier we have two important and 'easy to use' tools to assess your present business situation, on which we can base strategic marketing decisions. We will discuss both tools, starting with the Product Life Cycle-tool.

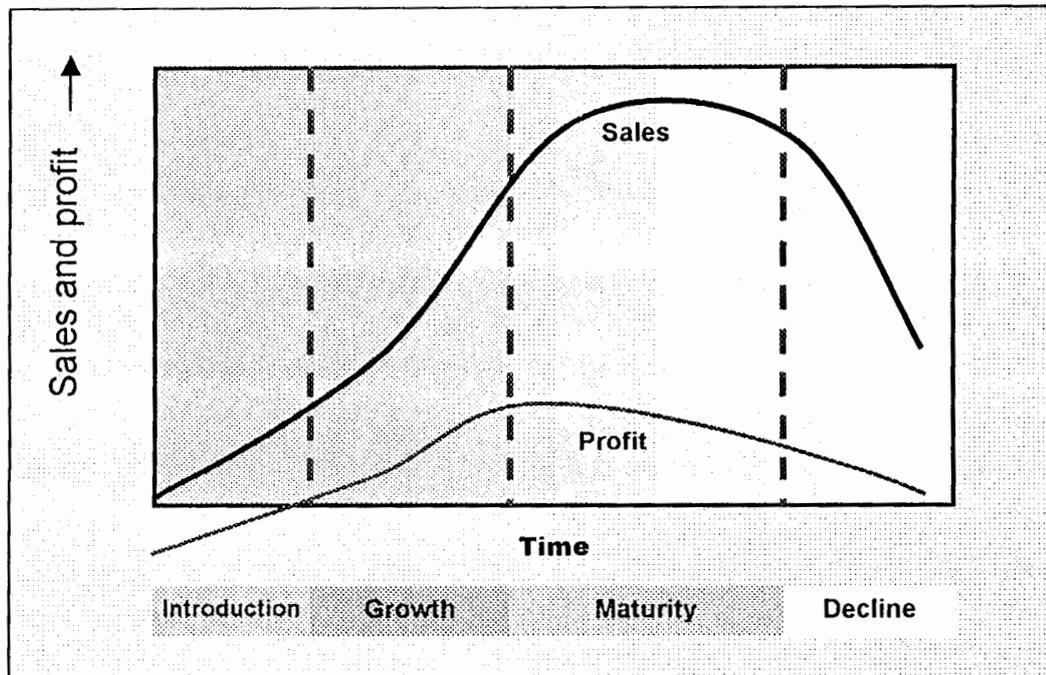
#### 3.1 The Product Life Cycle model

The Product Life cycle identifies the growth stages of your product. The objective of this model is to realize that products have a life cycle like human beings (the lengths of the life cycle differs for every product), also to identify where in the life cycle our products currently are. We should therefore have an appreciation of the stages and examine how they impact on the product that we have on the market. Technological products have a shorter life cycle than non-technological products.

Products generally go through a series of four life cycle stages: introduction, growth, maturity, and decline. **We will explain the four stages briefly:**

### a) The introduction stage

A period of slow sales growth as the product is introduced in the market. Profits are non-existent at this stage because of the heavy expenses incurred with product development and introduction. Marketing activities in this stage are focussed on persuading early adopters to buy, promotional pricing or market skimming, limited distribution channels, and promotions aimed at educating potential customers about product type and sales promotion.



### b) The growth stage

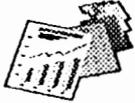
After the introduction stage, the product enters its growth stage. This is a period of rapid market acceptance and substantial profit improvement. Consumers accept the product and begin to adopt it in greater numbers. The marketing strategy is about building sales, market share, providing value adding services to enhance value, increasing distribution channels, and heavy promotion with messages focusing on brand benefits and advertising.

### c) The maturity stage

This is a period of a slowdown in sales growth because the product has achieved acceptance by most potential buyers. Unfortunately, success attracts competitors, so the market leaders lose market share and profits stabilize or decline because of increased marketing outlays to defend the product against competition. The marketing strategy is to defend the brand market share, seeking growth by luring customers from competitors, adding other product features, lowering prices (to ward off competition), and promotion focusing on product differentiation and heavy sales promotion.

**d) The decline stage**

In this stage, customers are looking for new products, sales show a downward drift, profits will erode and most of the competitors will exit. The strategy at this stage is to limit as much as possible costs, seek ways of making the product 'new again'. One could consider having a low price to sell off remaining inventory or a high price if a niche market still exists. Distribution channels should be limited to serve niche markets (if they exist) and promotional costs should be minimal.

**CASE STUDY****Hana Juice Company (HAJCO) Ltd.**

HAJCO plan to introduce its high quality citrus juice to the supermarkets and restaurants. From the competition analysis in chapter 2 we found out that there are some competitors in the citrus juice market, but they do not offer a 100% pure citrus squeezed drink. The demand for citrus juices is still growing, but also the number of companies who want to enter the market. The demand for fresh and pure citrus juices is good and there is still no direct competition.

HAJCO conducts an assessment of their fresh citrus juice within the product life cycle concept. HAJCO considers the fresh citrus juice as a product that is about to end the introduction phase and to commence the growth phase. In the introduction phase, according to the life cycle concept, the following features applied:

- HAJCO incurred costs for the development and introduction of the product
- Marketing focused on persuading the hotel market (the early adopters for this product) to buy
- Pricing was mostly low (promotional) so as to attract customers
- HAJCO had limited distribution channels
- HAJCO developed promotional materials to educate the hotel business about their product

Now HAJCO perceives they are entering the growth stage for citrus juice. The hotel industry is adopting the product in greater numbers, and HAJCO perceives interest for fresh citrus juices is also developing with certain parts of the local population. The marketing strategy in this phase is based on:

- Building sales and market share in existing (hotel) and new markets (local consumers)
- Providing value added services such as fast delivery
- Increasing distribution channels
- Heavy promotion to create a brand name in the local market for HAJCO fresh citrus juice.



**Can you define which products in your product-portfolio are in Growth Stage?**



## EXERCISE

Now that we have identified the growth stage of the HAJCO fresh fruit drink product, can you identify the growth stage of your product(s) or product lines?

Product type	Growth stage	Explanation

What are the main implications for your marketing strategies following the positioning of your products? Use the description of the various growth stages to identify the main points.

\_\_\_\_\_

\_\_\_\_\_

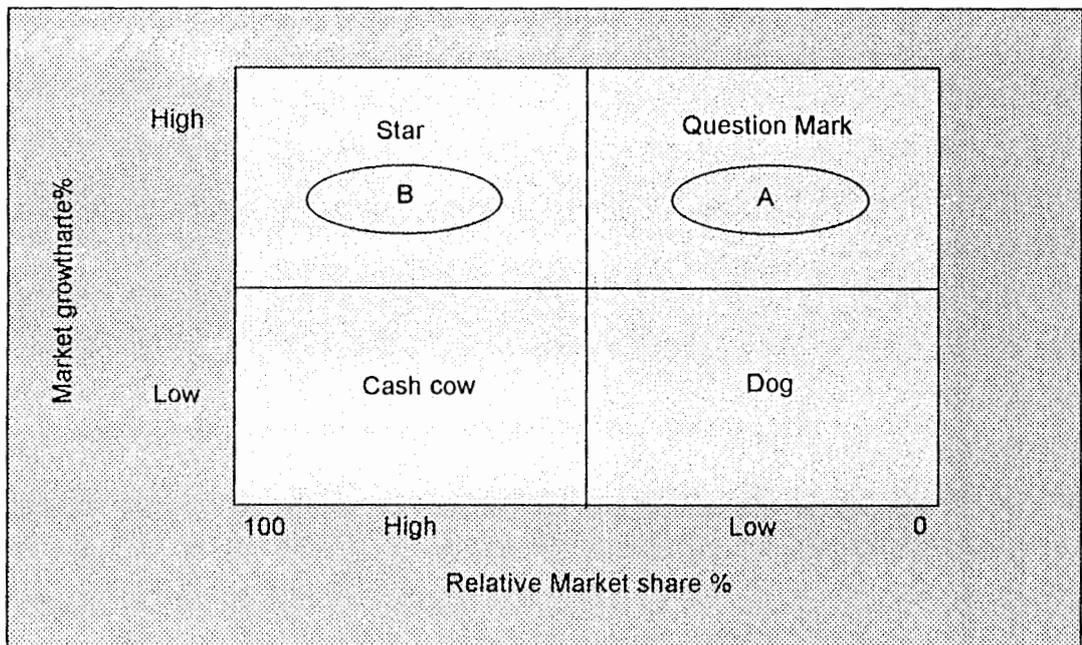
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\_\_\_\_\_

\_\_\_\_\_

### 3.2 The product-portfolio matrix



The **product-portfolio** matrix helps you to make the right strategic marketing decisions to create a well-balanced and profitable product-portfolio necessary to grow your business.

The two determining variables are **growth rate** and **market share**. These are the two single most important criteria on which marketing investment decisions should be based.

The growth rate can be identified by sales statistics. If the market growth rate is more than 10%, it is considered 'high'. You can define the market share by dividing your market share into the market share of the market leader. For example, if you have a market share of 30% in a specific market and the market leader has a market share of 40% your *relative* market share is: 75% ( $30/40 \times 100$ ).

There is a clear difference between the product life cycle concept as discussed in the previous section and the product-portfolio matrix introduced here. The product life cycle model gives you **general insights** into the life span of the product of your and other companies in the industry in the market. The assessment is general because it does not compare your business with other businesses, nor does it look into the future. This product portfolio matrix, however, deals with the **present and future** situation of your product-market, and assesses your product-market against that of others (in particular the market leader). Therefore, it is recommended to use both tools (**PLC** and **BCG** matrix) to assess the situation of your products and markets.

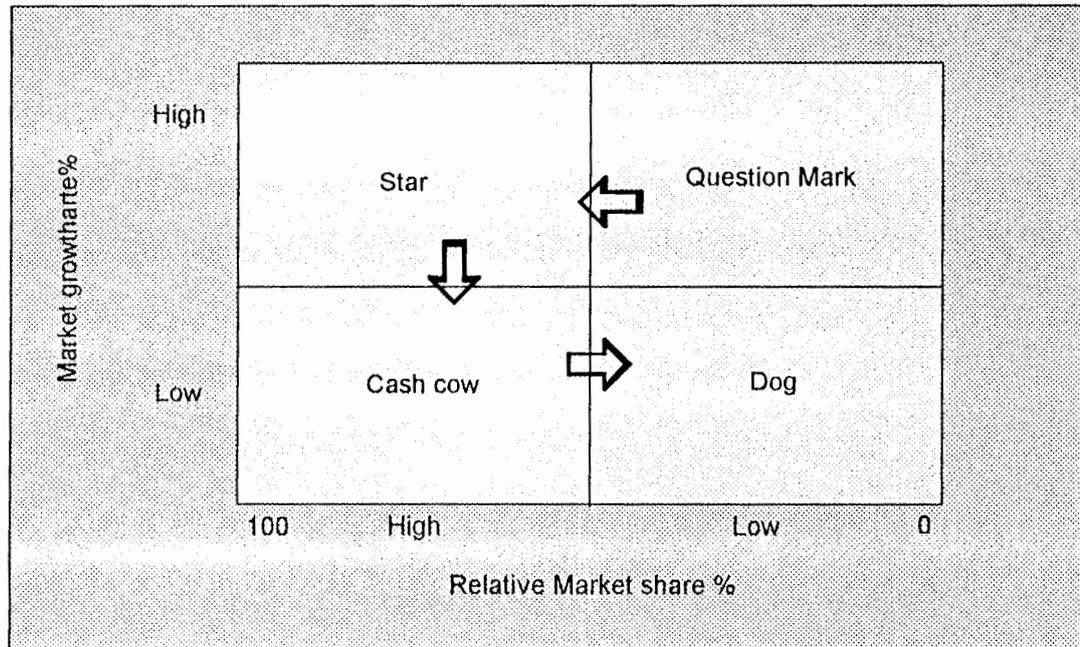
The **product-portfolio** matrix identifies four categories/ stages of a product (product-market combination) /SBU which place particular demands on marketing resources, and have differential potential and call for different strategic marketing options.

**The following categories can be identified:**

- **Stars:** in this category, products have a high market share in a high-growth market.
- **Cash Cows:** products with a relative high market share that were probably 'stars' once, but there is now little growth in the market.
- **Question Marks:** products, which operate in high growth markets but have low relative market shares.
- **Dogs:** products that have weak market-shares in low-growth markets.

The circles in the matrix refer to the present sales share in your company. The bigger the circle, the bigger the sales share.

## Life cycle of the product-portfolio matrix



The product-portfolio matrix is a kind of life-cycle model. Most businesses and their products start as question marks as the company tries to enter a high growth market in which there is already a market leader. But if you have developed a new product (for example an invention) in a growing market, you could be the only one in the introduction stage. Your market share will be high, and your product starts as a 'star'.

A "question mark" requires a lot of cash to keep up with the fast growing market, and in order to overtake the leader. If the company spends its money the right way, it may overtake the market leader.

If the market share has increased, the product becomes a "star". The company must spend substantial funds on the star to keep up with the high market growth and fight off competitors' attacks.

After a while, when a market's annual growth rate falls to less than 10% the "star" becomes a "cash cow". The company then does not have to finance a lot of capacity expansion because the market's growth rate has slowed the product generates a lot of cash. Moreover, since the business is the market leader, it enjoys economies of scale and higher profit margins.

If the market does not grow anymore, the product slowly becomes a "dog". In most cases, "dogs" are eliminated from the company.

### 3.3 Considering the different marketing growth strategies per. category

After having analysed your products and markets, it is now time to consider the appropriate marketing growth strategy. There are no specific theories or rules for developing a marketing growth strategy for each category. It depends on the generic strategy of your business, the specific market features, funds available, etc.

However, we will give you some strategies that can be considered and used to make your own decisions.

#### 3.3.1 Question Marks (low market share, high market growth)

Most businesses start off as “**question marks**” as the company tries to enter a high-growth market in which there is already a market leader. A “**question mark**” requires lots of cash because the company has to spend money on plants, equipment and personnel to keep up with the fast-growing market. The term “**question mark is**” appropriate because the company has to think hard about whether to keep pouring money into this business.

##### Which marketing strategy to follow?

If the market potential looks profitable, you have to decide whether you are going to invest in the product to increase your market share and upgrade your product to a ‘**star**’. Try to find out if your company is able to fulfil the needs and wants of customers better than the present competitors (identify the needs and wants of the target market and your own strengths and weaknesses). If the analysis results are positive, you will have to invest in promotion and price-cuttings to win market share. Attracting customers through more intensive distribution, increasing promotion, and price competition and keeping them with your competitive edges are a **market penetration strategy**. Companies mostly use this marketing strategy with a product in the question mark stage. On the other hand, if you have relatively many “**question marks**”, you might have to make a choice of which product you are going to invest in.

#### 3.3.2 Stars (high market share, high market growth)

Having a “**star**” does not mean that you also produce a positive cash flow for the company, because you must spend substantial funds to keep up with the high market growth and fight off the competitors’ attacks. Keeping this high market share is important because the best profits come after this stage. It is usually at this stage that a company considers a so-called ‘**hold**’ strategy, where you invest in modern production systems, efficiency programmes and marketing programmes just to keep your high market share.

### Which marketing strategy to follow?

The lowest-risk strategy to follow is also a **market penetration strategy**, although you have 'penetrated' already at the "question mark" stage, but in a different way. Because of the fact that the potential sales are still increasing (high growth rate) you have to attract and keep those new customers to maintain your present high market share. At this stage, you should focus on customer loyalty and brand awareness (explained in detail in the next chapter). Creating a brand name is an effective (but also difficult) way to attract more customers without discounting. Your company is already enjoying economies of scale (due to the high market share), so discounting could also be used to keep the competitors (with their question marks) away.

If your product-market is already a 'star', and you have invested in modern efficiency/quality systems, you know that your product-market will become a "cash cow" one day. Remember to keep your market share during your 'star' stage.

If the product already has established a sufficient brand reputation and is likely to become a 'cash cow' soon, you could also contemplate a **market development strategy** for that product (see explanation under 'cash cow').

### 3.3.3 Cash-Cows (high market share, low market growth)

Your business is really enjoying the economies of scale and higher profit margins, since you do not have to invest a lot of cash (as you did in the star stage). Competitors will not enter your market anymore (if they did their market analysis). Therefore, the cash you will receive can be used to maintain market share (if necessary) or otherwise you can use it to develop new marketing strategies.

### Which marketing strategy to follow?

Because of your economies of scale, you can consider a **market development strategy** for that specific product. You may look for new (growing) markets to enter. Your products would start as a question mark in those new markets but can grow fast to become a 'star'. In addition, a marketing strategy uses your present high market share or brand name to introduce new products. The product life cycle for your product is approaching the end of its life so your customers will be looking for new initiatives. If you 'followed' your customers' changing needs and wants, you might already know what they are waiting for. Therefore, in that case introducing a new product in your existing market that is financed by your 'cash cow' can be very attractive. Thus, a **product development strategy** can also be an option to take into consideration. Beware that you will have new competitors!

### 3.3.4 Dogs (low market share, low market growth)

'Dogs' typically generate low profits or losses, although they may generate some cash. You should consider whether you are holding on to this 'dog' for good reasons (such as an unexpected turnaround in the market growth rate or a new change in market leadership) or for sentimental reasons. 'Dogs' often consume more management time than they are worth and need to be phased down or out. In some cases, 'dogs' can be attractive. This is for example the case if competitors withdraw from the market quickly because of high costs or if the 'dog' product is required by customers along with another -more profitable- product.

**Example:** if your company still sells videotapes for old VCR's and sells profitable software solutions for transferring old recordings to new videotapes it can be useful to keep the 'dog'.

#### Which marketing strategy to follow?

If your product can be identified as a 'dog', most companies would prepare an **exit strategy** for that product. There are cases when the entrepreneur only has a 'dog' portfolio, and the entrepreneur wants to keep on running a business. Apparently, the company mainly operates in low potential growth markets and has not had the ability to increase market share or to develop a new strategy in time. The company may consider developing new products in new markets called **diversification** (which is a high risk strategy). In that case most companies choose a market and a product that has something in common with the business they are/were in.

**Example:** Philips' introduction of personal computers (electronics) -away from the traditional Philips' TV and radio product-markets-, or the acquisition of Rover (cars) by British Aerospace (transport).

In the above examples, we only showed you the relatively low-risk and logical options. We have not given you a clear definition or rule as to which marketing growth strategy to follow. The basic rule to follow is that if you want to grow it is recommended to have a balanced product-portfolio by following the product-portfolio cycle.

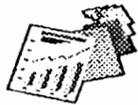


## CASE STUDY

### Hana Juice Company (HAJCO) Ltd.

HAJCO specializes in processing citrus like lemon, orange, and grapefruit. Their main products are high quality citrus juices. The key clients are elite tourist hotels. The market share of HAJCO citrus juices in the market is still low. HAJCO's management contemplates to sell citrus juices to a wider market range through main supermarket chains in Jordan. HAJCO is, therefore, planning to move away from its current 'focus strategy' whereby the company only serves the higher-end tourist market in Jordan. A trend watcher from the U.S. found out that people in the world are becoming increasingly health-minded and that the 'back to nature' feeling is coming up.

Continued on the next page...



## CASE STUDY

### Hana Juice Company (HAJCO) Ltd.

Continued from the previous page...

According to the information from the trend watcher and the fact that the sales of HAJCO citrus juices will be growing in the supermarkets, it can be said that the growth potential is high (> 10%). The market share of the market leader (in the hotel market) is 60%. HAJCO's market share is expected to be 20% and the rest is from other players. Based on this information HAJCO prepared the following matrix:

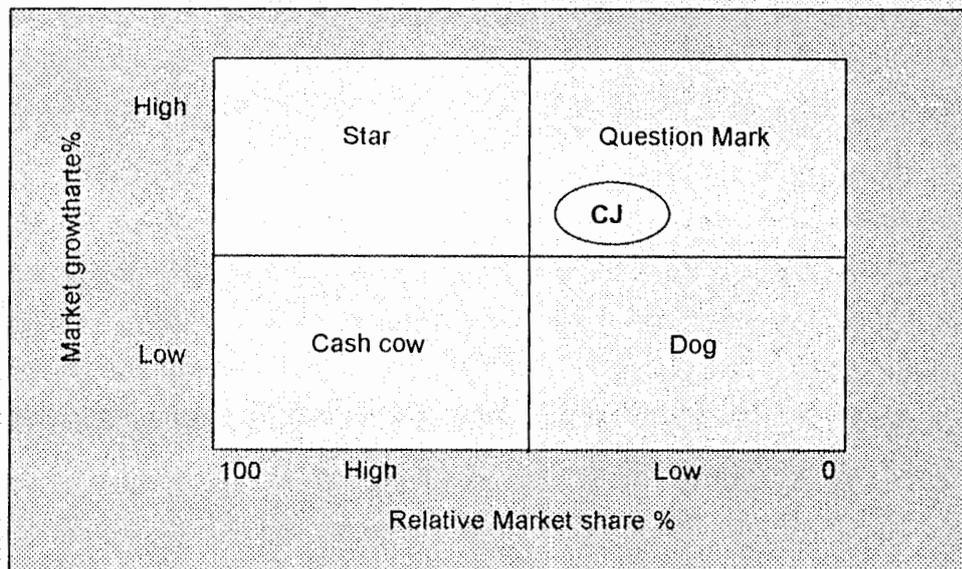
Product-market	Growth rate	Market share	Category
Citrus juice for supermarkets and restaurants.	30% HIGH	20% LOW	Question mark

HAJCO could also plan to develop new products such as tomato paste and sells these to a wider public as well. HAJCO should try to gradually build a balanced portfolio with products in the various parts of the product-portfolio matrix. 'Cash cows' should be funding new products (question marks) and the promotional efforts required for 'stars' (branding). However, HAJCO realizes that currently they do not have 'cash cows' and not even 'stars' yet. That means that HAJCO will find it difficult to generate the funds to make the citrus juice a 'star', and even more difficult to introduce new products. HAJCO will need to go step by step in order not to run out of cash.

Taking all of the above into account, HAJCO decides for the following marketing strategies:

Graphically, the product-portfolio of HAJCO looks as follows:

Product-portfolio citrus juice market for the Supermarkets sector (CJ= Citrus juice)



Continued on the next page...



## CASE STUDY

### Hana Juice Company (HAJCO) Ltd.

Continued from the previous page...

#### Conclusions:

The market for citrus products and in particular Citrus juice is growing fast. HAJCO still is a small player in the market compared to the main citrus juice providers. HAJCO will introduce its citrus juice to the supermarkets and restaurants very soon, and is now embarking on a differentiation strategy, which means HAJCO sells premium products to a wider public. HAJCO should always consider its competitive strengths as identified in the strategic management manual, such as its quality product, its closeness to quality citrus and its traditional technology.

As far as the citrus juice is concerned, based on the segmentation conducted in chapter two, the wider public, in addition to hotel guests, can also provide a high income source when the product is aimed at the *middle age group (26-55)* as these potential customers seek longevity through healthy *whole* (natural diet), citrus fruit juice falls into this category. This market could be reached through *up-market* supermarkets, and restaurants.

HAJCO could also plan to develop new products such as tomato paste and sells these to a wider public as well. HAJCO should try to gradually build a balanced portfolio with products in the various parts of the product-portfolio matrix. 'Cash cows' should be funding new products (question marks) and the promotional efforts required for 'stars' (branding). However, HAJCO realizes that currently they do not have 'cash cows' and not even 'stars' yet. That means that HAJCO will find it difficult to generate the funds to make the citrus juice a 'star', and even more difficult to introduce new products. HAJCO will need to go step by step in order not to run out of cash.

Taking all of the above into account, HAJCO decides for the following marketing strategies:

- **Market penetration** for the citrus juice to make it a 'star' and then 'cash cow'.
- **Gradual market development** for citrus Juices to new markets, such as supermarkets and restaurants for the new market of local '*medium aged, high income earners, who have a healthy life style and live in urban areas*' and in addition the young and sporty who can be reached through gyms and sport facilities'.
- **Product development** for possible other products such as tomato paste. The investment cost for the development of this product is fairly low, and can be done without incurring major costs. However, HAJCO will go slow in this area, test the products first, and wait with the real introduction until the citrus juice starts reaching the 'cash cow' phase.
- **Diversification** through the development and sales of citrus juice concentrates will have to wait longer. HAJCO realizes that the combination of developing a new product and then exporting it will be more complicated and more costly, given the efforts to find export markets and the quality standards required for export products to the Gulf and Europe. This strategy will therefore be pursued in the medium term after citrus juice has become a 'cash cow' and after tomato juice, has been successfully introduced in the local market. The strategy would then start with **product development** for dried citrus juice concentrates, and after they have been sold successfully in the local market, **market development** through export could then be considered.



## EXERCISE

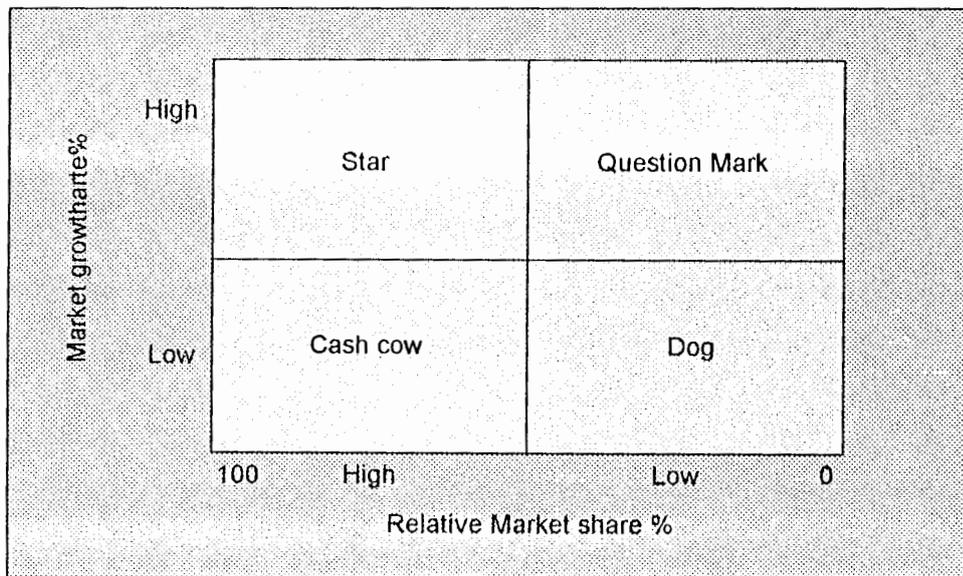
Now that we have shown you how to analyse the product-portfolio for HAJCO, we ask you to do the same for your company.

Please fill in the matrix below.

Product-market	Growth rate	Market share	Category
	% .....	% .....	.....
	% .....	% .....	.....
	% .....	% .....	.....

Based on the information of the matrix, please fill in the figure:

Product-portfolio ..... for the ..... in .....



Conclusions based on the above figure:

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# EXERCISE

Continued from the previous page ...

Which growth strategies(s) can be taken into consideration?

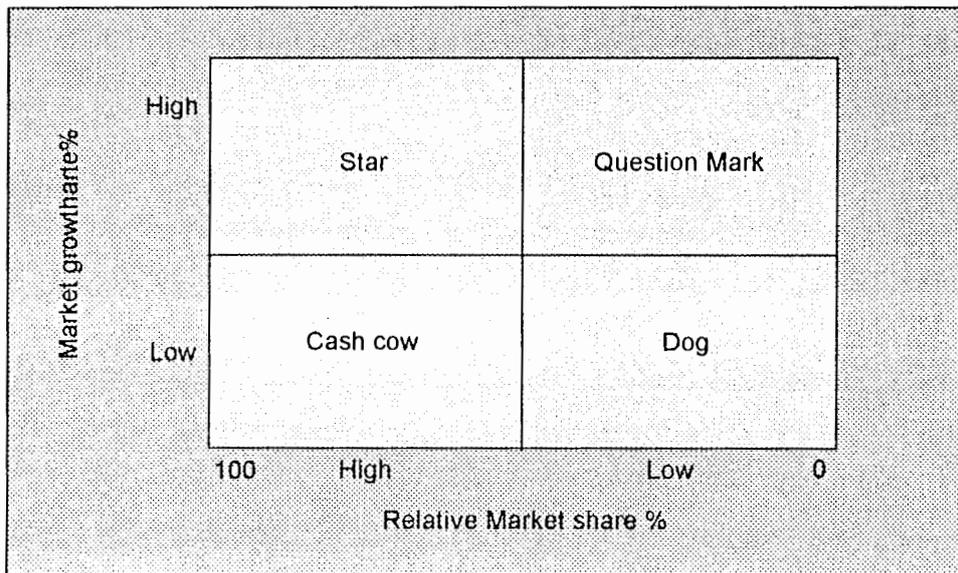
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Product-portfolio ..... for the ..... in .....



Conclusions based on the above figure:

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Now consider your generic strategy as developed in the Strategic Management manual, as well as your distinctive competencies. Based on the above, which growth strategies can be taken into consideration?

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## 4 Chapter Summary

In this Chapter, we explained the importance of product-portfolio analysis and how it assists you to grow your business.

The objective of product-portfolio analysis is to create a well-balanced product-portfolio, which makes it possible to build a high market share in a growing market and with that, a successful and profitable company. To be able to conduct product-portfolio analyses, you should identify the growth potential of your product-markets, and have insight in the sales and relative market shares of those product-markets.

There are two important and often-used models, which will help you, make the right strategic marketing decisions to design the right product-portfolio:

- a) **The product life cycle model**, which helps you to identify the growth stages for your product.

**The product life cycle identifies four different stages:**

- The introduction stage,
- The growth stage,
- The maturity stage,
- The decline stage.

- b) **The product-portfolio matrix** that helps you to categorize the product-market(s).

**The product-portfolio matrix identifies four categories:**

- 'Question marks' (low market share, high growth potential),
- 'Stars' (high market share and high growth potential),
- 'Cash cows' (high market share and low growth potential) and
- 'Dogs' (low market share and low growth potential).

Although there is no standard approach for choosing the right marketing growth strategy, these are the possible growth strategies to apply after having conducted the product-portfolio analysis:

- Market penetration (mostly used when a product is a 'question mark' or a 'star').
- Market development (mostly used when a product is a 'star' or a 'cash-cow').
- Product development (mostly used when a product is a 'star' or a 'cash-cow').
- Diversification (a high risk strategy that is not often used but can be applied when all your products are 'dogs').

# MARKET PENETRATION STRATEGY

## Marketing Strategies for Growth

		MARKET	
		CURRENT	NEW
PRODUCT	CURRENT	Market Penetration	Market Development
	NEW	Product Development	Diversification

One of the strategic options you might face at your marketplace is to expand your market share at your current market; this chapter will provide you with the tools to do that.

## What you will learn in this chapter ...



After studying this chapter, and completing the exercises in it, and with the guidance of your business trainer, you should be able to:

- Define market penetration strategy.
- Explain how market penetration can help your business to grow.
- Choose the appropriate market penetration strategy for your business.
- Implement the suitable market penetration strategy at your business.

## 1. What is market penetration?

**Market penetration** stands for expanding the market share for existing products. Market penetration is a strategy that is actually used by every company

### Key Advantage:

#### Low-risk strategy to grow your business

You likely already have a clear understanding of your target market, and you already hold the expertise needed to provide the goods and services of your choice. As a result, the risk of the unknown is smaller, and your required upfront investment in market research and product development is limited.

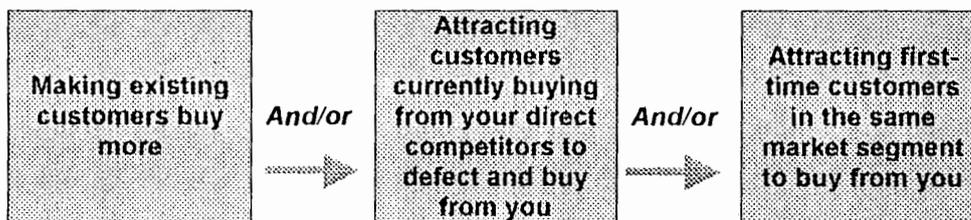
### Disadvantage:

#### This strategy might yield lower growth rates than other growth strategies

The growth barriers in your existing market are likely to be high because your direct competitors will command comparative product expertise and market information. Also, customers will likely have already made a product choice; as a result, there will be fewer first-time buyers. Furthermore, it will be especially difficult for you to win over customers that buy from your competitors and are satisfied with their offer. As discussed in the previous chapter, satisfied customers are loyal customers.

## 2. How can market penetration help to grow your business?

Growing your business is increasing your sales, in a profitable way. Growing your sales by market penetration means that you are going to sell more of the same goods and services to your current markets, either by:

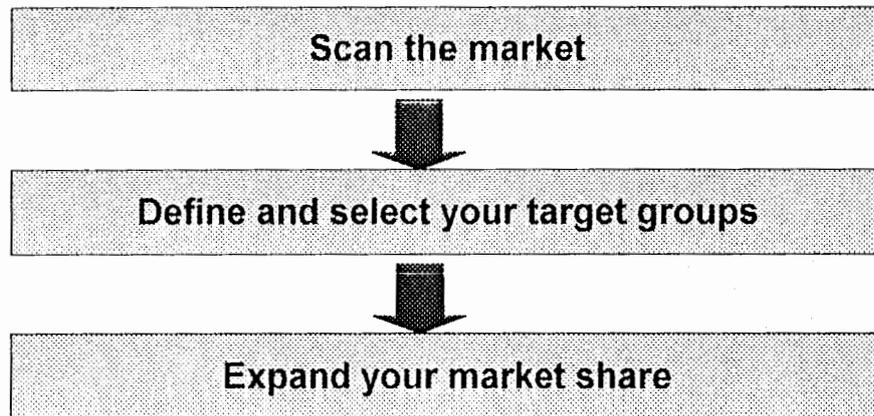


### Market Penetration Strategy depends on the *nature of the market*:

- When the overall market is growing, it maybe relatively easy to businesses with a small market share or even new entrants, to gain more share.
- In static or mature markets, it is more difficult to gain more market share.
- In *declining* markets, the extent to which penetration is possible will depend on whether or not firms exit from the market .If they do, it maybe relatively easy for business to increase its share of the market.

### 3. How to penetrate your markets

To successfully penetrate your existing markets with your existing products, you should follow these steps:



#### 3.1 Scan your market

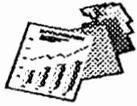
The first step is to scan the market. With market scanning, you scan your present market to obtain a clearer understanding of its structure and particularly, the various customer segments you serve with your products. You will need to understand the set-up of your market, and the forces that impact on your customers, your business and your competitors. Follow all the steps from Chapter 4 to make a fair assessment of your present market. After you have scanned your environment, you will know who are the consumers and competitors in your market. You will know what your strengths and weaknesses are (your competitive edge), what your opportunities and threats are.

#### 3.2 Define and select your target groups

Once you have obtained a definite picture of your market, and a realistic understanding of the competitive edge of your enterprise, move on to the second step, and zero in on all the customer segments with attractive growth potential. After you have selected the attractive customer segment, define your target groups as clearly as possible. This has also been covered in Chapter 2.

#### 3.3 Expand your market share

Having identified market segments with high growth potential that match the competitive edge of your company, you can move on to the last step, and plan for actual strategies to expand your market share.



## CASE STUDY

### Hana Juice Company (HAJCO) Ltd.

HAJCO plans to expand. They contemplate to sell their citrus juices to a wider market range through main supermarket chains in Jordan and through restaurants. Up to now, HAJCO has been distributing their product through hotels for tourists who visit the region. HAJCO now consider ways to (A) Making existing customers buy more, (B) Getting customers from competitors, and (C) Getting first time customers.

(A): HAJCO considers sale through restaurants, which will enhance the sale to tourists.

(B): HAJCO is also contemplating a promotional campaign in hotels and restaurants to create higher awareness among tourists with their fresh citrus product, so as to convince them to ask for HAJCO's product instead of regular juices.

(C): HAJCO is planning for a wider distribution to more hotels than currently covered, which will increase the number of first-time buyers.

To successfully expand your market share and penetrate your market, you can use these strategies:

- Price, Promotion and Place strategies.
- Key account management
- Electronic-commerce.
- Branding.

### 3.3.1 Price, Promotion, Place (3Ps) strategies

You can use these 3 Ps from the marketing mix to expand your market share in your existing market as follows:

#### a) Making your customers buy more of your products:

- Price:
  - Use discounted prices for more volume (Example: If your customer buys 5 items of your product, he will get 2% discount on price, if he buys 10 items, he will get 3% discount).
  - Use "Sale" pricing whenever needed (Example: Use end of season discounts).
- Promotion:
  - Your promotion messages must contain phrases that show "buying more" will save the customer more money (Example: Buy two, get one free).

**■ Place (Distribution):**

- Use the distribution outlets, which customers prefer to get large quantities of the products for discounted prices (Example: use civil /military consumer co-operative establishments).

**b) To attract customers currently buying from your direct competitors to defect and buy from you:****■ Price:**

- Use a competitive price strategy that reflects product quality.

**■ Promotion:**

- Your promotion messages must reflect the quality, and the uniqueness of your product.
- Use personal selling as an interactive tool between your sales force and the customer by which they can convince the customers in the quality of your products compared with competitors' products.

**■ Place (Distribution):**

- Select distribution channel members who value your product, and give it preferential position among competitors' products.
- Give your distribution channel members some advantages when dealing with your products (Example: credit facilities, discounts).

**c) To attract first-time customers in the same market to buy from you****■ Price:**

- Use a competitive price strategy that reflect product quality

**■ Promotion:**

- Use the promotion media that reach all your potential customers (Example: Newspaper Ads – selecting which newspaper to use, choosing the days, choosing the size, choosing the message).

**■ Place (Distribution):**

- Use the distribution channel members that reach all your potential customers.



**Factors to be taken into consideration when using the 3 Ps Strategies:**

- Type of product
- Product life cycle stage (as discussed in Chapter 2 of this module)
- Competitors' reaction: you must know your competitors' strengths and weaknesses, and your strength and weakness before choosing any strategy.



**EYB Module: Strategic Management tells you more about conducting SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis**



## EXERCISE

How can you use the 3Ps strategies to penetrate your existing market? Explain

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### 3.3.2 Key account management

Key account management is a strategy that aims at developing a long-term relationship with your principal customers, rather than marketing your products to an anonymous mass market.

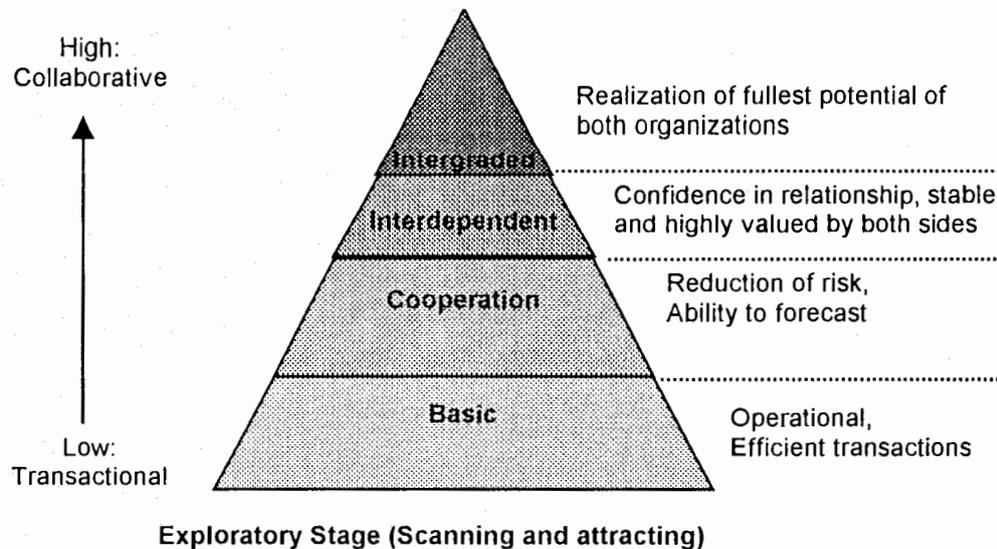
**Key account management is important for your business because:**

- By implementing it, you will be able to build up personal relations with your existing customers.

- Key account managers aim at building up an integrated producer-buyer relationship that is built on mutual trust, not mere short-term profit interest.

The key selection criteria, here, is the attractiveness of these customers for your business, i.e. their purchasing power and potential volume of product orders.

Illustrated is the hierarchy of key account relationships:



The illustration above shows 4 levels of key account relationships:

- First: **Basic** level,
- Second: **Cooperative** level,
- Third: **Interdependent** level,
- Fourth: **Integrated** level

You will see in the next few pages, the characteristics of each level, and the tools of developing key account relationship from a *lower* level to a *higher* level at the hierarchy. But before that, you have to identify your *key* accounts.

### How to identify your key accounts

To identify your *key* accounts, you have to screen your current business customer's portfolio. The following checklist can help to assess the attractiveness of each of your existing business customers; each indicator at the checklist has a scoring scale, write down the score that reflects the real situation of your customer, and then put the total score for each customer.

Key account identification checklist

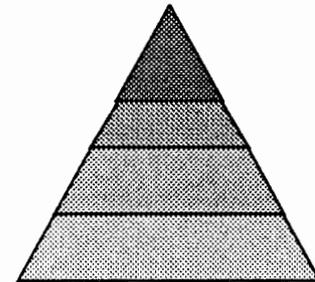


Indicator	Score											
	C1	C2	C3	C4	C5	C6						
<p>■ <b>Annual revenue created from the client</b>                      More than 10 % of total business revenue = 3                      Less than 10% and more than 5% of total business revenue = 2                      Less than 5% of total business revenue = 1</p>												
<p>■ <b>Where applicable: Growth in revenue created from the client over the last two years</b>                      (Positive growth = 2, static = 1)</p>												
<p>■ <b>Profit potential by your internal standards</b>                      (High = 3, medium = 2, low = 1)</p>												
<p>■ <b>Regular flow of orders</b>                      (Repeat orders = 2, one-time order = 1)</p>												
<p>■ <b>Creditworthiness</b>                      (Pays bills promptly = 3, pays bills within grace period = 2, pays with delays = 1, has defaulted on payment before = -1)</p>												
<p>■ <b>Ease of doing business</b>                      (Smooth = 3, regular = 2, difficult = 1)</p>												
<p>■ <b>Intensity of competition</b>                      (You are single supplier = 2, one among many suppliers = 1)</p>												
<p>■ <b>Threat of substitutes</b>                      (Your offer is of unique value to the customer = 2, can be easily substituted by a competitors offer = 1)</p>												
<p>■ <b>Focus of power in the supplier-customer relationship</b>                      (Both sides together work out the terms of the market exchange = 3, your business largely sets the terms of the market exchange = 2, your customers largely sets the terms of the market exchange = 1)</p>												
<p>■ <b>Network linkage</b>                      (Direct and personal contact with the decision making unit (DMU) in the clients business = 2, no direct contact person in the clients business = 1)</p>												
<p>■ <b>Intensity of the current supplier-customer relationship</b>                      (Customers see value in broad product offering, i.e. after-sales customer support = 2, client just interested in transaction of goods and services = 1)</p>												
<p>■ <b>Client satisfaction</b>                      (Client has been highly satisfied with your services = 3, satisfied with your services = 2, not satisfied with your services = 1)</p>												
<b>Total score</b>												

After completing the checklist, you will prioritise your customers according to their importance to your business, **the higher the score the customer get, the more level of importance he is to your business.**



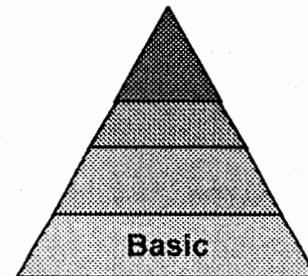
Each level in the hierarchy of relationships has its own positive and negative aspects, and not all customers should (or would want to) climb up all the way and enter into a long-term integrated relationship with you.



Exploratory stage

### Exploratory Stage

Once you have identified your potential key account, you enter the exploratory stage. During the exploratory stage, you sound out whether your key client might be interested to enter into a more long-term, closer supplier-customer relationship.



### Second: Basic level

#### Characteristics:

- ⇒ On the basic account management level, the key account manager in your business and the purchasing manager in your clients business maintain direct contact.
- ⇒ The supplier-customer relationship focuses on efficiency of the business transactions, i.e. by facilitating smooth communication.
- ⇒ From your own experience, you might also, find that this kind of relationship is often the most practical and pragmatic type of supplier-client relationship.
- ⇒ Particularly price-fighting clients might be kept at the basic key account management level.

### How to develop key account relationship from previous level to this level

- ⇒ Seek an information meeting with the purchasing manager.
- ⇒ Provide him/her with references of your product quality and service range.
- ⇒ Submit other tangible proof of your capacity, i.e. by handing over the latest annual report.
- ⇒ Provide incentives that build up a positive association with your business in the mind of the decision-making unit in your clients business. i.e. give free product samples.
- ⇒ Follow-up on the lead after some time, over the phone and in writing, being pervasive but not inquisitive.

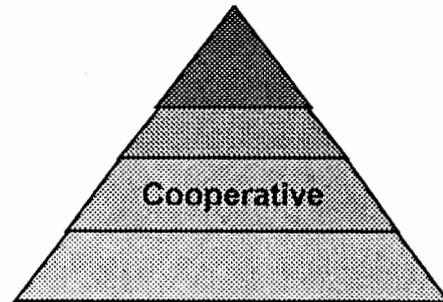


**Basic key account relationship has its growth limits, and tends to be unsustainable; the exit barriers to making business with you are very low. To allow you sustaining and growing your business relationship with your supplier over time and with confidence, you have to enter into a cooperative relationship.**

### Second: Cooperative level

#### Characteristics:

- ⇒ Puts stronger focus on trust and confidence.
- ⇒ Reached after both you and your client have gained positive experience over time in doing business with each other.
- ⇒ Communication is not only channelled via a single point of entry in your clients business, but will flow through multiple points of entry, i.e. directly from your production manager to the corresponding party in the clients business.
- ⇒ More people have an understanding of the business relationship between you and your client now, and the market exchange is better protected against the sudden departure of the account manager or the purchasing manager.
- ⇒ The buyer, himself, might identify further opportunities of doing business together, or help the supplier in solving operational problems which arise, rather than passing them on.



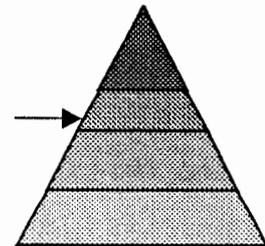
### How to develop key account relationship from previous level to this level

- ⇒ Tailor-make your goods and services so that they satisfy the needs of your customers, reliably and punctually.
- ⇒ Broaden your offer; including pre-sales customer information/education and after sales support, more in particular give the customers sales options (without confusing them) and give room for interaction and customer feedback.
- ⇒ Demonstrate the customers that you care for their opinion, i.e. by adapting your products and services based on feedback received, by providing them with support after office hours and others.
- ⇒ Pro-actively follow-up on your customers, to find out whether there is anything else you can offer them, providing them with product information by means of newsletters and circulars, with samples of new products, and where applicable with small promotional gifts.



**Notwithstanding the mutual confidence and trust building up over time in a cooperative key account relationship, quick exit of your client from the market transaction is still not regarded as particularly difficult. It might be inconvenient, but not impossible. To further strengthen the market exchange and raise the exit barriers, you have to develop the relationship further from the cooperative to the interdependent level.**

Interdependent →



### Interdependent level

#### Characteristics

- ⇒ Both parties explicitly acknowledge the importance of the supplier-customer link.
- ⇒ Your business has become the sole or at least first option supplier for the client.
- ⇒ Your businesses are inter-linked, or inter-locked, and exit would be inconvenient and difficult.
- ⇒ Both parties will allow each other to profit from the relationship, and pricing will be long-term and stable, removing the need for constant negotiating and allowing you to plan long-term.

- ⇒ Your business and your clients will collaborate across a range of functions and communication flows freely between actors on various levels of both businesses.

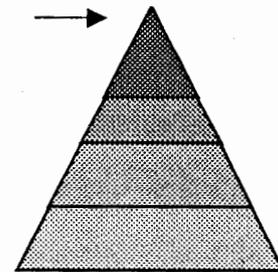
### How to develop key account relationship from previous level to this level

- ⇒ Facilitate inter-communication between line managers in the various functional departments of your own business and your clients business.
- ⇒ Encourage the formation of inter-business task forces between these line managers, to collaborate across a range of functions and activities.
- ⇒ Share critical market information with your business clients, by inter-connecting your market information systems and, where feasible, management information system
- ⇒ Interlink your strategic plan with the strategic plan of your clients, planning together towards the achievement of mid-term and long-term growth goals, and unlocking synergy effects in the process.



- You might find your business becoming over-dependent on a single client. If the relationship deteriorates, that over-dependence can become a critical threat for your business survival.
- Exit of your client is difficult but not impossible. To inextricably link your own business to your clients, you have to develop the relationship one step further, and seek integrated key account management.

Integrated →



### Integrated level

#### Characteristics

- ⇒ The customer is likely your sole client and you might physically operate from his premises.
- ⇒ The management structures of your own business and your clients business might be inter-linked, and the daily operations of the two entities are effectively integrated.

- ⇒ The full, cost-savings potential of close collaboration is realized, and long-term business strategies are planned and implemented together.

**How to develop key account relationship from previous level to this level**

- ⇒ Synchronize your own business operations with the business operations of your client, to unlock synergy effects and cut costs
- ⇒ Work out a long-term strategic plan with the management of your clients business, fixing annual volume of sales and profit margins, and other terms and conditions
- ⇒ Where applicable, Form inter-departmental teams between your own staff and the staff of your clients
- ⇒ Institutionalise a mechanism of close consultation between line managers on both sides
- ⇒ Keep a contingency scenario in backhand, to cater for the eventuality of disintegration with/of your key account.



- The risk of an integrated key account management is your complete dependence on one principal customer and a lack of autonomy in your business operations. While you can safely project your revenue growth and profit margin over time, you will likely not be able to easily adapt your management strategy in a changing environment, and possibly to capitalize on sudden market opportunities.
- If your clients business should decline, so is your own business survival put at risk.



**EXERCISE**

1. Identify your key accounts to your business by using "Key account identification checklist."

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2. Classify each of your key accounts in hierarchy of key account relationship.

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Continued on the next page...



## EXERCISE

Continued from the previous page...

3. List your key accounts that have the potentiality to be developed, put an action plan for developing them.

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## 4. E-Commerce

**Electronic commerce** means buying and selling of goods and services via the Internet. It involves all steps of the marketing process, from customer information and education via product information posted on a website, to sales and after sales support, and customer feedback.

**There are many good reasons to enter the world of e-commerce:**

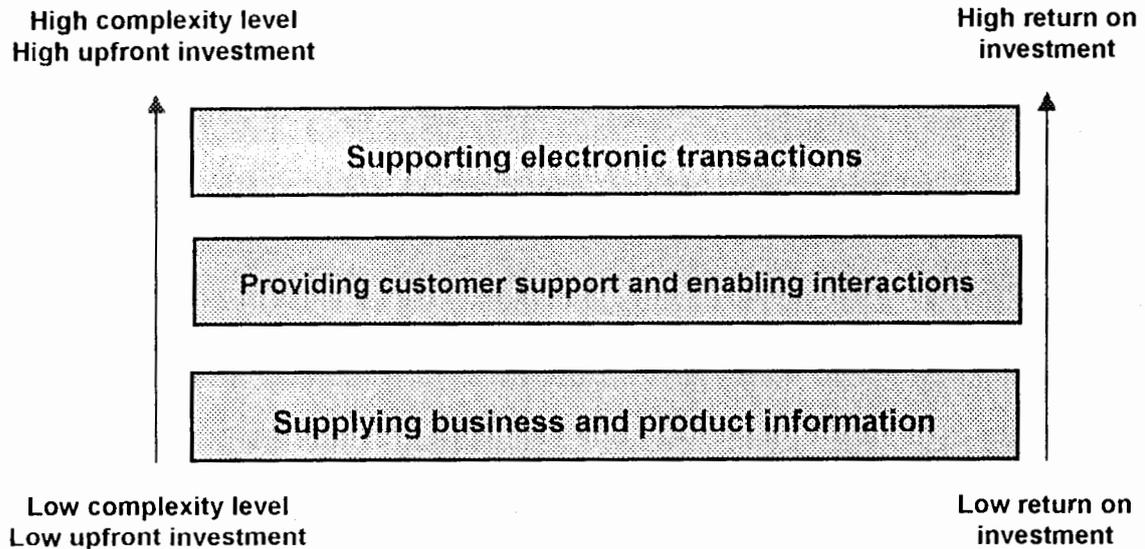
- E-commerce is your gate to a quickly expanding new market place: Worldwide spending on Internet services was 7.8 billion US Dollars equivalent in 1998; by 2003, the market was predicted to reach 789 billion US \$!
- E-commerce is your information and data bridge into global markets; it allows you to do business beyond the borders of national and regional markets, and to quickly retrieve latest market information from across the world.
- E-commerce allows you to realize productivity gains inside your business, i.e. by shifting after-sales support to an interactive web site.
- E-commerce enables you to offer customer-centered services, and seek direct interaction with your clients, notwithstanding physical distance

**However, many entrepreneurs still shy back from exploiting e-commerce since they are:**

- ⇒ Uneasy with the technology involved,
- ⇒ Reluctant to make the required upfront investment in the face of the unknown risk.

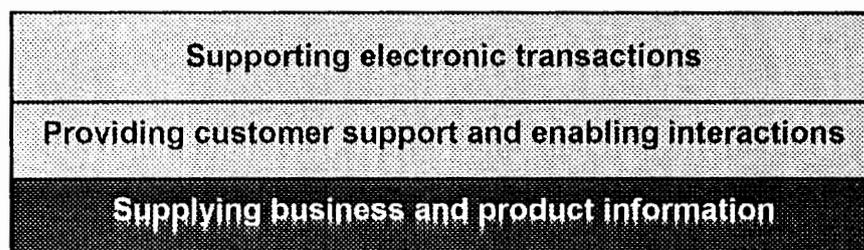
The illustration below shows three stages of electronic business for small and medium size businesses.

### The three development stages of e-commerce



## 4.1 Supplying business and product information

On the entry level for electronic business, companies will usually set up and maintain a website providing interested parties with business information and product information – the so called “**brochure ware**”.



It takes comparatively low upfront investment to design a website, which usually attracts low rental costs to put it on a server. If you are conversant in the use of basic design software packages, you can actually develop a simple website on your own, and then if you accept advertisements on your homepage, you might be able to find an Internet service provider hosting it for free.

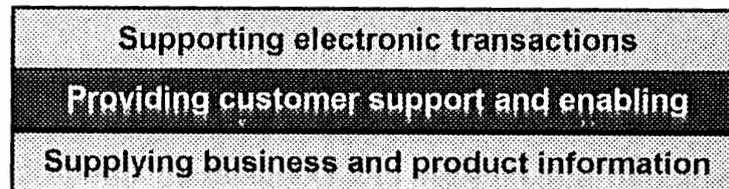
It is recommended that you commission the design of the website from an expert right away because:

- ⇒ It takes a lot of time to finalise and debug your own website; that time might be better spent interacting with your customers and satisfying their needs and wants.
- ⇒ You might want to give your web presentation a professional look right away.
- ⇒ You should aim at building up a comprehensive website platform from the outset that allows you to upgrade it later in a modular approach (rather than going for a costly re-design).

There is consensus in the business community that the entry level to e-commerce is not a very profitable stage. Yet, many consider it a pre-requisite to be familiar with new technology.

## 2.4 Providing customer support and enabling interactions

On the next higher level of e-commerce, you seek direct interaction with your customers. Further to providing mere business and product information you aim at attracting the customers to directly contact you as a result of their visit on your website. Direct customer interaction can immediately pay off for you, by getting prospective leads or building up a communication bridge with existing clients.



**To make your website interactive, you can:**

- ⇒ Develop interactive systems that give the customers the opportunity to help themselves to information/ask questions.
- ⇒ Check on the status of their shipment.
- ⇒ See if payment has been received.
- ⇒ Check on the balance due.
- ⇒ Perform basic interactions (i.e. starting or stopping delivery of a product).
- ⇒ Prepare documentation (i.e. booking shipping or customs documents.)

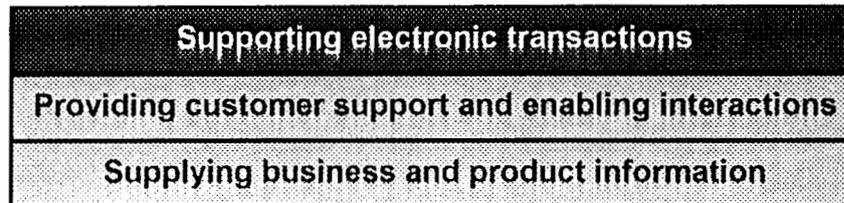
At this stage, you definitely will need professional expertise to upgrade the website, and you likely will have to hire a web-master maintaining the Internet presentation handling traffic and monitoring hits.

**What to avoid is:**

- ⇒ To enable interactions on your website, and then to fail following up promptly or acknowledge each contact.
- ⇒ To neglect the maintenance of your website; poorly maintained websites with outdated information, backfire on the marketing effort and project a bad image.

### 4.3 Supporting electronic transactions

Once you have a website that furnishes customers with business and –product information and gives them the opportunity to help themselves, the next higher stage of e-commerce is to enable them to buy your products over the Internet.



Electronic sales transactions offer your business substantial growth options, because they provide you with an inroad to new markets, without building up a physical distribution network first, and expanding your sales force in the field.

At the same time, electronic transactions pose great challenges for your business and require significant investment in website development and operation and maintenance. **You have to:**

- ⇒ Upgrade your accounting system to handle online orders, and process payments by credit card or bank transfer – cash and cheque payments are the exceptions on the net.
- ⇒ Build up secure data linkages for sensitive customer information like, credit card numbers and bank details.
- ⇒ Develop a system of keeping your customers informed throughout the sales transaction process (i.e. about progress of shipment) to ensure and re-affirm them.
- ⇒ Design a database to store and process customer information for later reference.
- ⇒ Generate auto replies for peak times and holidays.
- ⇒ Train your staff to handle online transactions.

The last challenge is particularly relevant. Most customers are not used to purchase products over the net, and will be reluctant to make upfront payment for products without having physically met the supplier. You have to ensure and re-affirm them, i.e. by sending them automated e-mail updates about the status of the shipment.

E-commerce via electronic transactions will work more easily with fast moving consumer goods like cloth, flowers and books, because customers will be less reluctant to invest small amounts of money in an otherwise anonymous market transaction with unknown risks. Yet, an ever-increasing amount of capital goods is also sold today over the net; people order online automobiles, buy furniture, computer and household appliances for delivery to their doorstep.

**To enable your website to handle electronic transactions, you need:**

- ⇒ Professional support from a specialized e-commerce web-company.
- ⇒ Advisory services of an e-commerce consultant.
- ⇒ To employ an online marketing and sales person who is conversant in the technology, and able to update and further fine-tune the online offer continuously.
- ⇒ The services of a web-administrator handling the daily technical operation and maintenance of the site.
- ⇒ Sufficient cash to finance the upgrading of the website promote the new services and maintain the operations of the online shop for some time, before income from sales picks up.



- **For your website to develop its full marketing potential, your prospective and existing customers have to be internet-enabled, i.e. have access to the net and command the knowledge to use the technology.**
- **If your target market is not internet-enabled and will likely remain so in the near future, you should not invest substantial time and money in creating a fully interactive website.**
- **In all cases, you should familiarize yourself with the new technology, and keep a foot in the door to the new market.**
- **Any growth-oriented business should seriously consider to at least provide business information and product information via the Internet, and to secure a domain name (Internet Address) in time for the future.**



## CASE STUDY

### Hana Juice Company (HAJCO) Ltd.

In the year 1999, HAJCO management decided to develop a website that contains only information about the HAJCO products and the company contacts. Since that time, a small portion of the total sales was generated by orders from the website.

What are the reasons behind the small volume of orders generated by the website?

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What is your advice for HAJCO management for making them generate more sales through the internet?

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## 5. Branding

If you want to penetrate markets, the 'branding' strategy could be highly effective if the branding process is professionally executed. Some of the main ingredients of successful branding strategies are a creative mind — if you do not have it yourself, find someone who has. The main risk of branding is that you might 'brand' the wrong way: if you do not have enough information of the profiles of your various market segments, you will never be able to set up a successful brand name.

The information below will guide you through the branding process, and try to provoke your creativity with the exercises.

## 5.1 What is branding?

Branding is giving your products special characteristics to distinguish them from what your competitors' offer and, as a result, increase your sales and profits. Branding ensures that customers immediately recognize the distinctive products of your company in the market place.

To many customers, the uniqueness of a product is an important factor in their purchasing decision, and they are ready to pay extra for it. If the branding effort goes hand in hand with strong concern for product quality, you will be able to retain your customers once you have attracted them to buy. Many customers stay for life with their preferred brands.

## 5.2 How to create a brand?

To create a brand, you should focus on the following issues:

- a) Develop a distinctive name.
- b) Develop distinctive product features.
- c) Develop a distinctive visual identity.
- d) Develop a branding strategy.

### a. Developing a distinctive name

The name of your product is very important. The product name determines the first impression a potential customer gets when hearing of your offer. A good name sticks in the memory of your clients. A distinctive name:

- Should have positive associations with the benefits and features of the product (i.e. include the words 'sun', 'bright' or 'white' in case of detergents).
- Has no associations with features that would project a poor or negative product image.
- Is easy to pronounce, relevant and memorable.
- Is in a tone and language that is understood and appreciated in the target market.
- Does not infringe or emulate on any other company's brand name (particularly in cases where their name is copyright-protected).
- If the product is to be sold internationally has a name that is lingua-friendly (easily pronounced and non offensive in other languages).
- Is not a mammoth configuration of the company establishment title.

Sometimes, it might be useful to engage a specialist firm to develop a brand name for your product. This investment can pay off quickly, in view of the possible downside costs of getting a name wrong, and the difficulties of changing it later. The risk of getting the name wrong is particularly high if you plan to develop export markets!

## b. Developing distinctive product features

Distinctive product features can be based on:

- Physical specifications.
- Distinctive packaging.
- Distinctive servicing processes.

Whatever the choice, you should put extra-emphasis on product quality, i.e. its specifications, durability, design and packaging, whether these satisfy or exceed customer expectations.



- **Product quality is the key to provide a sense of security and consistency in the mind of the customers**
- **Trust in the quality of the product is the main driver for a successful brand over time**

## c. Developing a distinctive visual identity

The design of a product creates a visual identity that is supposed to set off positive associations in the mind of the target customers. Here, colour and shape play a crucial role.

- People associate colours with particular sensations. For example, bright reds and yellow are often associated with speed (i.e. fast food and one-hour film processing, while reddish orange is an appetite stimulant) white on the other hand is associated with purity.
- Distinctive shapes appeal to distinctive people. For example, round shapes might be perceived as sensual, while straight and puritan shapes are usually perceived as “classic”.

To achieve maximum effect, corporate visual identity should be applied consistently, i.e. not only on the product but also throughout in the design and colour schemes of the retail outlets, promotional materials, uniforms and others.



**Logos are an important element of visual identity. The aim of a logo is to encapsulate the values of a brand, and to provide an immediate reminder of the brand each time that customers see it.**

## d. Developing a branding strategy

Brands can consist of more than one product. A brand name can be applied to a single product, or to a group of products, or to the entire product family. You have a choice of three basic branding strategies: Development of a single strong brand, Development of differentiated brands, Brand family.

- **Development of a single strong brand**

To create a single strong brand, you apply the brand name to all products supplied by your company. The main advantage of this approach is economies of scale in promotion. The main disadvantage is that it can create confusion among different target markets. For example, if your brand name is mainly associated with discount retail, you might find it difficult to market a top quality product coming at a price premium under the same label.

- **Development of differentiated brands**

To overcome the problems of confused brand values, you can aim at developing different brand names for each product supplied by your company. The main advantage of this strategy is that you overcome the problem of confused brand values. The main disadvantage is that it is a costly and complex task to develop and manage a whole set of brands concurrently.

- **Brand family**

Alternatively, you can aim at creating a brand family, i.e. groups of products of your company that are marketed under the same brand name. The main advantage is that you greatly reduce the problem of confused brand values, yet costs and complexity level of the marketing effort are under control. The main disadvantage of this strategy is that your product portfolio must allow for grouping; to make a brand family work, the products in the group must be sufficiently similar to allow for the development of a consistent brand personality with a recognizable visual identity.



## CASE STUDY

### Hana Juice Company (HAJCO) Ltd.

HAJCO has adopted a differentiation strategy. These days, HAJCO still has a relatively small market share in the hotel market but, as market information indicates, the demand for fresh citrus drinks is growing fast. HAJCO wants, amongst others, to expand its market share by further penetrating the hotel industry. But HAJCO is not the only party, which is trying to penetrate the market. One competitor is entering the hotel market with discounts and a wide 'business-to-business' promotion campaign to hotels with the message "more for less". The market leader found out that HAJCO entered the market and started a direct-mailing campaign to hotels with the message 'citrus drinks 24-hours available'. The main strength of HAJCO is that it has real fresh citrus drinks.

#### Branding:

Because of the fact that HAJCO is also considering to enter the supermarkets, restaurants and sport clubs, HAJCO want to use branding as a strategy to penetrate the hotel industry further and subsequently make it possible to enter the supermarket and restaurants sectors. Therefore, it will follow the branding steps, and work together with the management team through brainstorming sessions to create a brand name. During the brainstorming sessions, they have to keep in mind that the main competitive edge is the freshness and pure nature aspect of the HAJCO product, and that customers buy their products for health reasons. They also, have decided to keep in mind that if they want to launch new products later, the brand name should be the same, so they have to choose a **brand family strategy**.

Continued on the next page...



## CASE STUDY

### Hana Juice Company (HAJCO) Ltd.

Continued from the previous page...

HAJCO has to create a **distinctive name**. They have some options, which they got from the brainstorming session: 'fresh', 'squeeze', 'nature', 'pure', and 'Jordan Valley'. Together they decide to use the name 'Jordan Valley' because this brand name might also have a positive influence on the 'area'.

HAJCO has to create a **distinctive product feature**. They want to give part of the profit to charity organizations that deal with nature/environment. The bottles will be basic, silvered (to suggest the fresh and refreshing content) in two sizes. Besides that, the supermarket cartons will be designed for stack ability.

The **distinctive visual identity** is chosen as follows: the illustration on the cartons has to be designed with a picture of the Jordan Valley landscape, where Jordan Valley people are seen to be working. Besides that, the silvering of the carton is to give the drink a 'colder' visual and 'dawn harvested' sensation. The cap is developed in the shade of the fruit juice contained, which serves as a visual clue during customer selection.



## EXERCISE

Create a branding strategy for your own business. Remember to focus your branding strategy on your main strength in the market:

1. What kind of branding strategy would you decide for your business (development of a single strong brand, differentiated brands or a brand family)? *Please explain:* -

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2. What would be your distinctive name(s)? *Please explain:* -

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## EXERCISE

Continued on the next page...

3. What would be your distinctive product feature? *Please explain:* -

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4. What would be your distinctive visual identity? *Please explain:* -

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## 6. Chapter Summary

Market penetration is expanding the market share for existing products. You sell more of the same goods and services to your current markets, either by making existing customers buy more, and/or attracting customers currently buying from your direct competitors to defect and buy from you, and/or attracting first-time customers in the same market segment to buy from you.

A market penetration strategy is a comparatively low-risk option to grow your business. Its key advantage is that you already have a clear understanding of your target market, and you already hold the expertise needed to provide the goods and services of your choice. The main disadvantage of a market penetration strategy is that it might yield lower growth rates than other growth options because, you face stiff competition from other established suppliers, and because there are fewer first-time customers to win.

**To successfully penetrate your existing markets with your existing products, you should follow these steps:**

- a) Map your existing market to obtain a clearer understanding of its structure, and particularly the various customer segments you serve with your products.
- b) Define and select target groups with further growth potential, and where your business has the competitive edge to successfully reach out for customers.
- c) Expand your market share.

**You can penetrate your existing market with your existing products, through using these strategies:**

- Price, Promotion, and Place strategies.
- Key account management.
- E-commerce.
- Branding.

*Branding* means giving your products special characteristics to distinguish them from what your competitor offer and, consequently, increase your sales and profits. Branding ensures that customers immediately recognize the distinctive products of your company in the market place.

**To brand your products, you have to develop:**

- A distinctive name.
- Distinctive product features.
- A distinctive visual identity.
- A branding strategy.

The choice of branding strategy largely depends on your product portfolio, your growth ambition and your financial resources. **You can develop:**

- A single strong brand.
- Different brand names for each product.
- A brand family.



# MARKET DEVELOPMENT STRATEGY

## Marketing Strategies for Growth

		MARKET	
		CURRENT	NEW
PRODUCT	CURRENT	Market Penetration	Market Development
	NEW	Product Development	Diversification

You might face barriers for expanding your market share at your current market, due to severe competition and the nature of the market. An alternative strategic option you may adopt is to look at other markets locally and internationally if you want to expand your markets.

This chapter will give you the tools for developing new markets for your current products locally and beyond the borders of Jordan.

## What you will learn in this chapter ...

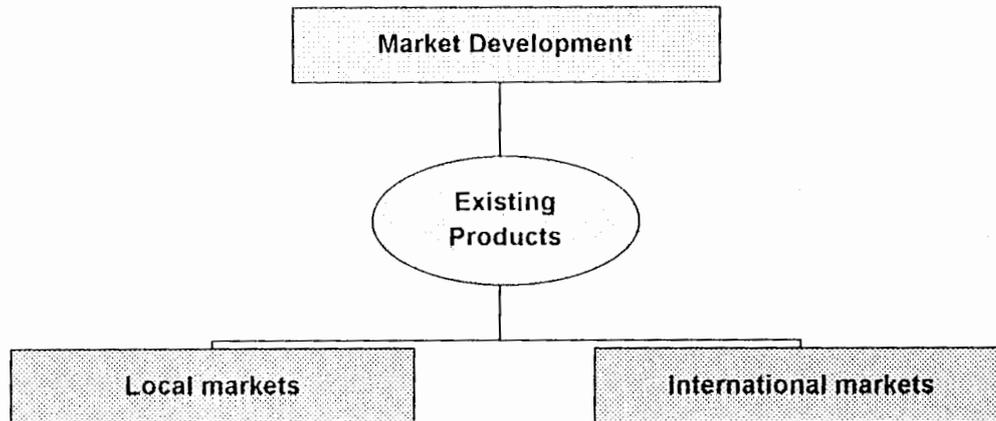


**After studying this chapter, completing the exercises in it, and with the guidance of your business trainer, you should be able to:**

- **Define market development strategy, and how it can help your business to grow.**
- **Conduct a marketing research, and screen prospective markets.**
- **Choose the appropriate market entry strategy for your business.**
- **Explore the potential for exporting as a market development strategy.**
- **Differentiate between local and international marketing.**

## 1. What is market development?

**Market development** means expanding with existing products to new markets. You can find new markets either in your local environment or beyond the borders of your country, in the global environment.



## 2. How can market development help your business to grow?

Market development can help you to grow your business by:

- Entering new market segments that can be served with your existing products. In this way, you can still produce what you are good at, and stretch the coverage of your tested brand rather than taking the risk of new product development.
- Escaping a growth deadlock in (over) saturated markets.
- Spreading business risk over different markets, i.e. to be able to compensate the loss of one target market.
- Better satisfying the needs of clients who themselves operate in more than one market. For example, if you run an advertising agency, you might find that your key account requires you to design and run advertising campaign in different markets. To be able to satisfy that demand, you might need expanding yourself in these markets
- Economies of scale, which will reduce cost per each produced item as the quantity marketed or produced products increased.



**The main risk with a market development strategy is that you usually lack personal experience in operating in these new markets and don't know your prospective customers yet. As a result, you might fail to judge the threats and opportunities in these markets properly, and that you mistake the capacity of your own business to enter these markets. Therefore, the risk of developing new markets is higher than the risk of penetrating existing markets**



## CASE STUDY

### Hana Juice Company (HAJCO) Ltd.

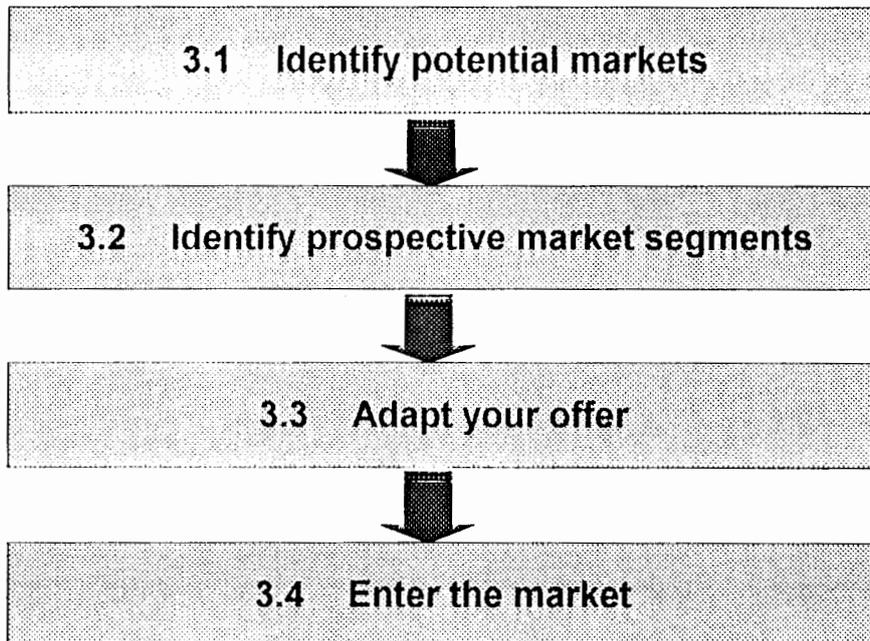
HAJCO is planning to develop new markets for their fresh citrus juices to accelerate the growth of the business. HAJCO see the following advantages in this strategy:

- They will be building on the strength of their successful fresh citrus juice in new markets
- They will overcome the problem that the hotel market would become over saturated in the near future
- They would reduce risks related to selling only in the hotel market, which is rather seasonal and unpredictable
- By focusing on different markets for fresh citrus juices, HAJCO will be better able to meet the needs and wants of that customer group, in terms of distribution, packaging (size and look), pricing etc.
- Exploit economies of scale for fresh citrus juice which will lower the cost price for the product

HAJCO also realize that there are risks involved, as they do not have experience with sales through supermarkets and restaurants, and also do not know the local market very well. They have to rely on the market research to make better decisions.

## 3. How to develop new markets?

Follow these steps to develop new markets for your existing products:



### 3.1 Identifying potential markets

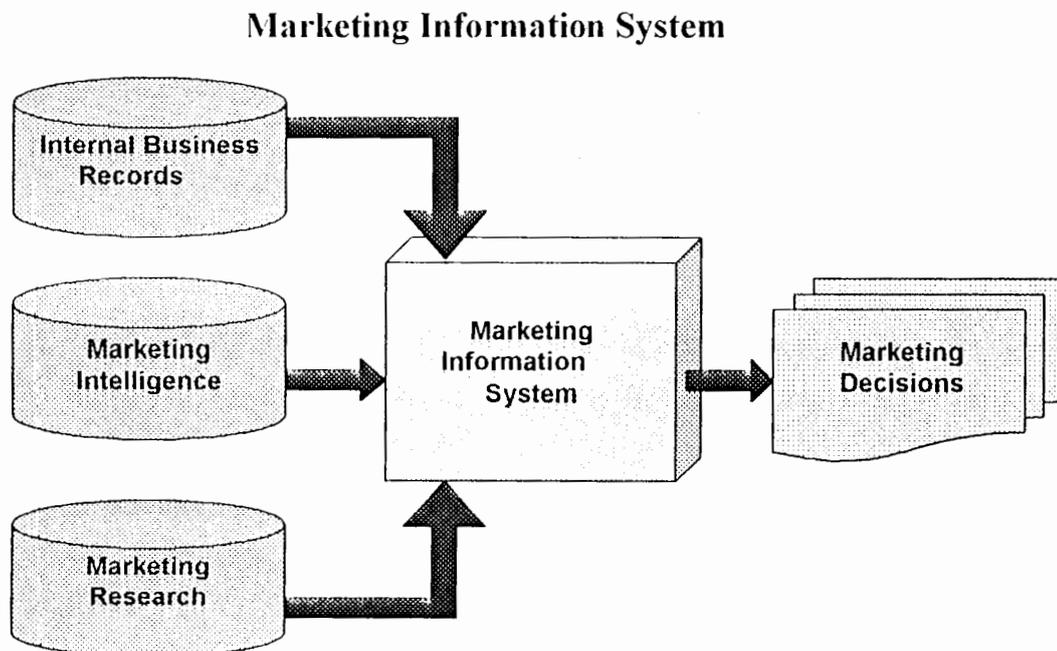
To visualize new markets for your existing products, you have to use market scanning again. If you want to develop new markets, you will use a 'wider' market environment to scan.

As your business continues to grow, you can no longer use *personal judgment* alone to make business decisions. You need a system of information collection and analysis to help you make competitive and informed decisions about the marketing of your products, those decisions you need up-to-date, relevant and accurate information is essential for you to know your customers, your competitors and their products, the environment in which you are operating, your business strengths and weaknesses, opportunities and threats facing your business.

There are three main sources of business information that you can use. These are:

- **Internal business records**
- **Marketing intelligence**
- **Marketing research**

All these sources of information are equally important, and quite often complement each other to provide what is usually referred to as a **Marketing Information System**, as shown in the illustration below.



By combining this source of information, a marketing information system becomes a deliberately organised process in your business to collect, analyse and use the combined information for making marketing decisions.

### 3.1.1 Internal Records

In your business, there are daily, monthly, and yearly records that you keep. These could be purchase / sales invoices, inventory lists, debtors / creditors books, order books and delivery lists, suggestions and complaints from customers, annual reports.

All these internal records that you have in your business represent an immediate and powerful source of information. In looking at the sales invoices from customers, you may find that orders have been on the increase in the past few months. Such information may signal to you the need to increase production capacity to meet the increased growth in sales. Internal records provide you with quick information (on tap) at no cost to your business.



**Internal records help you to assess your strengths and weaknesses.**

### 3.1.2 Marketing Intelligence

Marketing intelligence is that information that comes to you, often informally, on a daily basis that may help you in your business and marketing plans. Such information may relate to the competitive environment, your products, new and existing customers, opportunities and threats.

There are many sources of marketing intelligence information and these include employees, customers, suppliers, friends, family, newspapers, the Internet and other publications. In your business you may want to make it a policy to have regular meetings to share marketing intelligence information members would have collected. Together with an analysis of internal records information, such meetings may result in your business having timely information for business growth purposes.



**Do you have a system in your business for collection of information from different sources? If not, what can you do to get access to this information?**

### 3.1.3 Marketing Research

*Marketing research* provides you with a more formal way of collecting and analysing business information. The need for marketing research may have come about as a result of information from your internal records and marketing intelligence. Often, marketing research becomes necessary, when you are faced with a problem or opportunity that requires a greater level of understanding through more detailed and accurate information.

**Marketing research** is a process of explaining a marketing problem and opportunity, systematically collecting and analysing information, and recommending actions to enhance your business marketing activities.

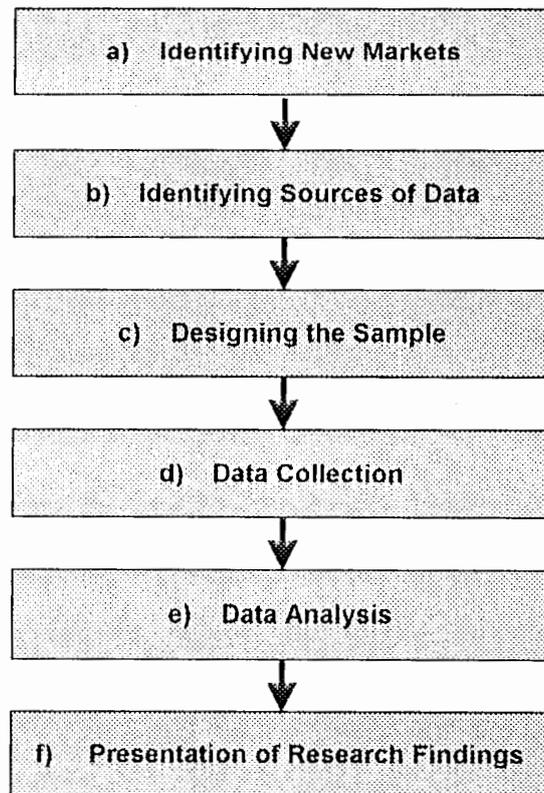
The ultimate importance of marketing research is that it systematically helps you address a marketing opportunity in the potential market by:

- Specifying the information required to address the opportunity.
- Designing the methods for collecting information.
- Managing and implementing the data collection process.
- Analysing and communicating the findings and their implications.



If you feel that the market research process will consume a lot of time from you and your employees that can be used in income generating activities, it is recommended to outsource the market research activity to a specialised market research firm.

### Marketing research process for developing new markets



Each step in the research process is meant to answer a specific question. Therefore, when carrying out any of the steps shown above, ensure to do all that is required of that stage of the research process. The steps are interconnected, and each preceding step serves as a basis for the next step.

### a) Identifying new market

The first activity of any marketing research process is identifying the potential market you are going to enter:

⇒ Is it a new geographical area in Jordan?

Example: Irbid , Zarqa, Aqaba... etc.

⇒ Is it a new country?

Example: Exporting to Lebanon, Egypt, Spain,... etc.

Internal records and marketing intelligence information can assist you in identifying potential markets.

Research objectives are intended to help you with the collection of information that is not currently available to make business decisions. They guide the data collection process in collecting only relevant and accurate information that will assist in the growth of your business.

### b) Identifying Sources of Data

Once you have determined your potential market, the next step in your research is to pinpoint the sources of the data that you need. There are two kinds of data that you can use in your research; secondary data and primary data.

■ **Secondary Data:** This is data that has already been collected for some other purposes, but relevant for input into the current study. This data can be from your internal business records, or from sources outside your business. The following are examples of external sources of secondary data:

- Chambers of Commerce
- Chambers of Industry
- Trade Associations
- National, international, local industry magazines
- National/ international governments
- Web sites
- Trade directories
- Published company accounts
- Business libraries
- Professional institutes and organizations
- Universities
- Previously gathered marketing research
- Census data (Jordan Department of Statistics)

Secondary data is less expensive and more accessible than primary data.

- **Primary Data:** This is data that you collect directly from those markets that you are researching on. These could be customers, other businesses or people. The following are some of the advantages of primary data over secondary data:
  - It provides first-hand information
  - It provides up-to-date information
  - It may be the only data available
  - It provides you with data that your competitors do not have

Primary data collection can however, be expensive. It is usually time-consuming, and can be difficult as people may be reluctant to provide you with information. There could, also be some factors, outside of the research process, that may affect the quality of primary data collected. These include competitor's actions, socio-cultural factors and any other unforeseen circumstances. Sometimes, you may need to carry out a number of researches in order to confirm the correctness, relevancy and accuracy of your primary data.

### c) Designing The Sample

A sample is a selected group of people, places or items that represents the total number of those people, places or items. The total number of people, places or items is commonly referred to as the population.

The three main components of a sampling plan that you have to consider are:

- What you want to include in the sample. This is the sampling unit specification. Selecting a sampling unit requires you to develop a set of characteristics/criteria against which you accept or reject suitability of a unit to be part of the sample.
- How you are going to select those you are going to talk to or study. This is the sampling method selection. Any sampling method you use should attempt to maximize the accuracy of the data to be obtained. You can use your own informed opinion or use probability sampling method process. The table shown in the next page provides examples of both types of methods.

TYPE	DESCRIPTION
Convenience	A sample selected on the basis of speed and ease of contact
Simple Random	Sample drawn so that each unit in the population has an equal chance of being selected
Stratified	Divides total population into smaller groups and takes sample units from each group randomly
Area (Cluster)	The sample is divided into geographic territories

- How many you are going to talk to or study. This is sample size determination. Generally, the larger the size of the sample the more reliable it should be. However you often have to trade-off between the time and money needed to collect data from a large sample.

#### d) Data Collection

As already discussed, secondary data and marketing intelligence provides you with some of that data. Often, it is necessary to carry out primary data collection when you find that existing data is inadequate.

The two main approaches you can use to collect primary data for the purpose of new market development are: Observation and Survey

- **Observation:** involves recording and assessing the actions of people or the state of physical phenomena (buildings, products, advertisements, transport vehicles, prices). The advantage of observation is that you can collect information without intruding on anyone's time. From the actions of people, you can sometimes be able to tell more from their behaviour than from what they say. Observation can also help you gather preliminary information that you can be able to use for further research.
- **Survey:** this is the most widely used data collection technique, in which you ask questions to the sample you would have selected in your sampling plan. The three types of survey that you can use are:
  - Personal interview survey
  - Telephone survey
  - Mail survey

- **Personal Interview Survey** – Useful when you want to discuss questions in detail on a face-to-face basis. This can be done with one person or a group of people at the same time.

While personal interviews are good at following up answers, providing more detail and noticing some elements of personal behaviour, they can be the most costly. Those you want to interview may also be reluctant to be interviewed.

- **Telephone Interviews** – A good technique to use when you need immediate responses to a few well-structured questions. They, also have the advantage of reaching more people even they may be in different geographical areas.

You may want to know how many people are aware of your new product. Telephone surveys can provide you with quick information at a cheap cost. Some difficulties of telephone interviews relate to unavailability of telephones in some markets. Neither can you be able to show your products nor see the person in order to imply any personal characteristics. Such surveys may often be seen as an irritant by those you endeavour to survey.

- **Mail Surveys** – With a good postal system, mail surveys can offer you the best value to reach more people at the cheapest cost, even though the sample may be geographically dispersed. They allow in-depth questions and provide the sample (respondents) more time to provide objective answers to you.

Responses from mail surveys may take longer to come back. You have to follow-up, and allow time for the questionnaire to be mailed back. You should always provide a 'self-addressed and stamped' envelope for the return of the questionnaire. There is also a probability that the questionnaires will not be returned.

#### e) Data Analysis

Once you have completed data collection, you need to now turn the data into information. This requires to thoroughly going through each questionnaire to check on issues such as completeness, consistency, legibility, omissions and serious intent.

This editing process is essential to ensure that the data that you will analyse is relevant. After editing the questionnaires, you need to find ways of 'putting similar responses'. For example, if on one of the questions, respondents were required to give "Yes" or "No" answers, the entire Yes answers will be grouped together, and all the No answers will be grouped together. Through manual counting or computer analysis, you can then come up with a total or percentages of the Yes and No responses.

**f) Presentation Of Research Findings**

Your research results should be presented in a clearly understandable manner, so that decisions can be made. The following is a possible outline for your research report:

- **Title page**
- **Table of Contents**
- **Executive summary**
  - Introduction
  - Results
  - Conclusions
  - Recommendations
- **Introduction**
- **Main Body**
  - Methodology
  - Results
  - Limitations
- **Conclusions and Recommendations**
- **Appendices**



**Internal, It is your responsibility to react to the marketing research report and not let it gather dust. Budget and time constraints should be taken into account so that you can decide on a time frame within which some or all of the recommendations can be implemented.**



**CASE STUDY**

**Hana Juice Company (HAJCO) Ltd.**

HAJCO management decided to conduct a marketing research with the objective of exploring the opportunity of selling HAJCO products at Aqaba as a main tourist city in Jordan.

What kind of data they need to collect?

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**Continued on the next page...**



## CASE STUDY

Hana Juice Company (HAJCO) Ltd.

Continued from the previous page...

What are the sources of data?

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How they should collect the data?

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### 3.1.4 Multiple Factor Market Screening

If you wonder where to start, i.e. which potential markets to short-list for a more detailed analysis, refer back to the profile of your existing customers in your current market. Your existing customers buy from you because your products satisfy their needs and wants – and you can assume with reason that potential customers with similar profiles share similar product preferences. Therefore, you should look out for new customers that share key features of your existing key accounts.

After collecting information about the potential markets, the next step will be comparing the attractiveness of the various potential markets. When considering entry to a new market, there may be more than one option available, but you have resources only to enter one market at a time. In this case, you need to make sure that you enter the best market first. The diagram shown below may help you to choose the best market for you.

**ATTRACTIVENESS OF THE MARKET**

		High	Medium	Low
COMPETITIVENESS OF YOUR BUSINESS	High	Enter first	Enter as a priority	Enter later
	Medium	Enter as a priority	Enter later	Do not enter
	Low	Enter later	Do not enter	Do not enter

- a) **Attractiveness of the market** - covers the factors that make the intended market attractive to your business given its particular capabilities and ambitions. These factors include:
- Market size and growth rate
  - The costs and risks of entry
  - Likely returns on investment
  - Availability of a suitable partner, agent or other form of support
  - The fit with the existing business and marketing activities
  - Barriers to entry, e.g. tariff and non-tariff barriers in overseas markets
- b) **Competitiveness of the business in the new market** - covers the factors that will determine the ability of your business to create and sustain a competitive position, such as:
- Size and resources of the business
  - The extent to which the business' strengths and weaknesses complement market requirements, for example, your mastery of technology, marketing and selling skills
  - The extent to which the business has the necessary skills, knowledge and understanding for the new market
  - The number and strengths of competitors' products and services
  - The size of gap in the area of the market the business is intending to fill
  - The image the business is able to develop in the market

- c) **SWOT analysis** for each potential market allows comparing different markets and prioritising those markets according to their attractiveness (i.e. markets with higher opportunities and minimum threats, and you have higher strengths and minimum weaknesses).

It is strongly recommended that you carry out this comparatively analysis carefully, and do not discard results that do not match with your personal expectation. Do not merely trust your “gut feeling” when judging the attractiveness of a potential market, particularly when you eye export markets. While *gut feeling* can be the “fifth ingredient” for success in local markets, it hardly is a fundament for a successful marketing strategy in foreign markets. You lack the context information necessary to make an intuitive choice!

## 3.2 Identifying prospective market segments

When you have scanned the ‘wider’ environment looking for attractive opportunities, you will find different ways to expand your business: you can go abroad, serve a wider region, or serve another target group. It’s important that you look for the most attractive option. If you know your own strengths, weaknesses, opportunities and threats in the specific analysed market, this will help you to make the right decision.

In principle you follow the same steps as outlined in Chapter 4 to scan the new markets, and identifying segments and target groups.

## 3.3 Adapting your offer

When you have identified the different segments, selecting your target groups, you might have to adapt your offer, because the target groups in the new market might have other wants and demands different from your present customers. Those differences are identified by the market research.

**You have the following tactical choices to adapt your offer to the new markets. You can:-**

- a) Maintain a uniform product and promotion.
- b) Maintain a uniform product, but adapt promotion.
- c) Adapt the product offer only.
- d) Adapt both product and promotion.



**Adapting your product will be discussed thoroughly in the next chapter “New product development”.**

**a) Maintain a uniform product and promotion**

This strategy relies on a single marketing strategy for different markets. You keep the same product name, specification and functional and emotional attributes for all target markets, and follow the same promotional strategy.

**The key advantage** of the approach is that your business can realise economies of scale in the production process, saving on costs for promotion. Also, the product remains recognizable throughout different markets, an additional plus if your customers are physically mobile (across markets) and if you have created a brand identity.

**The key disadvantage** of this strategy is that you run risk of mass marketing a “generic” product that does not satisfy the specific preferences of individual market segments. As a result, customers might either not feel attracted to try out and buy your product, or they might turn away to a substitute offer later.

**b) Maintain a uniform product, but adapt promotion**

This strategy retains an essentially uniform product throughout different target markets, but aligns the promotional strategies to the local context.

**The key advantage** of this strategy is that your business is able to realize economies of scale, while at the same time tailoring the product/market mix more to the wants of the customers.

**The key disadvantage** is that you still run risk of mass marketing a generic product that does not satisfy the specific preferences of individual market segments. In that case, a tailor-made promotional strategy might attract customers to try and buy the product, but it will likely fail to retain them.

**c) Adapt the product offer only**

This strategy might be applied to satisfy product standards and legislation in your new market, while retaining the brand identity.

**The key advantage** is that it enables you to comply with market regulations, while saving on costs for designing customised promotional campaigns for each market.

**The key disadvantage** is that it might result in brand confusion or brand alienation, since mobile and/or “marketing-aware” customers might disapprove of varying product standards.

#### d) Adapt both product and promotion

This strategy is applied to 'customise' your products and promotion function to each target market.

**The key advantage** of this strategy is that you will be in a position to make a truly tailor-made offer that meets the specific preferences of a customer group.

**The key disadvantage** is that this strategy requires substantial upfront investment in product research and development, and necessitates designing and financing separate promotional campaigns in each market. Furthermore, the need to supply different products for each of your target markets throws up challenges for the production process.



### CASE STUDY

#### Hana Juice Company (HAJCO) Ltd.

HAJCO consider the various options for adapting the offer, and they decide to follow the approach of 'maintaining a uniform product, but adapting promotion'. This means that HAJCO will supply the same fresh citrus juice to the different target groups, but it will be promoted differently. At HAJCO, they do not see the need to adapt the product for the different target groups, and believe the product is the strength it can use to market the product to the different target groups. However, the promotion will need to be adjusted. Youth will need to be informed about the drink as a trendy energizer, whereas higher income earners, with healthy lifestyle awareness, will need to be approached about the health, purity and natural aspects of the drink.

A team of sales people will offer free samples of citrus juices in the supermarkets. They will put up a big bill board with a picture of a re-energized sporty looking young man. On the other hand, HAJCO will spare some time to visit the owners of the supermarkets, and introduce them the new product assortment.

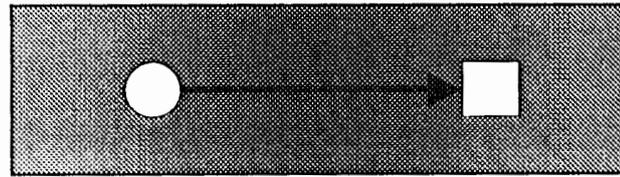
Other details of the branding strategy (such as carton size etc.) have already been described under the case study in section: Branding Chapter 5.

## 4. Entering the market

For selling your products to new markets, you have some tactical options that might help you.

- Directly sell to your customers.
- Sell your products through a market intermediary.
- Invest in a subsidiary.
- Seek a license franchise agreement.
- Set up a joint venture.
- Build up strategic alliances.

## 4.1 Directly sell to your new customers



○ = Supplier

□ = Target market

If you decide you want to directly sell to your new customers, you have to set up or expand a product/service distribution system, which reaches from your company straight into your target markets.

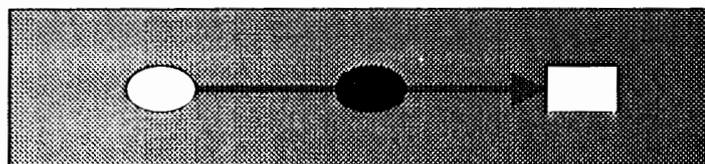
You can do this by:

- Employing salespersons that visit these customers;
- Establishing physical outlets, and attract these customers to come and buy from your company;
- Setting up an interactive website to enable customers making e-commerce transactions.

**The key advantage** of selling directly to customers is that you maintain close interaction with your target market you are therefore likely to be better informed about and can react more quickly to its needs, and wants. Remember though, that close customer interaction also means that you have to react quickly to changing needs, and cannot hide behind any market intermediaries (and let them take the blame if your products are not satisfying the end customer). Poor product quality and weak customer service immediately backfires on companies selling directly to customers.

**The main disadvantage** of selling directly to your customers is that you incur substantial costs to build up and maintain any of the distribution channels listed above (with the exception of sales from the factory gate). Furthermore, manufacturing and retailing of your products are two essentially different functions, which require a different set of skills. Accordingly, it poses a double challenge to you to manage the operations of these two systems concurrently. This observation holds particularly true if you plan to develop export markets where you do not know the local environment well.

## 4.2 Sell your products through a market intermediary



○ Supplier ● Independent Intermediary □ Target market

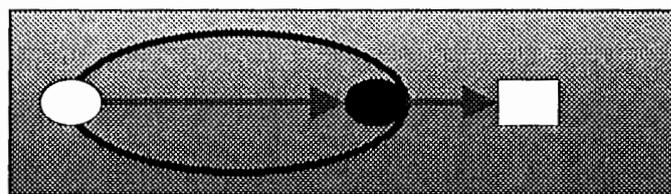
If you decide you want to sell your products through a market intermediary, you have to further consolidate or establish business linkages with middlemen in the supply chain for your product. You have to establish/consolidate market linkages with retailers and/or wholesalers. Retailers buy products from you to sell them on to the end-customer, while wholesalers buy products from you to sell them to retailers for onward distribution to the end-customers. The main difference from the perspective of your company is that wholesalers are likely going to buy your products in bulk (and bargain for quantity discounts), while retailers seek lower volumes.

**The key advantage** of selling your products through a market intermediary is cost savings; you save on building up and operating an extensive distribution system reaching out deep into the target market. This argument is particularly important when you intend developing export markets. Here, you can save substantial upfront investment, if you rely on a middleman to export your services. The middleman carries the financial risk of product marketing and distribution in markets rather unknown to your company.

**The key disadvantage** is that you run the risk of losing direct contact with your customers and rather aim at satisfying the requests of your market intermediaries, not the needs and wants of the end user of your products. As a result, your marketing strategy tends to be middleman-driven, not customer-centered and it might emphasise more on low cost, and less on high quality. This risk can be particularly high if you deal with price-fighting wholesalers who aggressively bargain for quantity discounts. As a side effect and where wholesalers are concerned, you might get over-dependent on a single business client.

Furthermore, if you decide to entrust the distribution of your products to a market intermediary, you will have to share the profit margin with that middleman. Particularly, where export markets are concerned, the middleman will likely pocket the lion's share of that profit margin, because unlike you, they know the target market in detail, and can better assess the potential for marketing your products.

### 4.3 Invest in a subsidiary



○ Supplier ● Subsidiary- intermediary □ Target market

As an alternative to selling your products through an independent middleman, you can invest in a subsidiary in which you either:

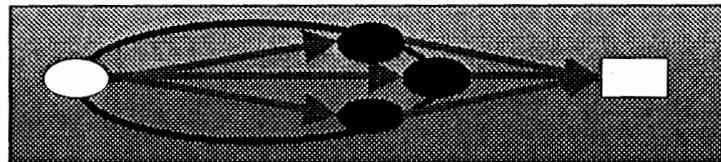
- Acquire stakes (in another company) to utilize its distribution network,
- Or
- Set up a new company altogether to carry off production, marketing and distribution.

**The key advantage** of investing in a subsidiary is that you retain better control over the distribution function, thereby reaping the profit margin of the middleman. If you plan to develop export markets, a subsidiary in the target market can also help you collect and analyse the market information needed to position your products and to sell them at a profit while satisfying the needs of your new customers. Furthermore, you might be able to exploit cost differentials for inputs like labour and raw materials supplied to your company in different market places. For example, you can source raw materials through your subsidiary in the target market, import and process these raw materials, then export the processed goods to the target market, and retain the value added.

**The key disadvantage** is that from a management point of view, the complexity of your business operations increases. You either have to manage two businesses simultaneously, or establish a third intermediate management level of factory or branch managers who work under your supervision and oversee the line managers. Furthermore, the upfront investment to acquire a subsidiary can be substantial, particularly if you intend to develop a sunrise market that is heavily competed for by other market entrants and suppliers.

Finally, the overheads of operating the subsidiary can quickly put a severe burden on your cash flow. This concern should be carefully kept in mind if you plan developing markets with future growth potential, i.e. where it will take years, rather than months to at least reach the break-even point.

## 4.4 Seek a license/franchise agreement



○ Supplier ● Franchisee-intermediary □ Target market

Another option to develop new markets is to enter into *franchising* or licensing agreements with selected middlemen. Here, your company grants the right to market (sometimes also manufacture) your products to other companies, usually tied to certain conditions and for a limited amount of time.

**Franchising** is an agreement in which a supplier grants a dealer the right to sell a product in return for some percentage of the total sales; typically the supplier provides management advice and marketing assistance to the franchisee, who agrees to operate according to the franchiser's general rules.

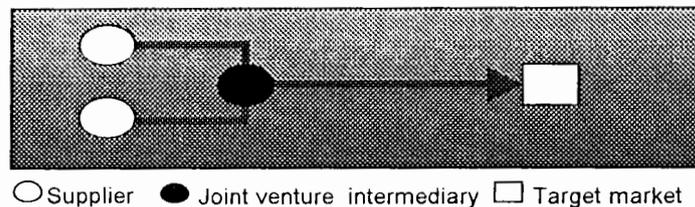
Companies that have branded their products often use this approach. Here, the brand becomes the unique selling proposition that attracts customers in new markets to buy from the franchisees or license holders. The key advantage of a franchising/licensing arrangement is that your company saves on the investment in setting up its own distribution network, and might actually retain substantial income from franchising fees, while end-consumers enjoy ever-wider access to your products through easily recognisable distribution points.

**Licensing** is an agreement in which a supplier grants a dealer the right to use a registered brand, symbol, process, patent... etc.

The **key disadvantage** is that it takes considerable effort and investment to develop a brand and then retain a uniform service formulation in different markets (also refer to previous for the various tactical choices of adapting your product offer).

The success or failure of your strategy largely depends on the reliability of the franchisees. Where the franchising party fails to deliver or delivers sub-standard quality, it can actually damage your brand severely, with negative ripple effects beyond the target market.

## 4.5 Set up a joint venture

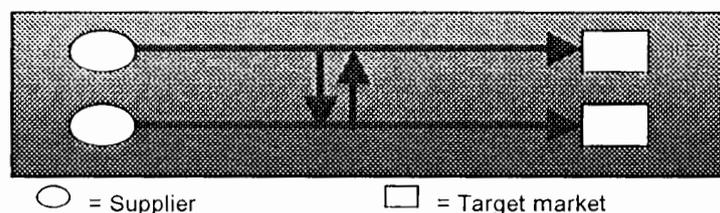


Another option to develop new markets is to set up a joint venture with another company. In such a scenario, you jointly register a new legal entity tasked with manufacturing and/or marketing your existing product. Unlike the cases of a business subsidiary or a franchising/licensing agreement, where the main bargaining power in the business relationship rests on your side. In a joint venture, the bargaining power of both sides is more balanced.

The **key advantage** of a joint venture is that you share risk with a business partner and can sometimes exploit economies of scale and synergy effects. Particularly, where you plan to develop export markets and enter into a joint venture with a foreign business, both sides can strongly benefit from the partnership. Your company gains a physical representation in the export markets and access to vital market information, while your business partner, gains access to an attractive product for onward sales on the domestic market – and vice versa. Both sides can exploit the full advantage of cost differentials of the respective target markets, and even share the production function beyond country borders.

The **key disadvantage** of a joint venture is that the parties to it will likely face the challenge of consoling different work ethics and corporate cultures. Also, the investment into a joint venture requires a long-term commitment and ties up substantial investment; joint ventures are not easily established, take time to work successfully and are very painful to unwind. If the joint venture fails, it is usually the foreign parties bearing the lion-share of the costs, i.e. it has to totally write off all fixed assets of the company.

## 4.6 Build up strategic alliances



Yet, another way of developing new markets for existing products is to build up strategic alliances with other businesses. Strategic alliances are flexible arrangements relying on cooperation rather than joint ownership of a subsidiary. You enter strategic alliance to add to your competency by combining your resources with those of one or several partners.

**The key advantage** of a strategic alliance is that it allows you to sell your products through the existing network of your business partners – and vice versa. As a result, both sides save on costs. A good example for a strategic alliance at work is the airline industry where operators share their route networks through “code-sharing”.

**The key disadvantage** of a strategic alliance is that it might result in brand confusion; customers failing to distinguish your products from the products of your business partners.



## CASE STUDY

### Hana Juice Company (HAJCO) Ltd.

HAJCO staff discussed the best way to reach the intended target groups (higher income health aware people, and sportive youth. They wondered how they could best be reached. As juice is not sold directly in the market, it was clear that intermediary sales point would be required. For the sales to the higher income group, HAJCO had to identify whether to sell through a wholesaler or directly to supermarkets. For youth, HAJCO were thinking of selling to sport clubs. Restaurants should also be distributed to. How now best to reach all of those?

The advantages of selling through a wholesaler for supermarkets would be that it would be much easier (and less costly) for HAJCO. The disadvantage would be that they would depend on them. After some fact-finding, HAJCO find out that there are various wholesalers some of which belong to the supermarket chains they supply for. HAJCO identify one of the wholesalers as an independent wholesaler called 'Food Link' that distributes a number of luxury food items to supermarkets and specialty food stores in all major towns in the country. They also distribute to a fairly large number of the *better* restaurants. They decide to approach this wholesaler first to see if they could possibly distribute their juices through them. HAJCO also, found out that over half of the sport clubs are distributed to a main wholesaler in the country called 'Cost U Less'. They also intend to approach this wholesaler.

To increase sales in the new markets, HAJCO will set up a specific small marketing department that will deal with the supermarket and restaurant accounts. That department will function as a call centre for orders and services. By doing so, HAJCO can maintain control of the orders themselves, and have the actual distribution done by 'Food Link'. HAJCO will in that manner, also build relations with these clients, an aspect that HAJCO find of particular importance given that their products are still in the introduction stage.

HAJCO also, hope that the distributor will be willing to put the logo of HAJCO on their delivery vehicles. In future, HAJCO might decide (if business is going well) to set up a joint venture with the distributor.





## EXERCISE

Continued from the previous page...

2. Which target groups are the most attractive? Explain why!

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3. How are you going to adapt your offer to the new market(s), based on the 4 options mentioned before? (Maintain a uniform product and promotion, retain a uniform service formulation, but adapt promotion, adapt the product offer only, adapt both product and promotion). Explain why?

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4. How are you going to sell your products to the defined new markets, based on the six mentioned selling options? (Directly sell to your customers, sell your products through a market intermediary, invest in a subsidiary, seek a license franchise agreement, set up a joint venture, and build up strategic alliances)? Explain your decision.

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## 5. Export Marketing

Exporting is a crucial component of the economic well being of any country and its businesses. As a result, substantial government and non-government support frameworks are devoted to encouraging export marketing activities. These include export incentives, 'tax holidays' and establishment of Export Processing Zones.

A significant amount of these support frameworks go towards stimulating and helping small businesses to export. In every country, there is an array of export support organisations and programmes that you can utilize. Deciding to venture into export marketing is an application of the market development strategy.



**You can contact the two organisations here under for more information about exporting from Jordan:**

- **Jordan Export Development and Commercial Centers Corporation (JEDCO)**  
Website: [www.jedco.gov](http://www.jedco.gov)
- **Jordan Exporters Association (JEA)**  
Website: [www.jordanexporters.org](http://www.jordanexporters.org)

### 5.1 Barriers to exporting

The entrepreneur is usually plagued by a number of limitations when it comes to export marketing. Some of these limitations may be economical, while others may be attitudinal- *'fear of the unknown'*.

Below are some of the limitations of growth oriented business:

- Limited resources (time, energy, finance)
- Lack of long-term orientation
- Being risk averse
- Being more comfortable with the local environment
- Lack of international contacts and networks
- Limited knowledge of external markets legal, regulatory and trading requirements

### 5.2 Reasons for going international

There are a number of reasons in your home market that may start pushing you towards export marketing. Some of these are:

- Pull factors (attractive sales and profit opportunities abroad) and push factors (unfavourable developments in the home market, domestic market attack by global players)
- Benefit from economies of scale.
- Spreading business risk over different markets.
- Increasing growth and wealth of nations.

- Jordan signed 62 bilateral agreements, 18 of which are with Arab countries, and 44 with countries outside the region. These agreements are classified into two major types: Trade and Economic cooperation agreements and Bilateral agreements on promotion and protection of investments.
- Rapid development in the communications and transportation sectors.



## CASE STUDY

### Hana Juice Company (HAJCO) Ltd.

HAJCO management is thinking of exporting citrus juice concentrates to European countries in response to the high appreciation of their current products by tourists from these countries.

After gathering some information related to export business to Europe, they found that Jordan had signed a Partnership Agreement with the European Union (EU) two years ago, that agreement will give advantage to Jordanian products entering the EU market through a customs duties reduction over the coming 8 years to reach a free trade area between Jordan and the EU i.e. no customs duties on exporting to EU. This information encourages HAJCO management to enter the EU market. HAJCO noticed that the market share of imported citrus juices is growing year after year, so they will be hard competitor at the local market in near future that could affect profits negatively, so involvement in export business will be a strategic solution.

## 5.3 Challenges of global marketing

Due to your unfamiliarity with the international environment, there are a number of challenges that you might face:

- Some of these are evidenced by the distance of the export from your home country.
- Multiple political and legal environments.
- Multiple currencies.
- Possible conflicts with home and host country governments.
- And difference in culture and business customs.
- Regulatory requirements.

What is important for you is to develop cultural empathy and knowledge to overcome the other challenges.

## 5.4 Systematic approach to export marketing

If you take a decision to export, you can follow this systematic approach to export marketing which involves six consecutive steps:

- Assess your **business readiness to export**, and its ability to undertake global marketing. You have to answer many questions related to management commitment to enter export business, your current marketing methods, and your current product quality. This assessment will give you an overview of your business strengths and weaknesses and what you should do to be ready to export.

**Export promotion organizations and consulting companies can help you in doing this assessment.**

- Choose between three involvement forms:
  - ⇒ Limited involvement; is the least risky and requires minimum resources (Example: You just need to sell your products to an export company in Jordan, and this company will export your products).
  - ⇒ Active involvement; requires substantial management commitment and development of in-house skills and resources (Example: Hiring an export manager at your business).
  - ⇒ Committed involvement; involves complex forms such as foreign direct investment and joint ventures (Example: Establishing a distribution office in Lebanon for your business).
- Determination of business's product/market portfolio to decide which products could be marketed in which country.
- Analysis of foreign market potentials.
- Design of the export-marketing programme.
- Organizing the business resources for export marketing tasks. You can choose between three organizational alternatives:
  - ⇒ A small export operation with an export manager.
  - ⇒ A complete export operation involves an entire department being assigned to export marketing.
  - ⇒ An international division is needed for complex types of international involvement by the larger businesses.

## 5.5 Export Language

When you decide to deal with global markets you must be aware of the following terminologies:

### ■ World Trade Organization (WTO)

WTO is the only global international organization dealing with the rules of trade between nations. At its heart are the WTO agreements, negotiated and signed by the bulk of the world's trading nations and ratified in their parliaments. The goal is to help producers of goods and services, exporters, and importers conduct their business.

### ■ Free Zones

The inspiration behind the Free Zones is that it is one of the State tools in development through the allocation of specific geographical sites or areas where special laws and regulations are applied different than those applied in the remaining part of the State, and characterized by exemptions and facilities that qualify them to become an investment attraction areas for the development of export industries, international trade exchanges and transit trade.

**■ Tariffs**

Tariffs are taxes imposed on goods moving across national boundaries. They may be imposed on imports, exports or goods in transit through one country on the way to another. The import tariff, or duty, is of most concern to the international marketer.

**■ Non-Tariff Barriers**

A part of tariffs, a whole arsenal of barriers to trade has been devised over the years like quotas, boycotts, government subsidies to local industries, and technical standards.

**■ Quotas**

Quotas are physical limits on the quantity of goods that may be imported to a country. They are used as a tool of protecting domestic industries.

**■ Regional Trade Cooperation**

Countries have begun to group together on a regional basis of the aim of reducing tariffs and other protectionist systems and of encouraging economic integration.

Four main types of integration can be identified:

The Free Trade area, the Customs Union, the Common Market, the Economic and Monetary Union.

**■ The Free Trade Area**

Within a free trade area, member nations remove all trade barriers between themselves, but each nation retains its own trade barriers with non-member countries.

**■ Customs Union**

A customs union is similar to a free trade area except that all member nations adopt a common external tariff against non-member countries.

**■ The Common Market**

The common market has all the characteristics of a custom union, but in addition the free flow of resources (People and Capital) between member nations is encouraged.

**■ The Economic Union**

A true economic union requires economic conversions: economic, fiscal and monetary policies and government expenditure must be harmonized, and a system of fixed exchange rates or a common currency must be introduced. The European Union is the most successful example of an economic union.



## EXERCISE

If you decide to export your products to the US market benefiting from the Jordan US Free Trade Agreement.

What is the Harmonized System Code for your products?

[You can get this information from Jordan Customs Department website:  
[www.customs.gov.jo](http://www.customs.gov.jo)]

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What is the tariff imposed on your product by US Customs?

[You can get this information from Jordan US Free Trade Agreement website:  
[www.jordanusfta.jo](http://www.jordanusfta.jo)]

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## 6. Chapter Summary

Market development means expanding existing products to new markets. You can find new markets either in your local environment or beyond the borders of your country, in the global environment.

The main risk with a market development strategy is that you usually lack personal experience in operating in these new markets; you do not know your prospective customers. As a result, you might fail to judge the threats and opportunities in these markets properly, and consequently, mistake the capacity of your own company to enter these markets. Therefore, the risk of developing new markets is higher than the risk of penetrating existing markets.

**Market development can help you to grow your business by:**

- Entering new market segments that can be served with your existing products.
- Escaping a growth deadlock in (over-) saturated markets.
- Spreading business risk over different market segments.

- Satisfying the needs of clients who operate in more than one market.
- Exploiting economies of scale for highly specialized products that might find sufficient demand in one market.

**The next steps you have to follow to develop new markets are:**

1. Visualize potential markets;
2. Identify prospective market segments;
3. Adapt your offer; and
4. Enter the market.

**Marketing Information System is a tool that can help you in identifying your potential markets through three major sources of data:**

- Business Internal Records
- Marketing Intelligence
- Marketing Research

Export is important for businesses and countries, it is supported by local organizations and programs in Jordan like JEDCO and JEA.

The international environment has many challenges: *Differences in political environment, legal environment, currencies, governments, culture, and customs.*

You **must** be aware of export terminologies if you decided to deal with global markets.



# PRODUCT DEVELOPMENT STRATEGY

## Marketing Strategies for Growth

		MARKET	
		CURRENT	NEW
PRODUCT	CURRENT	Market Penetration	Market Development
	NEW	Product Development	Diversification

Changing needs and wants of customers by time enforce goods producers and service providers to develop their products in order to satisfy their customers' needs.

This chapter will tell you how to develop new products as a strategic option to expand your markets.

## What you will learn in this chapter ...



**After studying this chapter, and completing the exercises in it and with the guidance of your business trainer, you should be able to:**

- **Define product development strategy.**
- **Explain how product development can help to grow your business.**
- **Decide the level of product newness.**
- **Manage the product development process.**
- **Identify the reasons behind new products failure.**

## 1. What is product development?

Product development is a growth strategy that involves the development of new products to serve existing markets / customers.

- Organizations need a flow of new products to keep their portfolios steady, their customers and sales force interested and sales growing. Developing these products to ensure repeat purchase is called New Product Development (NPD).
- Product development expands the number of product items your business can offer to existing markets, and operates from the security of its established customer base. In some industries, product development may be the main direction of strategy because product life cycle is short. The fashion industry is one such example.
- Your business does not operate in a static environment. It is constantly facing consequences of change in technology, customer taste, preference, and competitor's product range, etc. As a result, and to be able to satisfy the changing needs and wants of your customers, your products have to be adapted and modified from time to time, or they have to be replaced by new products once the product life cycle has come to an end.

## 2. How can product development help to grow your business?

- When **markets are mature**, and there is not much potential for growth, businesses must find ways to win market share to achieve a meaningful growth. Developing new products to add to the product portfolio is one way of initiating growth of the business.
- If you do not keep improving your products, your competitors will introduce new features and better products to draw your old customers away. Therefore, it is necessary for you to develop new products to **face the competition**, and to retain and capture your customers in this changing environment.
- On the other hand, and provided your **NPD** effort is successful, this growth strategy offers you **promising returns on your investment**; you might be the first market entrant, and able to charge a price premium.



By direct comparison to market penetration and market development, NPD is a higher risk strategy. NPD can be costly, and could take a long time to develop, and the risk of failure is high – statistically, two out of three efforts to develop a new product fail.

## 3. How to develop new products?

To successfully develop new products, you should follow these steps:

**3.1 Decide the level of product newness****3.2 Manage the product development process**

### 3.1 Decide the level of product newness

You have various options of product newness to choose from, all carry opportunities and risk for the planned development process:

You can choose to develop a product that is;

■ **Entirely new to the world, i.e. new to both your business and the market**

This option carries the highest risk of failure, since the acceptance level of the new product is largely unknown to your business; at the same time, the potential return on investment is highest, since you become the first market entrant, and face no price-fighting competition.

■ **Entirely new to your business, but not new to the world**

Here, your business uses the 'me too' approach and copies the successful new product of a competitor. As a latecomer to the market, you are likely facing high entry barriers. On the other hand, you do not have to bear the high product development cost of your competitors and therefore, can offer lower prices. This option can be successful when cheaper and low quality products are offered to the bottom end of the market.

■ **An improvements of a product that is familiar to your business and to the market**

Here, the product offered is not new to the market, but it resembles a new, upgraded product generation. Introducing a new product generation to the market is less risky than introducing an altogether new product; yet, you will have to convince customers why they should upgrade their existing products; also, competition from other suppliers is likely to be high, promoting their own products as mature and tested.

■ **A modification of a product that is familiar to your business and to the market**

Here, the core product concept is familiar, but the product is given a *new twist* to make it more exciting. Therefore, the marketing task is a little easier than the previous option and effectively means re-positioning the product. The consumers can compare the new product with the old, and decide on the value of the innovation. The disadvantage of this option is that you will find it difficult to differentiate your offer from your competitors.

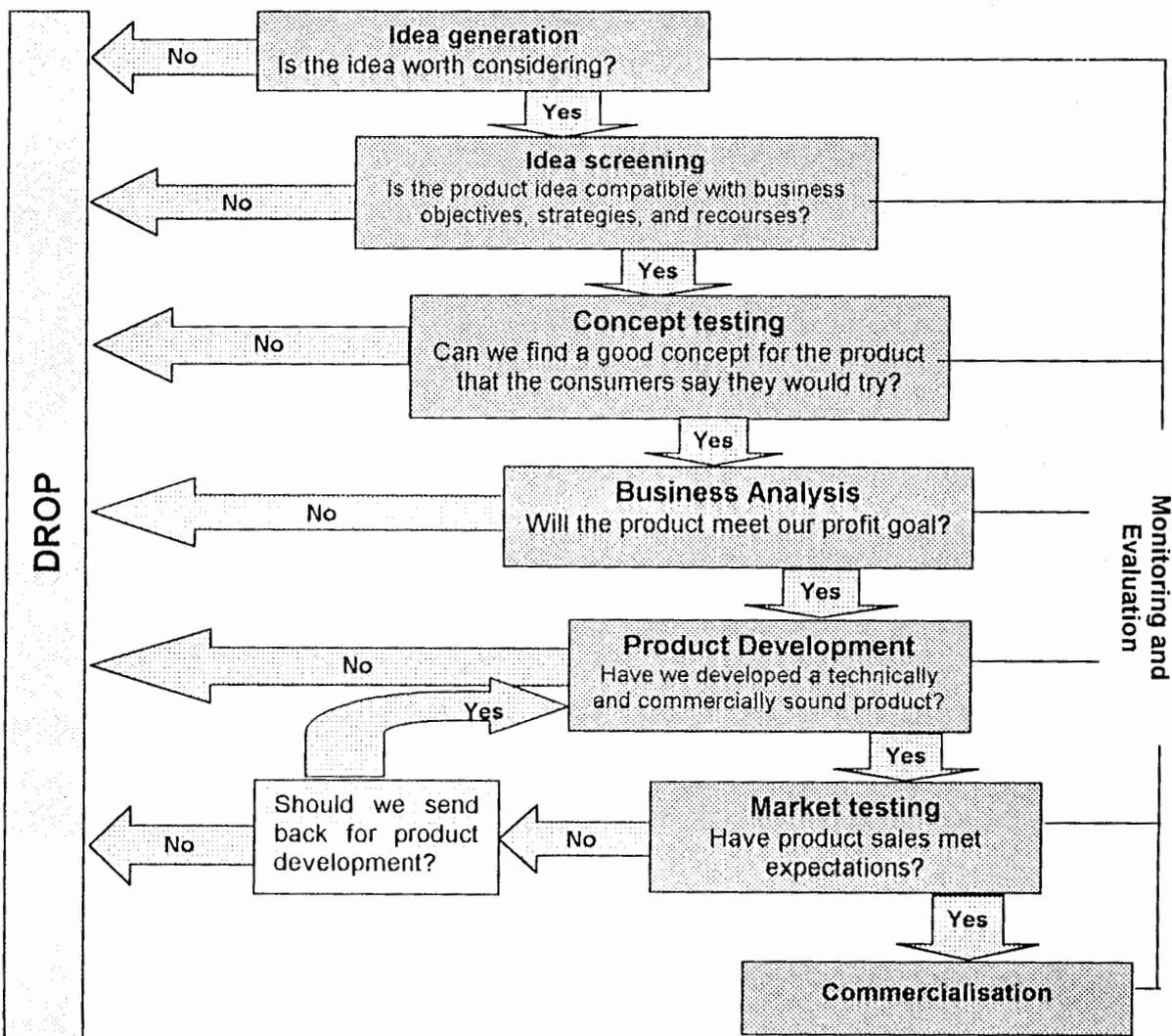
### 3.2 Manage the product development process

Follow these steps to manage the internal product development process:

- Idea generation
- Idea screening
- Concept testing
- Business Analysis
- Product Development
- Market testing
- Commercialisation
- Monitoring and Evaluation.

The product development process is illustrated below on the next page:

**Product Development Process**



### 3.2.1 Idea Generation

Ideas for new products need to sprout from somewhere. It is important to allow corporate imagination range as freely as possible, so that all options can be thought of. It is necessary to have an ongoing flow of ideas. At this stage, even ideas considered ridiculous need to be taken into account, as they all could be potential ideas for **NPD**. Inappropriate ideas can be abandoned at the next stage. Ideas could be either problem or opportunity driven. Some mechanism need to be adopted to generate and collect ideas.

**Several main sources of ideas are given below:**

- **Customers** – The business has to develop and provide customer needs and wants. Therefore, it is crucial for your business to be in close contact with the customers. Not only through informal modes, but also through formal research techniques (*see marketing research methods discussed in the previous chapter*).

Customer complaints are an important source of information. This will show the inadequacies of the current products. Customers can communicate the new product needs to your business and to competitors too. Most of the time customers' ideas focus mainly on reducing prices. Maintaining multifunctional relationships with customers is a sure way to capture more customer ideas.

- **Research & development (R&D) staff** – Proactive businesses have R&D departments. R&D staff is employed to generate ideas and develop new products.



**EYB Module: Strategic Human Resources Management tells you more about how to set up an R&D Department.**

- **Competitors** – Observing what your competitors do, and by analysing the strengths and weakness of their products, your business will be able to produce new improved versions of 'me too' products. In this instance, the business will be able to develop a more focused marketing strategy.
- **Employees** – employees can be encouraged to suggest new product ideas. They may be able to think of easy way to produce or think of new features to incorporate. Employees, such as sales representatives, have firsthand contacts with the trade and the customers. They know the likes and the dislikes of people. Employees must be encouraged to have discussions with customers.
- **Brainstorm** with: friends, customers, potential customers, colleagues, staff...etc. Several winning ideas can come up as a result of these discussions.

### 3.2.2 Idea Screening

The objective of this stage is to assess whether the ideas are within the broad strategic plans of the business.

All generated preliminary ideas are scanned in order to eliminate those that are inappropriate or unlikely to be successful. By using information that is already available within the organization, all generated ideas are assessed to see the potential.

All generated ideas can be sorted into 3 groups: **promising ideas**, **marginal ideas** and **rejects**. Rejected ideas must be dropped as soon as possible, so that your resources can be utilised only on promising ideas.

Preliminary idea screening analysis is presented on paper or on screen by describing the product arising from the idea, how the new product would complement existing products, its market segment, competitors, with sales forecasts over a period etc.

Semi-formal weighting procedures based on business's perceptions of previous experiences can be used to establish scores on important criteria. This process allows the business to compare each idea.

Criteria	Weighting	Score			
		Idea 1	Idea 2	Idea 3	Idea 4
■ Within Corporate strategic goals					
■ Within Marketing strategic goals					
■ Market growth					
■ Size of market					
■ Access to market					
■ Profitability					
■ Compatibility with existing products					
■ Compatibility with existing technology					
■ Compatibility with existing distribution channels					
■ Compatibility with existing skills and assets					
■					
■					
<b>Total</b>	<b>100</b>				

## Example of screening ideas

Criteria	Weighting	Score			
		Idea 1	Idea 2	Idea 3	Idea 4
■ Within Corporate strategic goals	5	3	3	2	4
■ Within Marketing strategic goals	5	4	4	2	5
■ Market growth	10	7	5	9	5
■ Size of market	10	8	7	5	5
■ Profitability	30	15	25	10	20
■ Compatibility with existing technology	20	10	16	12	10
■ Compatibility with existing distribution channels	20	15	17	16	12
<b>Total</b>	<b>100</b>	<b>63</b>	<b>79</b>	<b>59</b>	<b>65</b>

The previous example shows that the business put the major weight for the profitability criterion of the idea (30 points out of 100), and the second idea is most attractive one compared with other ideas.

Note that the maximum score of each idea under certain criterion should not exceed the weighted number for that criterion.



**Numerical scores are not the ultimate reality. It should be possible to override the score and argue on a qualitative level about the strengths and weaknesses of each idea.**

### 3.2.3 Concept testing

The overall objective is to assess the attractiveness of each idea to potential customers.

At this stage, promising ideas are visualised and described on paper/computer as a **Product concept**, in a way that potential customers would understand and give their reaction. The core idea is, also presented as statements to test whether it is acceptable or attractive to potential customers. It will focus on benefits and an outline of the marketing mix.

**Product concept** is an elaborated version of the idea expressed in meaningful consumer terms.

Questions can be asked from customers to gauge the strengths and weaknesses of each idea. Rating on a scale from 'definitely would buy' to 'definitely would not buy' can be used as further information to assess the level of acceptance of the ideas.

### 3.2.4 Business analysis

Product ideas that have survived to this stage is expanded into concrete business proposals with production, marketing and financial projections. Some of the issues addressed at this stage will be the same as those in the preliminary screening, but at this stage, it will be looking for more depth with more evidence. The management will need to estimate sales, costs, and profit projections to decide whether they satisfy Business Objectives.



**Make the right decision at this stage. Beyond this stage it will be too costly for the business to drop an idea, as the capital investment, and the involvement of management time in developing the prototype, and marketing strategy is too expensive. Therefore, this stage should be thorough; the management should be fully committed to any idea that goes beyond this stage.**

### 3.2.5 Product development

The best product idea that has passed through the business analysis is actually produced as a physical product to allow trial, performance assessment and usage testing. Prior to this stage, everything that can be done theoretically has been done. The business will be able to determine whether the product idea can be translated into a technically and commercially viable product.

Questions pertaining to whether the product can be made cost effectively, within business plan guidelines, whether it can consistently perform under realistic conditions must be answered at this stage. Extensive laboratory testing, along with initial consumer trials may be required. The Business will need to call upon all kinds of expertise in order to get the product right.

If the product is looking good, it can be prepared for market testing. That is; developing a brand, packaging, labelling, pricing, promotion and launch strategy.

### 3.2.6 Market testing

Before a full launch, the product is offered on a limited time period, in a defined geographical area under conditions as realistic as possible. It is seen as a trail run for the major launch, in which all elements of the marketing effort are assessed. This gives a last chance for fine-tuning.

By market testing, the business will be able to find out whether the customers are actually buying the products and whether they will repeat purchase it or not. It will also, show how the trade and competitors will respond to the new product.

It is necessary to conduct market research at the stage. Conducting market research can monitor the progress and the outcome of the test marketing effort. It can provide information regarding the responses of consumers and trade to the elements of the marketing mix. This will allow the business to decide which aspects are successful and which aspects need revisions. It will also, identify where improvements need to be made to the new product before full launch. If the product needs adjustments, it will go back to the product development stage.



**Competitors may try to distort the market testing effort by having special promotions to divert the attention of consumers and trade from the test-marketed product. Long market testing will give competitors a longer lead-time to respond to the national launch. Too short market testing period might leave out important effects. Therefore, it is essential to have the market testing period just right giving enough time for the consumers to tryout the product and settle down into regular purchasing patterns.**

### 3.2.7 Commercialisation

The business will now face major investments of building a plant to manufacture the new brand according to sales forecasts. Advertising and promotional budget will be at the highest level, as the product is in the introductory stage of the product life cycle. The priority will be creating awareness of the product, then to stimulate trial among the target segment of the market. It is very important to give the product the best possible start in life. It is very likely that the new brand will make heavy demands on marketing resources. Nevertheless, it is necessary for the new product to survive the introductory stage to move to the next stage in life: growth. (See Product Life Cycle at Chapter 2 of this module).

In commercialisation a new product, market-entry timing is critical. Suppose a business has almost completed the development work on its new product, then learns that a competitor is nearing the end of its development work. The business faces three choices:

- a) **First entry:** the first firm entering a market usually enjoys the “first mover advantages” of locking up key distributors and customers and gaining reputation leadership. But, if the product is rushed to market before it is thoroughly debugged, the product can acquire a flawed image.

- b) **Parallel entry:** the firm might time its entry to coincide with the competitor's entry. The market may pay more attention when two businesses are advertising the new product.
- c) **Late entry:** the firm might delay its launch until after the competitor has entered. The competitor will have borne the cost of educating the market. The competitor's product may reveal faults the late entrant can avoid. The business can also, learn the size of the market.

The timing decision involves additional consideration. If a new product replaces an older product, the business might delay the introduction until the old product's stock is drawn down. If the product is highly seasonal, it might be delayed until the right season arrives.

You will need to decide on the geographic locality of distributing the new brand. Whether, it will be distributed only within the district, region, several regions or go national or international. Many businesses use market rollout over time where the new brand will be distributed in one or two recognised areas growing overtime to cover the market nationally. By this method, the Business can concentrate getting the logistics of distribution and production right, and will be able to fine tune the marketing strategies according to experiences gained.

### 3.2.8 Monitoring and Evaluation (M&E)

Like in any other marketing activity, **M&E** is crucial to the success of **NPD**. The **process** of development and the **performance** of the new product after launch need to be reviewed.

**Process can be reviewed based on each stage of development. Whether:**

- Right people were involved in it.
- It needed more time and resources.
- Too much of time and resources were used.
- Quality decisions were made.
- Correct information was collected.
- Results are not flawed.

**Before the new product is launched, performance criteria need to be determined. These are:**

- Volume or value of targeted sales.
- Market share relative to competitors.
- Trade take-up of the new brand.
- Awareness created.
- Trial or attitude formation.
- Timing of launch period.

Comparing the forecast performance with the actual performance will allow the business review the reasons for failure or success. If the actual is less than the planned, the business may need to carefully analyse where it went wrong, whether it arose as a result of poor decision making by the management, lack of information, unforeseen market conditions etc.



**If an organisation does not invest on NPD, the competitor sure will, and that will be a long-term disadvantage for the business.**

## 4. Reasons why new products fail

New products continue to fail at a very high rate. Many new products do fail even with a well-planned **NPD** framework. It is estimated that product line extensions fail at a rate of 80%. And 33% of new industrial products fail at launch.

### Some of the reasons for new product failures:

- Poor marketing research and **NPD** process research
- Technical problems in the new product design or in its production. Production capacity inadequate to meet the demand. Lack of raw material.
- Poor quality and performance.
- Insufficient differentiation from existing products. Products that did not offer any significant advantage over the competing products already in the market. (Lower price, better quality, design...)
- Higher costs than anticipated, resulting in higher prices resulting in lower sales volume.
- Poor timing in product introduction in relation to competitors. Launching too late or too soon.
- Inadequate market analysis. Misjudgement of what the market wants. Overestimate of the market size. Too small target market, which does not absorb volumes, needed for breakeven.
- Lack of effective marketing effort. Not enough advertising and sales promotion. Poor trade distribution. No access to the market.



## CASE STUDY

### Hana Juice Company (HAJCO) Ltd.

HAJCO, as stated earlier, are considering developing and introducing some 'new' products. HAJCO have been contemplating the development and introduction of tomato paste, for the local Jordanian market, as well as citrus juice concentrates for export. HAJCO management decided it would start with the development of tomato paste and leave citrus juice concentrates for the longer term. After all, 'question marks' do ask a high investment to penetrate the market. HAJCO see the development and introduction of these products as 'an improvement of a product' that is not new to the world, although they acknowledge that it is new to HAJCO. The challenge therefore, for HAJCO is to develop a product that is new to the company and at the same time is perceived to be an improvement over similar products already in existence in the market.

HAJCO have adopted a differentiation strategy, meaning they will offer premium products to a wider range of customers. HAJCO realise that not only the quality of the product needs to be superior in line with HAJCO's competitive strength in the market, but also that HAJCO will need to have developed a strong brand name in the market to be able to successfully launch these products in the market. It is important that HAJCO develop this brand image now through their existing premium citrus juices to pave the way for an easier launch of the new products in the market later.

HAJCO decided to follow the following steps in the product development process.

**Idea generation:** organized brainstorm meeting with management team.

**Idea screening:** checked the mentioned ideas with the buying behaviour of customers, and then organized a meeting with some big key accounts (large elite supermarkets and large hotels) to discuss about the ideas.

**Concept testing:** HAJCO developed three samples of their tomato paste and sent them to end-customers and trading partners (hotels, supermarkets, restaurants), and asked them about their experience by filling in a questionnaire. The comments were collected, and analysed based on which HAJCO developed the end product.

**Business analysis:** HAJCO estimated the amount of sales, the selling price, and the costs to develop and produce the new product. With that information, they were able to decide whether the product might be profitable. They calculated that they had to sell at least 10.000 products to reach break-even point. Based on the market analysis, they thought those sales should be achievable. The sales estimates were included in the company's marketing objectives.

**Product development:** HAJCO developed the final product.

**Market Testing:** HAJCO offered the new product to some large restaurant accounts, some (potential) large supermarkets and to a few specialty stores, then asked the testers to register the sales.

**Commercialisation:** HAJCO started selling the new product to a wider range of supermarkets, restaurants and Hotels.

**Monitoring and evaluation:** Based on the sales information from the Market testing stage, HAJCO developed some long and short-term objectives for the new product:

- Sell at least 10.000 products in year one,
- Increase sales by 10% from year 2 onwards,
- Create a market share of 10% in the first year, and increase that share with at least 5% a year.



## EXERCISE

- 1) Consider the risks and advantages related to the level of newness to your future products. What level of newness does product development have to your business (entirely new to the world, entirely new to your company, an improvement of a product, or a modification of a product)? Explain the choice:

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- 2) Describe how product development relates to your competitive advantages in the market, how it relates to your choice for your generic strategy (low cost, differentiation, or focus strategy) as discussed in the Strategic Management module. Ensure the type of products (standards vs. premium), as well as the types of markets (wide or focused) you are aiming at for the new products are in line with the overall strategic choice of your business.

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- 3) Describe the steps you will follow to manage your product development process. Explain which activities you will undertake to develop a new product following the steps discussed in this chapter.

Idea generation:

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Idea screening:

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Concept testing:

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Business analysis:

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Test marketing: Commercialisation:

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Monitoring & evaluation:

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## 5. Guidelines for collaboration with external product specialists

Many small businesses do not believe in out-sourcing, or working in collaboration with outside specialists for the fear of increased costs. Networking, using the strengths of others would result in saving of business's resources, improving efficiency, especially in Research and Development (R&D). Thus, delivering goods better and quicker to the target group.

Commercial and Government laboratories, consultants, universities etc. have developed expertise in R&D. There is no point in reinventing or developing technology by the business if there are other organisations which can do the work better, or whose expertise could be bought.

Your business can have a partnership with another business to pool your resources and your expertise to undertake a specific project that would benefit you both.

**Below are some guidelines for consideration:**

- Have total control over critical technology.
- Be aware that technology could leak to competitors.
- Be aware that time lag of outsourcing could be long (to locate a suitable contractor).
- Be clear of terms and conditions of the required work.
- Do not be too dependent on external bodies for innovation.
- Try to share costs of collaboration and share commercial benefits.

You can ask for example a university student to develop the new product as a project for his graduation, so both of you can benefit from this collaboration.

## 6. Chapter Summary

Organizations need a flow of new products to keep their portfolios steady, their customers and sales force interested and sales growing. Developing these products to ensure repeat purchase is **New Product Development (NPD)**.

- a) When markets are mature and there is not much potential for growth, businesses must find routes to win market shares to achieve a meaningful growth. Developing new products to add to the product portfolio is one way of initiating growth of the business.
- b) If you do not keep improving your products, your competitors will introduce new features and better products to draw your old customers away. Therefore, it is necessary for you to develop new products to face the competition, to therefore retain and capture your customers in this changing environment.

- c) By direct comparison to market penetration and market development, **NPD** is a higher risk strategy. **NPD** can be costly and could take a long time to develop and the risk of failure is high – statistically, two out of three efforts to develop a new product fail!

**To successfully develop new products, you should follow these steps.**

- a) Decide the level of product newness
- b) Manage the product development process

First, you have to decide the level of product newness, by choosing to develop a product that is entirely new to both your business and the market or:

- *An improvement of a product* that is familiar to your business and to the market.
- *A modification of a product* that is familiar to your business and to the market.
- *An imitation of an existing product* that is new to your business, but produced at lower costs.

**You can follow these steps to manage the internal product development process:**

- **Idea generation**
- **Idea screening**
- **Concept testing**
- **Business Analysis**
- **Product Development**
- **Market testing**
- **Commercialisation**
- **Monitoring and Evaluation.**



## DIVERSIFICATION STRATEGY

### Marketing Strategies for Growth

		MARKET	
		CURRENT	NEW
PRODUCT	CURRENT	Market Penetration	Market Development
	NEW	Product Development	Diversification

One of the strategic options you might face at your marketplace is selection a combination of previous discussed marketing strategies for growth.

This chapter will tell you about the methods of diversification.

### What you will learn in this chapter ...



**After studying this chapter, and completing the exercises in it, and with the guidance of your business trainer, you should be able to:**

- **Define diversification strategy.**
- **Explain how diversification strategy can help you to grow your business.**
- **Choose the appropriate diversification method for your business.**
- **Implement the suitable diversification method at your business.**

## 1. What is diversification?

Diversification means that your business develops new products for new markets. Moving beyond the business' current boundaries (or value chain) towards new opportunities. It is moving into unfamiliar grounds concerning both the product and the market.

## 2. How can diversification strategy help you to grow your business?

- **Diversification strategy** can help your business to grow, since it enables you to exploit good business opportunities outside the current boundaries of your business activities. By catering to the new markets or segments with new products, you will increase your market share and sales growth.
- Diversification strategy helps your business to spread business risk over a broader range of markets.
- Diversification strategy can help when industry conditions have reduced the product's attractiveness or diminishing customer base, and preference resulting in poor performance in your product line. When your business has a well spread portfolio, the resources can be shifted around for further development to combat short-term difficulties.



**Diversification strategy carries many risks; your business is taking the double risk of entering new markets with new products and may lose its focus. Therefore, a product diversification strategy is considered a high-risk strategy by comparison with other business growth options discussed earlier.**

## 3. How do you diversify?

To diversify your product portfolio, you can use one of the following options:

- Organic diversification versus diversification by acquisition.
- Diversification into a new point in the supply chain versus diversification into new and unrelated markets.
- Concentric diversification versus conglomerate diversification.

### 3.1 Organic diversification versus diversification by acquisition.

#### 3.1.1 Organic diversification

Organic diversification is when your business diversifies naturally, starting small by serving one segment at a time and expanding gradually into other segments, using the experiences gained in a market rollout manner.

The well-established customer base, experienced technical expertise, the developed financial structure will provide a sound basis for future growth. If the markets are fast moving and there are new opportunities, organic growth alone will not be sufficient to give your business a competitive advantage. This is because organic diversification takes too long a time for your business to gain experience, and competitors would make use of the market opportunities faster.

### 3.1.2 Diversification by acquisition

Diversification by acquisition means that you buy into, or acquire another company offering a product that is new to your company and not yet reached by your business. Diversification by acquisition can be an attractive option when your business wants to move in fast to make use of market opportunities when organic growth is low. Diversification by acquisition can also reduce the level of competition and provide your business with cost advantages, i.e. through economies in buying, distribution and promotion and, where applicable, savings in investment on new product development.

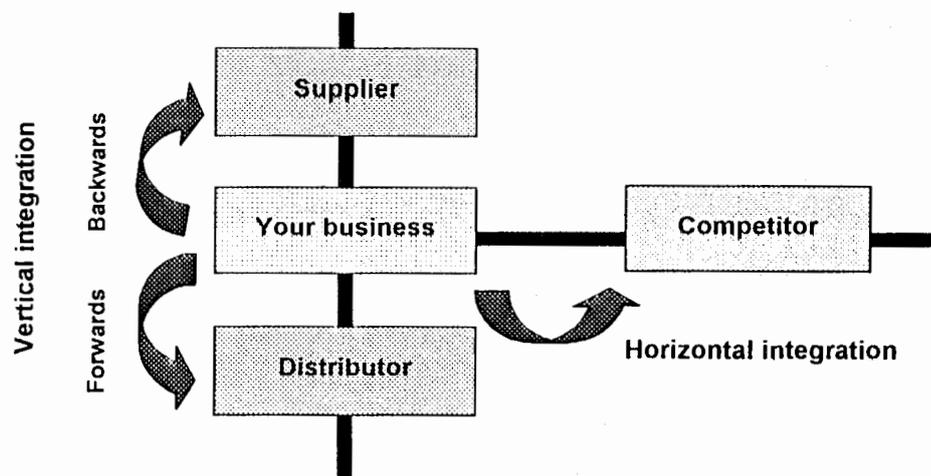
Diversification by acquisition does not happen only among large businesses. Even your business could acquire a smaller business for market growth. Or, your business can buy the patent or a license to produce someone else's products or you could buy the whole company.

## 3.2 Diversification into a new point of distribution

Diversification into a new point of the distribution chain means that you expand the radius of your business within the value chain for your product.

Your business can diversify into a new point of the distribution chain through vertical or horizontal integration:

Illustration below shows those methods:



### 3.2.1 Horizontal Integration

Horizontal integration refers to development into activities which are competitive with, or directly complementary to, a business's present activities.

Here, your business acquires competitors to strengthen the market share. By this method of growth, your business will acquire the competitor's customers too. As your business will be distributing similar products to similar customers, it is possible for you to cut down on distribution costs by using a common distribution system. (Example: A garment company producing shirts and selling to Amman, this company can acquire a company producing shirts and selling to Irbid market; this will expand the company's market, and utilize the distribution channels of the second company).

### 3.2.2 Vertical Integration

Vertical integration can take place through 'backward integration' or 'forward integration':

- **Backward integration** refers to development into activities which are concerned with the inputs into the business's current business.

Here, your business diversifies into the core business of your suppliers. Backward integration is done when the business wants to guarantee the quality and the quantity of the raw material.

(Example: A garment company producing men suits acquired a company producing zippers and buttons, this company will guarantee the quality of its raw materials to produce quality suits)

- **Forward integration** refers to development into activities that are concerned with a business's outputs.

Here, your business would go into business with the distribution network by either setting up or acquiring dealers, wholesalers, and retailers in order to control the distribution process.

(Example: A garment company producing men suits acquired garment shop in Amman)

## 3.3 Diversification into new and unrelated markets

The implications of diversification into new and unrelated markets were discussed earlier in this module. Diversification into new and unrelated markets means that you develop products, or acquire/enter into alliances with other companies offering products that are new to your company. In both cases, diversification into new and unrelated markets bears the risk of the unknown; it is difficult to project the acceptance level in the target markets, and can be a challenge to manage an unfamiliar product portfolio.

## 3.4 Concentric diversification versus conglomerate diversification

### 3.4.1 Concentric diversification

Concentric diversification means that your business maintains a technological or commercial link between the old and the new activities. In concentric diversification, the organisation could add unrelated product lines to its product portfolio, but continue using the same sales force and the distribution channels. Alternatively, your business could add a new distribution method to existing product technology. *Example:* 'Bic' an international cost leader company that produces plastic ballpoint pens also decided to produce plastic lighters, because the production techniques and the marketing techniques are almost the same.

### 3.4.2 Conglomerate diversification

Conglomerate diversification means that the business diversifies its portfolio by developing new products targeting new markets. Conglomerate diversification is the most risky growth option, since your business is likely to be unfamiliar with the new target market, and has to invest substantial resources and time in developing a new product first. For more details on the risks of developing new markets, and the challenges of developing a new product refer to Chapters six and seven of this module.



## CASE STUDY

### Hana Juice Company (HAJCO) Ltd.

HAJCO could consider to start selling either directly to customers by opening some 'HAJCO stores' or to offer the new product (Tomato paste) which are fairly similar in production technique to citrus juice, and sell these in new markets.

#### Question

Which types of diversification can you identify?

HAJCO stores: .....

Producing tomato paste:

Selling citrus juice concentrates to Europe is another 'diversification' option HAJCO can pursue. They decided earlier not to do so because it is felt this approach would be difficult to pursue at this stage. If they would pursue this option in the future, then, they decided, it would be by developing the citrus juice concentrates for the local market first (product development), and if that would be successful then to consider export later (market development).



## EXERCISE

### Application exercise

Maybe you are also considering a diversification strategy for your business. Which diversification strategy are you taking into consideration? Please explain your motivation:

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## 4. Chapter Summary

- Product diversification means that your business enters new markets with new products, moving beyond the business's current boundaries (or value chain) towards new opportunities.
- Product diversification can help your business to grow since it enables you to exploit market opportunities outside the radius of your current business activities. Also, product diversification helps your business to spread business risks over a broader range of markets and products.
- The disadvantage of product diversification is that it carries many risks; your business is taking the double risk of entering new markets with new products, and may lose its focus. Therefore, a product diversification strategy is considered a high-risk strategy compared to other business growth options discussed earlier.
- To diversify your product portfolio, you can go for one of the following options:
  1. **Organic diversification versus diversification by acquisition.**
  2. **Diversification into a new point in the supply chain versus diversification into new and unrelated markets.**
  3. **Concentric diversification versus conglomerate diversification.**

# BUILDING CUSTOMER RELATIONSHIP

Before preparing the strategic marketing plan for growth, it is essential for you to understand the importance of building Customer Relationship for growth purposes.

## What you will learn in this chapter ...



**After studying this chapter, and completing the exercises in it, and with the guidance of your business trainer, you should be able to:**

- **Define what Customer Relationship is.**
- **Explain why Customer Relationship is important for sustained growth.**
- **Explain how customer relationship can help your business to grow.**
- **Plan how to manage your relationship with your customers.**
- **Build customer loyalty and customer retention.**
- **Explain what sales productivity is, and how it helps to increase your sales?**

## 1. What is Customer Relationship?

The way in which enterprises interact with their customers has changed dramatically over the past few years. A customer's continuing business is no longer guaranteed. As a result, enterprises have found that they need to understand their customers better, to quickly respond to their wants and needs. In addition, the time frame in which these responses need to be made has been shrinking. It is no longer possible to wait until the signs of customer dissatisfaction are obvious before action must be taken. To succeed, enterprises must be proactive and anticipate what a customer desires.

**Customer Relationship** refers to understanding your customers, their needs and wants to align your business processes, products and services to keep them satisfied and build successful long-term commitment with them.

## 2. Why Building Customer Relationship is important for Sustained Growth?

Enterprises are living today in a very competitive market from one side and very demanding customers from the other side. Successful enterprises need to react to each and every one of customer demands effectively. The market will not wait for your response, and customers that you have today could vanish tomorrow. Interacting with your customers is also not as simple as it has been in the past. Customers and prospective customers want to interact on their terms, meaning that you need to look at multiple criteria when evaluating how to proceed. So enterprises today realized that:

- They must spend far more money to get a new customer than to retain an existing customer.
- It is far more expensive to win back a customer after they have left than it is to keep them satisfied in the first place.
- It is far easier to sell a new product to an existing customer than it is to a new customer.
- Some customers are vastly more profitable than other customers. Some customers are unprofitable, and some customers are unprofitable and will never be profitable.

In order to stay competitive and sustain your growth, enterprises should develop strategies to become customer-focused and customer-driven. These terms define the companies' desire to build lasting customer relationships. This could result into more sales through existing customer retention and from attracting new customers in the market.

## 3. How Customer Relationships Can Help Your Business to Grow?

In all cases, one aspect is the key for the successful implementation of the marketing effort: The goods or services must satisfy the changing needs, wants and demands of the customers over time. This means, the customers must receive quality for their money.

From a marketing point of view, quality means satisfying customers' expectation. A marketing strategy focusing on quality will aim at providing customers with products and after sales services that truly satisfy their needs and wants. As a result, customers will come and buy your product, not only once, but often so that you will have new and loyal customers to make long term profits.

Emphasis on quality is important for sustained growth because it enables your business to:

- **Increase sales:** Your existing customers come back to buy more products from you, and new customers are attracted to purchase your products, some of them crossing over from your competitors and others as first-time buyers.
- **Cut cost:** Quality emphasis means that you reduce product faults, and as a result, you have to spend less time and money on customer returning faulty goods or complaining about poor service. You will, also have to spend less money on attracting new customers. You can focus your effort on developing long-term relations with existing customers.
- **Face local and overseas competition:** Quality, here, means that you aim at providing goods and services that comply with industry norms and standards, or, if you are more ambitious, then you benchmark your products against the industry leader and then seek to close the quality gap.
- **Be ready for the challenges of the future to come:** Emphasis on quality means that you focus on product innovation, rather than copying the goods and services provided by others and following the lead of your competitors, you focus on continuous improvement through close customer interaction. By keeping your fingers always at the pulse of your customers, their changing needs and wants, you can anticipate trends, spot new market opportunities, thereby reducing risk of business failure.

In addition to emphasis on quality, enterprises could grow and sustain growth through strengthening their customers' relationships by doing the followings:

- Seeking customer satisfaction through Customer Relationship Management (CRM).
- Building customer loyalty and customer retention.
- Increasing Sales force productivity.



#### Who is a customer?

- A Customer is a person who brings you his/her wants & needs. It is your job to handle those wants and needs profitably to the customer and to yourself.
- A Customer does not dependent on you - your business depends on the customer.
- A Customer is not someone to argue with. Nobody ever gained by winning an argument with a Customer

### 3.1 Seek Customer Satisfaction through Customer Relationship Management (CRM)

Customer Relationship Management (CRM) is a marketing concept to identify, cultivate, and maintain long-term profitable customer relationships. It requires developing a method to select your most profitable customer relationships (or those with the most potential) and working to provide those customers with service that exceeds their expectations.

The objective of CRM is the optimisation of profitability. It begins with the premise that not all customers are created equal. It is only the enterprises that really understand if, what, and how customers want to interact that are likely to achieve customer loyalty and the associated profitability improvements.

CRM allows companies to better discriminate and more efficiently allocate resources to their most-desirable customers. The caveat is that many enterprises will compete for the same set of attractive customers. Because most customers tend to have only a handful of meaningful relationships, some enterprises will lose even their existing customers. Thus, the need and the capability to develop, maintain and continuously execute effective customer relationship programs are vital for sustained business growth.

In addition, CRM is an information industry term for methodologies, software, and usually Internet capabilities that help an enterprise manage customer relationships in an organized way. For example, an enterprise might build a database about its customers that described relationships in sufficient detail so that management, salespeople, people providing service, and perhaps the customer directly could access information, match customer needs with product plans and offerings, remind customers of service requirements, know what other products a customer had purchased, and so forth. Many CRM software solutions are available in the market today that suits different type of businesses.

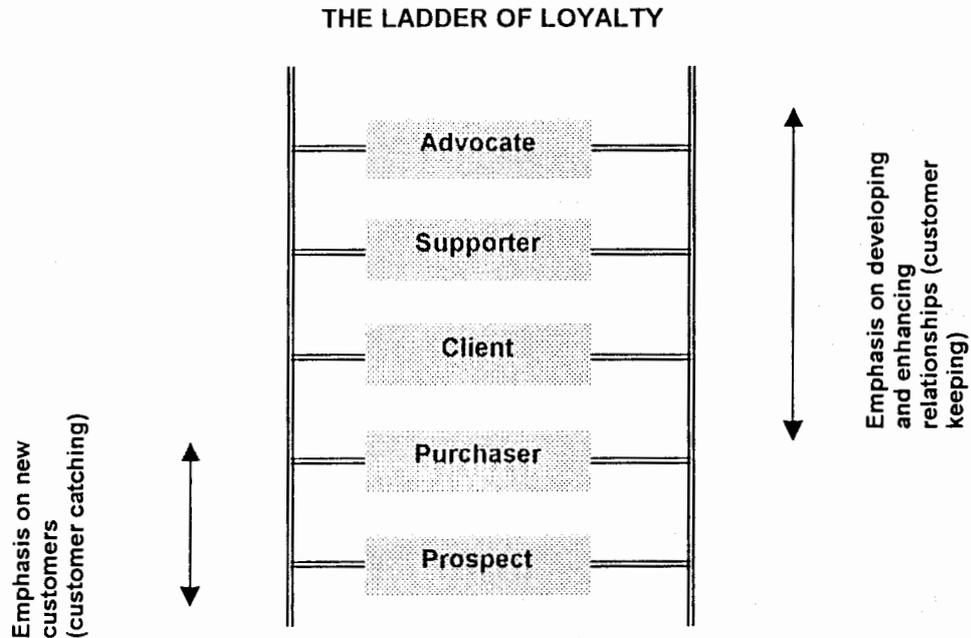
There are many different benefits of CRM for every growing business and we can list some of them:

- Identifying qualified leads and gaining new customers.
- Closing sales more effectively and efficiently.
- Allowing customers to perform business transactions quickly and easily.
- Providing service and support following a sale.

### 3.2 Customer Retention and Customer loyalty

Customer retention can be created when you keep in contact with your customers (build a relationship) and most importantly when you have fulfilled the customer's expectations better than your competitors.

For your business, it is the process of building and managing your customers and other value chain relationships to increase repeat purchase, customer retention and profits. The relationship process will move your customers up the ladder of loyalty illustrated below from the position of prospect to the position of being your advocate at the market place.



Source: Relationship Marketing, Christopher, Payne, Ballantyne

**Prospect:** -someone whom you believe maybe persuaded to do business with you.

**Purchaser:** -someone who has done business with you just once.

**Client:** -someone who has done business with you on a repeated basis, but he feels neutral toward your business.

**Supporter:** -someone who has done business with you, likes your business, but only supports you passively.

**Advocate:** -someone who actively recommends you to others, who does marketing for you

**Other important things to know that help to create customer loyalty and customer retention.**

**Motivating a sales team** Giving them a fixed salary and a bonus if they reach their personal targets can motivate your sales people. The personal targets are based on your marketing objectives.

- **Focus on customers.** Besides your segmentation and targeting, you always have customers that have more sales potential than others and there might be differences in the sales shares per customer. It is known that generally 20% of the customers generate 80% of the sales. In that case, you should put 80% of the sales effort in your big customers or the high potential customers, without of course, neglecting your other customers.
- **Follow-ups.** If customers have bought something, they will really appreciate when you follow - up the sale. Besides, that follow-up provides you with information that will help you to build on your competitive edge. You can develop a procedure for your sales people by explaining to them when, how and by whom the follow-up must be done.
- **Offering excellent service.** Service is actually intangible, but plays an important role in satisfying your customers. Especially, when customers do not expect things. Offering service and quality even if the customer has to pay for it, either direct or indirect, creates long-term relationships. Your employees should treat customers like guests. Tell them that they should treat your customers exactly as they want to be treated when they visit a company to buy something. Especially, in the hospitality business they should understand the importance of service. A very good example is the story of a general manager of a large hotel chain. He created a service oriented culture inside, as well as outside the company by using the phrase “*Yes, I can*”. Every employee wears a nameplate with that sentence.
- **Never promise things you can't fulfill.** It happens often that (new) customers are promised things you actually can't fulfill. If customers have complaints about your product or service, then they ask you to do something about it, and then do something about it. Tell them when, how and by whom the problem will be solved, and solve the problem. If you think that the problem can't be solved or that it will take a long-time, be honest about it.
- **Professional knowledge.** Knowledge of the products you sell is generally, a way to satisfy customers. Therefore, you should train your employees not only at the beginning, but also during the time when your business is growing. Besides, having created knowledge about your products, the people that have contacts with your customers should have knowledge of the businesses your target markets are in. Knowledge of the target market businesses helps you to identify opportunities and threats. If you are able to understand the business of your customer, you will also be able to ‘help’ him/her to find solutions for his/her problems.
- **Accessibility** If (new) customers try to reach your business but it takes too much time, they will consider going to one of your competitors to help them by fulfilling their needs. Accessibility is usually one of the factors that influence the buying behavior of your (potential) customers. Your business phone must be properly answered before it has rung four times. The right way to answer the phone is: *Good morning (afternoon, Good evening), name of the business, name of the employee who answers the phone, how can I help you.* When you really want to grow your business, you can consider using a separate telephone number for complaints. A person that has all the customer information and has good communication skills and good problem solving skills (without promising things they can not fulfil) must answer that phone!

- **Develop procedures.** If you develop procedures, your employees will run the business as you want it. Actually, you can develop as many procedures as you want to, but you should know that it takes a lot of effort. On the other hand, your operation will run more efficiently, and you will be able to provide a better service. In procedures or manuals, you should explain, *how*, *when* and by *whom* things have to be done. For example, you can develop procedures for answering the phone, helping customers, dealing with complaints etc.

### Long term *customers* are more profitable to you because:

- Regular customers place frequent consistent orders. Therefore, they are less costly to serve.
- Long-established customers trust you, and tend to buy more.
- Satisfied customers sometimes pay premium prices.
- Loyal customers make it difficult for competitors to enter your market or increase their market share.
- Satisfied customers will often recommend your business to potential customers.
- Acquiring new customers may cost your business a substantial amount. Higher retention rate means fewer customers need to be acquired.
- Customer will be your advocate at the market place



**At what stage do you classify the majority of your customers according to the Ladder of Loyalty?**

## 3.3 Increase Sales Productivity

To get a better understanding of sales productivity we should introduce two important terms, sales *efficiency* and sales *effectiveness*, the two components of sales productivity:

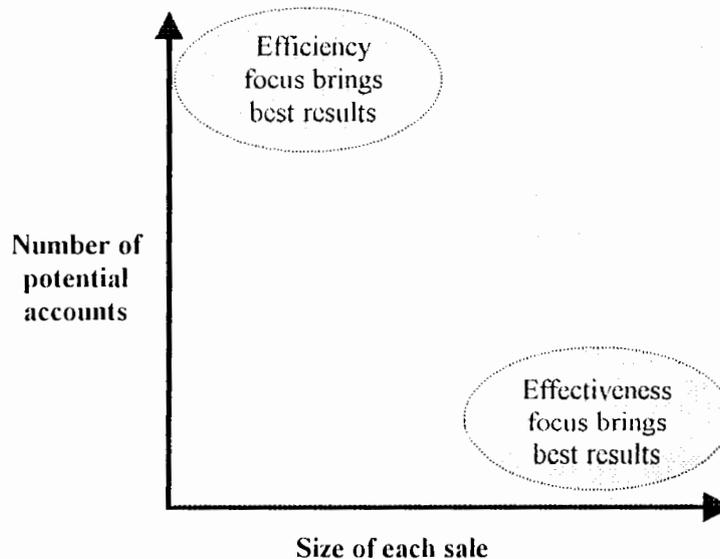
- **Sales efficiency** is about how to get in front of the right customers, for the right amount of time, at a minimum cost.
- **Sales effectiveness** is about how to maximize sales potential once you're there.

The efficiency/effectiveness distinction helps us to understand and improve sales productivity. It is generally true that a sales force selling lower value products (like mass products) makes many small sales to a large number of customers. A major account sales force, in contrast, tends to have comparatively few customers but the average size of the sales is much larger (like capital products).

The number of potential customers in an enterprise's customer base, and the sale value of the product usually have significant implications for whether a sales force concentrates on efficiency or on effectiveness (see figure below).

For enterprises that have many potential customers to cover and product sale value relatively small, efficiency improvement of sales force helps to get more prospects, on the other hand, little potential customers to cover and high sale product value would require more concentration on effectiveness to bring more results.

As a consequence, small sales value products are easier to make, so improvements in effectiveness, such as better selling skills, have less impact on small sales than they do on large.



Sales productivity is the combination between efficiency (how many prospects you can visit) and effectiveness (what you do once you are face to face with your prospect). Which means?

**Sales productivity = Sales Efficiency + Sales Effectiveness**

By increasing sales efficiency (increase number of sales calls) and/or increasing sales effectiveness (quality of each sales call) then sales productivity will increase, and by increasing sales productivity you grow in sales and relatively you cut costs per sale.

You can increase sales efficiency through motivating the sales force to make more sales calls by improving their planning, time management skills and by implementing sales motivational plans. You can increase sales effectiveness through upgrading the quality of the sales call by upgrading the selling and communication skills of the sales force and mastering their negotiation and closing skills. So sales productivity is all about increasing the quantity and quality of sales calls.

You can use sales efficiency and effectiveness as diagnostic tools to measure your sales force productivity:

**Efficiency Ratio** = Potentials/Prospects (potentials not visited yet/prospects where you have visited and found opportunity).

The Potentials/Prospects ratio is a guide to the potential of a market. The high result of the ratio indicates that there is inadequate market coverage and needs to motivate the sales force to do more sales calls.

### As an example to explain the efficiency ratio

ABC electronics introduced new Palm PC to the market, and the marketing manager estimated the total target market size of 10,000 potential; the ABC sales force consists of five people, have already visited 800 prospects in the last three months with an average of approximately two sales call per day only, and have sold only 80 Palm PC's. The target of the ABC management is to cover the potential market within a year.

The ABC management calculated the sales force Efficiency ratio ( $10,000 / 800 = 12.5$ ); the result is relatively high and shows that the sales force have a large number of potentials to be visited (more than 12 times of the number of prospects already visited), and will not be able to cover the market with two sales calls per day. ABC management discovered that the sales people have to do at least 6 sales calls per day to be able to reach its target. On the other hand, ABC management will study the possibility of increasing the number of sales people.

*Effectiveness Ratio = Calls/Orders* (Total number of selling calls made by sales person/number of orders resulting from those calls).

The call/order ratio is a guide of assessing the sales performance of the sales people results. If the rate is relatively high, that means the sales people needs more training and coaching.

ABC electronics sales team made 800 calls and they sold 80 Palm PC's up to know as mentioned before, so when the sales management have calculated the sales team Effectiveness ratio the result was  $800/80 = 10$ , that means for each sale of Palm PC the sales people have to make 10 visits. The ABC management requested to enhance the effectiveness ratio to become 7 and considered to invest in training the sales people and upgrade their selling skills and knowledge



## CASE STUDY

### Hana Juice Company (HAJCO) Ltd.

HAJCO decided to conduct a customer satisfaction survey to be distributed to all its customers' database (mainly Hotels). The survey was consisting of 30 questions (scale of five points : weak, acceptable, average, very good, exceptional) covering all areas of the business, covering the quality of the product, packaging, pricing, delivery time, after sales follow up, employees requests handling, etc.

The results of the surveys showed the following:

- HAJCO product quality was very good, price acceptable, and the packaging is acceptable too but not attractive.
- Delivery time was acceptable.
- The after sales follow up weak. Only on demand.
- Employees handling customer complaints and requests were weak and sometimes gave no responses.

Continued on the next page...



## CASE STUDY

### Hana Juice Company (HAJCO) Ltd.

Continued from the previous page...

15% of the customers addresses were wrong and the database was not updated, many fields of the database were either missing or had wrong information. So HAJCO decided to make an action plan to update its customer database and manage its customer relationship more effectively.

Mrs Hind measured the sales efficiency and effectiveness ratios and found out that the sales team has acceptable efficiency ratio (3/4) and still has room to cover the total market. And found out that the effectiveness ratio was low 1/20 as average for the sales force and needs to be improved to 1/15.

Based on all the above HAJCO decided to do the following:

1. Update its customer database through visiting all its customers by sales people and fill the customer database form and listen to their requests and report that on daily bases.
2. Take each request seriously and try to respond to these requests within 48 hours.
3. Look for the right CRM software to manage its customers' relationship within 2 months.
4. Decided to classify its customers based on the size of the business they do with HAJCO. In order to classify who are advocates, supporters, clients and customers.
5. Mrs. Hind will qualify list of prospects of the hotels in the market and try to make joint visits to them herself with the sales person to make the best she can to increase the number of new customers.
6. Developing policies to keep in touch with customers by sales people and report any customer request and how to handle each one of them.
7. Mrs. Hind developed daily sales reporting system and decided to arrange for training the sales force on planning, time management, and customer service skills.
8. Mrs. Hind developed motivational yearly bonus system to sales people, named the best sales person of the year, to keep their customers satisfied.



## EXERCISE

Do you have a database of all your customers? Do you have all information needed about them which can help you build relationship with them? Explain?

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Continued on the next page...



## EXERCISE

Continued from the previous page...

Can you determine, based on the size of the business they do with you, how many of your customers are Advocates, Supporters, Clients?

Advocates (   %)

Supporters (   %)

Clients (   %)

What can you do to make your customers who bought once from you to become clients?

Do you think it is important to have CRM software system? Explain why?

Calculate your sales Efficiency and Effectiveness ratios of your sales force and based on the results give recommendations on how to increase your sales productivity?

Efficiency Ratio (for each product/market) =

Effectiveness Ratio (for all sales people) =

Actions to be made to increase your sales productivity:

## 4. Chapter Summary

Customer Relationship refers to understanding your customers, their needs, wants to align your business processes, products and services to keep them satisfied and build successful long-term commitment with them.

In order to stay competitive and sustain your growth, enterprises should develop strategies to become customer-focused and customer-driven.

Enterprises could grow and sustain growth through strengthening their customers' relationships by doing the followings:

- Seeking customer satisfaction through Customer Relationship Management (**CRM**).
- Building customer loyalty and customer retention.
- Increasing Sales force productivity.

Customer Relationship Management (**CRM**) is a marketing concept to identify, cultivate, and maintain long-term profitable customer relationships.

Customer retention can be created when you keep in contact with your customers (build a relationship) and most importantly, if you have fulfilled the customer's expectations better than your competitors did.

The relationship process will move your customers up the ladder of loyalty illustrated earlier from the position of prospect to the position of being your advocate at the market place.

To get a better understanding of sales productivity we should introduce two important terms, sales *efficiency* and sales *effectiveness*, the two components of sales productivity:

- **Sales efficiency** is about how to get in front of the right customers, for the right amount of time, at a minimum cost.
- **Sales effectiveness** is about how to maximize sales potential once you are there.

Sales efficiency and effectiveness could be used as diagnostic tools to measure your sales force productivity.

## MARKETING GROWTH PLAN

Now, after identifying the marketing strategic options for growth, your role will be selecting what is suitable for your business to grow and prepare a marketing plan.

### What you will learn in this chapter ...



**After studying this chapter, completing the exercises in it, and with the guidance of your business trainer, you will be able to:**

- **Define marketing plan.**
- **Explain how a marketing plan can help you manage the growth of your business.**
- **Make a strategic choice of your preferred growth scenario.**
- **Adjust the marketing objective.**
- **Define growth-oriented performance indicators.**
- **Describe your (new) target markets.**
- **Re-arrange the marketing mix.**
- **Quantify the investment needed to implement the marketing effort.**

## 1. What is a marketing plan?

A **marketing plan** is a document that describes the strategic and tactical choices that you have made to align the marketing function with the overall goal of your business.

The following outlines the contents of your marketing plan:

- Analyse your current business situation:
  - Define your enterprise Mission, Vision, Objectives and Goals.
  - Market and competitor analysis
  - Analyse your existing marketing mix.
  - Describe your business environmental analysis (**STEEP**).
  - Prepare **SWOT** analysis.
  - Define your key success industry factors.
  - Define your business competences.
- Setting your marketing and sales growth objectives.
- Define your market segments to be targeted for each product (**Positioning**).
- Define your marketing growth strategies and marketing mix.
- Forecast your Marketing budget and financial return.
- Prepare your action plan and implementation.
- Define procedures for evaluation and control.

## 2. How can a marketing plan help you manage the growth of your business?

A marketing plan helps your business to:

- Focus the marketing effort
- Communicate the marketing effort through the business
- Successfully steer through the implementation process
- Monitor progress
- Evaluate the success of the marketing effort and use the information for future planning purposes.
- Avoid making costly mistakes
- Allocate your financial resources in the most effective efficient manner

In order to be able to prepare your marketing plan or align your existing one, first, refer to – the Strategic Management Module Chapter 2 & 3 -, where you have analysed your business situation, your environment, external (**STEEP** Analysis) and Internal (**SWOT** analysis), you defined your key industry factors and your competencies. And you have defined your Mission, Vision, Goals and objectives. Based on all of that, you have established your strategic management direction for growth. This is very important as the base for you to prepare or align your marketing growth plan.

In this module you have learned the possible marketing strategic options for growth and you were able to define your target market and analyse your product-Portfolio; so you should now be ready to define your marketing and sales objectives and align or formulate your marketing growth plan to implement your chosen marketing growth strategies and detail the actions and tactics to be used for you to grow.

You need to think about your marketing budget and forecasts of revenues to achieve your marketing and sales goals and objectives (the short-term and long-term).

It is very important to schedule the events in your plan and assign responsibilities well in advance. Use a very large scheduling board, and put it in an easily viewed spot. Set up a reporting structure with progress reports and regular communications that will keep your plan on target. Making deadlines in the marketing world can be critical to the success of your business growth.

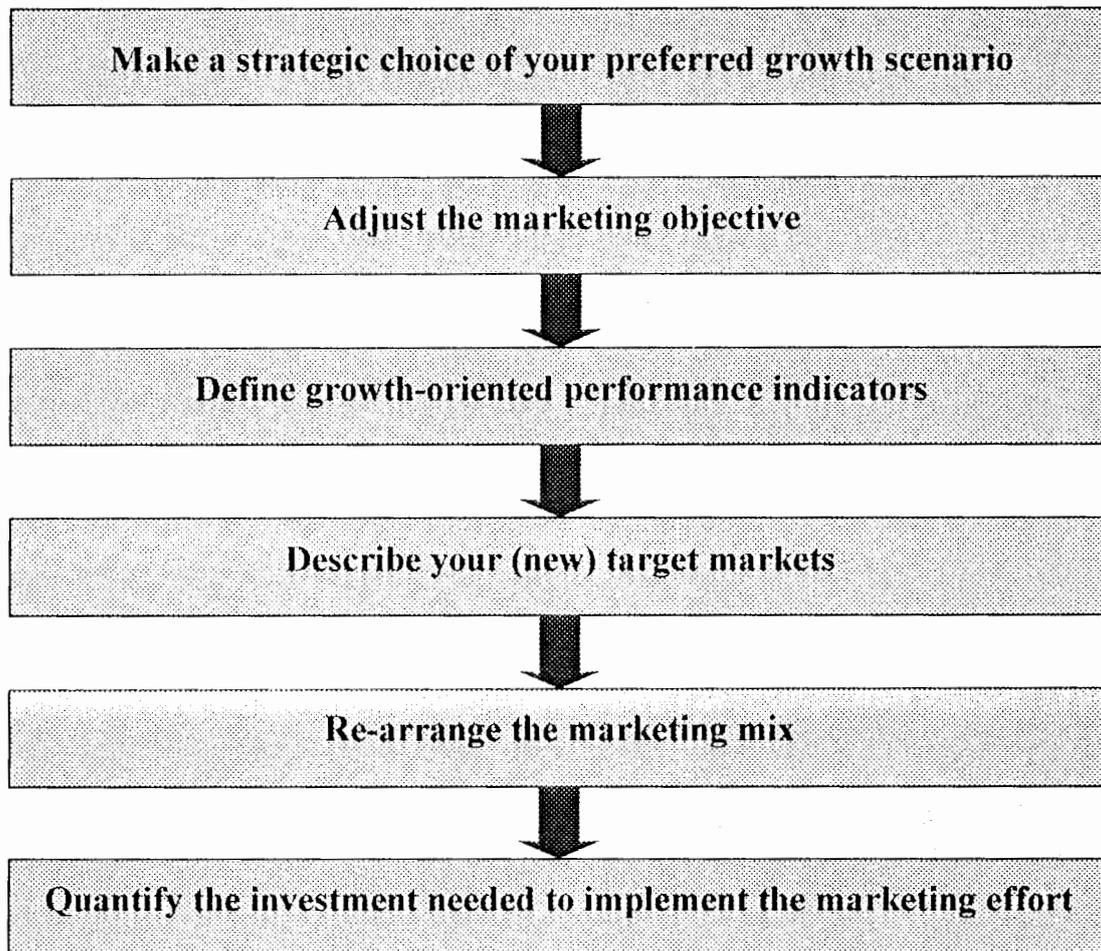
Finally, you should review quarterly your marketing and sales performance goals. Check your market share. Look at your sales figures based on not only the origin of the sale, but the type of customers as well. In other words, is this an existing customer, a new customer, or a new customer with a totally different demographic profile? Are you retaining existing customers, or are most of your sales coming from new customers? What is your competition doing? Which means that you should evaluate continuously your marketing plan implementation and align your actions accordingly.



**Marketing plan is one of the essential plans of your strategic management plan that you need to steer your enterprise through time of stormy and aggressive growth. But it should be done and implemented together with a human resource management plan and finance management plan; this will make it much easier for you to keep the various growth-related business risks under control.**

### 3. How to realign your marketing plan for growth?

To realign your marketing plan, you have to follow these steps:



### 3.1 Make a strategic choice of your preferred growth scenario

Based on analysis of the pros and cons of the four essential growth scenarios outlined in this module, you have to choose either one strategic option or a combination of strategic options to pursue.



**Your choice of strategic growth options has many implications for the other functions of your enterprise, i.e. your human resource management function and the production function. Accordingly, you should carefully analyse these adjoining business functions first, before making a decision.**



## EXERCISE

Analyse the attractiveness of the various growth scenarios for your own business. Choose one growth scenario, or a combination of growth scenarios that you think carries least risk and highest growth potential for your business.

*It is highly likely that you will review your choices of strategic growth scenario later, once you have computed the factors from other business functions influencing business growth. Accordingly, you should consider the choice of strategic growth option at this stage to be "work in progress"*

My preferred strategic growth scenario/combination of growth scenarios is:

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### 3.2 Adjust the marketing objective

In the next step, you have to adjust the objectives of your existing marketing plan, to clearly reflect the new growth-orientation of your business. Where no such marketing plan is in place yet, you have to set a new marketing objective at this point.

Your marketing objective has to link back to the overall strategic growth scenario that you have decided to pursue. For example, if you have decided to develop new markets for your existing products, your marketing objective must reflect that strategic choice.

Your marketing objective should be **clear, measurable, realistic and time-bound, and ambitious**.

Your marketing objective also has to **reflect the customer focus** of your overall growth strategy, and its overriding concern for quality and continuous improvement (as outlined in Chapter 3 of this module, the importance of building customer relationship)

### 3.3 Define growth-oriented performance indicators

In the next step, you have to define performance indicators that allow you to measure progress on the business growth path as a result of the marketing effort (% increase in revenue, % of new customers, % of repeat customers, gross profit margin, and net profit margin). You also have to fix a benchmark or performance goal for each indicator, to measure progress towards the achievement of the marketing objective. Performance benchmarks, here, indicate minimum performance thresholds that might well be exceeded in practice.





## EXERCISE

1. Describe the markets/market segments to be served by your business in the future.
2. Describe why you feel that the competitive edge of your business can match the challenges posed by the target market.

Market/Market Segment	Competitive edge of my business
1.	
2.	
3.	

### 3.5 Re-arrange the marketing mix

The next step is to re-arrange the marketing mix, or to define a new marketing mix for your marketing effort. To that end, you have to choose from the spectrum of tactical choices that were presented to you in this module, i.e. the techniques and tools to customize your offer, organise your distribution system, and plan your promotional campaign.



## EXERCISE

Describe your marketing mix to achieve the growth objectives, choosing from the range of tactical options outlined in this *module*.

### Planned Marketing Mix

Product:

Price:

Place (Distribution):

Promotion:

### 3.6 Quantify the investment needed to implement the marketing effort

A last step, you have to quantify the investment planned to carry out the marketing effort. To that purpose, quantify the cost implications of the various components of your marketing mix. The overall costs of the planned marketing effort play a major role in your final choice of marketing strategy. So you will likely have to play and fine-tune the marketing mix to reach an investment level that is in acceptable relation to the likely return on the marketing effort.



**EYB Module: Strategic Financial Management** tells you more about how to make a cost-benefit analysis for various investment scenarios.



## EXERCISE

Quantify the cost implications of the activities planned as part of your marketing mix

Planned Marketing Mix	
<b>Product:</b>	
<b>Price:</b>	

Continued on the next page...



## EXERCISE

Continued from the previous page...

### Planned Marketing Mix

Place (Distribution):

Promotion:

Congratulations!!! You have completed your marketing growth plan. By implementing this plan, you will be able to achieve your growth objectives!! To finalise the work and ensure that you have a concrete implementation plan, complete the action plan at the end of this module.



## CASE STUDY

### (HAJCO) Marketing Growth plan

**Situational analysis and Strategic Management Direction:**

HAJCO decided to develop a Marketing Growth Plan based on the situational analysis and strategic management direction which has been discussed in the previous Module (Strategic Management Module). As you remember HAJCO decided to follow a 'differentiation strategy'. This means that he has chosen to grow on the basis of products that add value to a larger segment of the market. HAJCO is, therefore, planning to move away from its current 'focus strategy' whereby the company only serves the higher-end tourist market in Jordan. This strategy will allow HAJCO to expand, and is in line with their competitive advantage in the market.

**Existing Product Market Analysis (Introduction, Chapter three):**

HAJCO specialize in processing citrus like lemon, orange, and grapefruit. Their main products are high quality citrus juices. The key clients are elite tourist hotels in Jordan and supermarkets.

HAJCO management noticed that their company was running out of money although sales were improving since they had started extending credit to customers.

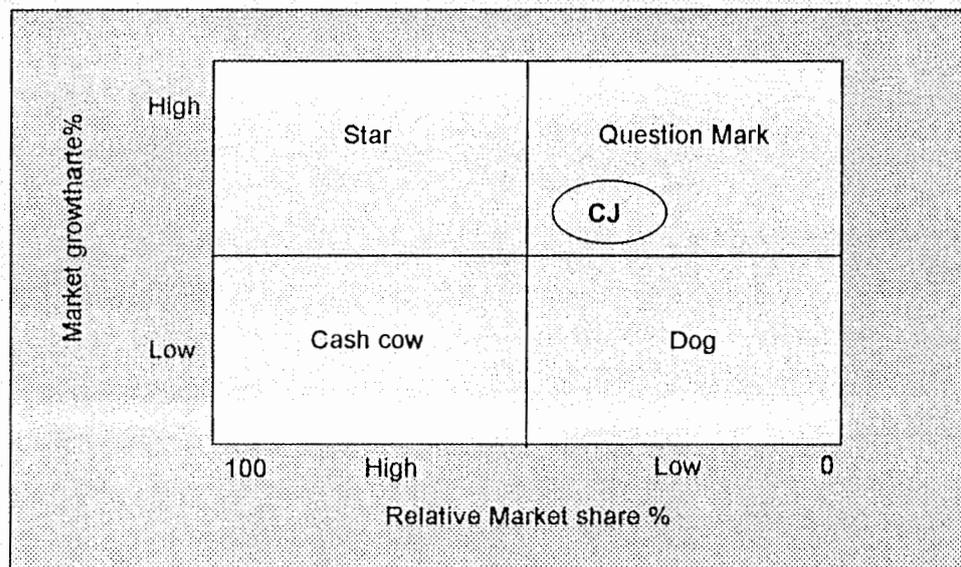
Theqa Distributors has started representing a Lebanese Company who produces quite similar products, and has noticed an obvious decline in orders from Theqa Distributors. There are down from 40% to 30% and dropping further.

HAJCO considers the fresh citrus juice as a product that is about to end the introduction phase and to commence the growth phase.

The market for citrus fruit, and particularly Citrus juices, is growing fast. HAJCO still is a small player in the market compared to the main citrus juice providers.

Graphically, the product-portfolio of HAJCO looks as follows:

**Product-portfolio citrus juice market for the Supermarkets sector (CJ= Citrus juice)**



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## CASE STUDY

### (HAJCO) Marketing Growth plan

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HAJCO consider that their fresh citrus juice is a specialty good with unique characteristics above regular citrus juice in terms of its freshness and quality.

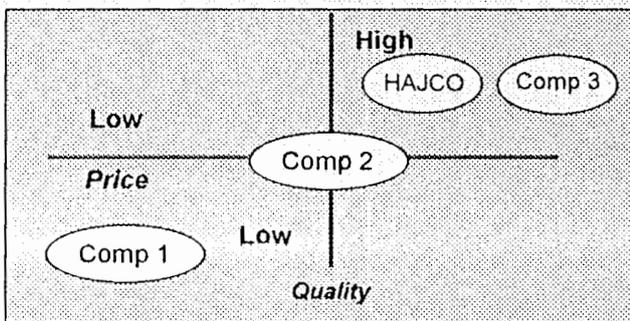
The market share of the market leader (in the hotel market) is 60%. HAJCO's market share is expected to be 20% and the rest is from other players.

#### Competitors Analysis (Chapter Two):

HAJCO has three competitors offering citrus juices; high quality for a reasonable price is a critical success factor in the citrus juice market.

Feature	HAJCO	Comp 1	Comp 2	Comp 3
Price	Average	Low	Average	High
Quality	Very High	Low	Average	High
Real citrus	Yes	No	No	No

As HAJCO positions itself in the market based on price and quality the figure will be as follows:



#### Marketing Mix Analysis (Introduction):

- HAJCO incurred costs for the development and introduction of the product.
- Packaging was not very attractive to the consumers.
- Marketing focused on persuading the hotel market (the early adopters for this product) to buy.
- Pricing was mostly low (promotional), to attract customers.
- HAJCO had limited distribution channels.
- HAJCO developed promotional materials to educate the hotel business about their product.

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## CASE STUDY

### (HAJCO) Marketing Growth plan

Continued on the next page...

#### 1. Make a strategic choice of your preferred growth scenario:

As we learned in Chapter four about the marketing strategic options to grow in product/market are as mentioned in this below:

		MARKET	
		CURRENT	NEW
PRODUCT	CURRENT	Market Penetration	Market Development
	NEW	Product Development	Diversification

HAJCO decided for the following marketing Growth strategies to achieve its marketing and sales objectives (See Chapter three):

- **Market penetration** for the citrus juice to make it a *star* and then *cash cow*. In order to do that HAJCO decided to interact more with existing customers and make them to buy more, getting customers from competitors, and attracting first time customers. (See Chapter five)
- **Gradual market development** for citrus juices to new markets, such as supermarkets and restaurants for the new market of local 'medium aged high income earners with a wholesome life style residing in urban areas' and through sport clubs for the young and sportive. (See Chapter six)
- **Product development** for possible other products such as tomato paste. The investment cost for the development of this product is fairly low, and can be done without incurring major costs. However, HAJCO will go slow in this area and test the products first and wait with the real introduction until the citrus juice starts reaching the *cash cow* phase. (See Chapter seven)
- **Diversification** through the development and sales of dried citrus juice concentrates will have to wait longer. HAJCO realizes that the combination of developing a new product and then exporting it will be more complicated and more costly, given the efforts to find export markets and the quality standards required for export products to the Gulf and Europe. This strategy will therefore be pursued in the medium term after citrus juice has become a *cash cow* and after tomato paste, has been successfully introduced in the local market. The strategy would then start with **product development** for dried citrus juice concentrates, and after they have been sold successfully in the local market, **market development** through export could then be considered. (See Chapter eight)

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## CASE STUDY

### (HAJCO) Marketing Growth plan

Continued on the next page...

HAJCO summarized the future product-market definitions based on the above decided marketing strategic options as follows (See Chapter 2):

	Market Penetration	Market Development	Product Development	Diversification
<b>What</b>	Fresh citrus drinks	Fresh citrus drinks	Tomato paste	Dried Citrus juice concentrates
<b>To meet what</b>	A need for healthy and pure natural thirst-quenchers	A need for healthy and pure natural thirst-quenchers	A need for healthy and pure natural tomato	A need for healthy and pure natural citrus juice
<b>For Whom</b>	Tourists who want high quality fresh citrus drinks	All potential consumers who want high quality fresh citrus drinks	All potential consumers who want high quality meals with tomato	All potential consumers who want high quality citrus juices
<b>Where</b>	Jordan	Jordan	Jordan	Western Europe

### 2. Adjust the marketing objectives toward growth:

HAJCO defined its Growth marketing objectives (see Chapter):

- (a) Sell citrus juices in supermarkets and restaurants.
- (b) Introduce new product (Tomato paste),
- (c) Export citrus juice concentrates to Europe.

### 3. Define growth-oriented performance indicators

The Long-term and short-term sales and marketing goals are as follows (Chapter four):

Long term	Short term
<p><b>Customer orientation</b></p> <ul style="list-style-type: none"> <li>• Increase re-buy of customers to 90%</li> <li>• Delivery to distribution channels within 2 days of request</li> </ul>	<p><b>Customer orientation</b></p> <ul style="list-style-type: none"> <li>• Maintain at least 95% of current clients over the next 12 months</li> <li>• Distributors are always answered by phone; Quotations are sent within 24 hours; deliveries are reduced to 2 days by the end of the year</li> </ul>

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## CASE STUDY

### (HAJCO) Marketing Growth plan Continued on the next page...

Long term	Short term
<b>Competitive position:</b> <ul style="list-style-type: none"> <li>• A growth of sales turnover of 25 percent per year</li> <li>• Citrus juice has entered new local markets within planning period and achieved higher market share in current market.</li> <li>• Segmentation of products from tourism market to local markets within planning period</li> </ul>	<b>Competitive position:</b> <ul style="list-style-type: none"> <li>• Sales growth of 25 % in next 12 months</li> <li>• Market share in the hotel market reaches 40% in 12 months</li> <li>• First development phase of tomato paste completed by next year.</li> <li>• Market research on customer profile conducted; existing product achieves 1 million J.D sales with current and new target group in year 1.</li> </ul>

#### 4. Describe your (new) target markets

HAJCO decide to select the high-income youth and medium-aged population, as their target groups, as they will become the two biggest groups in the future.

High Income with a focus on healthy food and Medium age group (26-55 years) that seek citrus juices as tasty, pure and healthy. To promote longevity.

According to the information from the trend watcher and the fact that the sales of HAJCO citrus juices will be growing in the supermarkets, it can be said that the growth potential is high (> 10%). Based on this information HAJCO prepared the following matrix:

Product-market	Growth rate	Market share	Category
Citrus juice for supermarkets and restaurants.	10% HIGH	30% LOW	Question mark

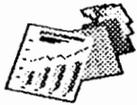
#### 5. Re-arrange the marketing mix

The adjustments on the marketing mix to match the above strategies are as follows:

##### Product:

- Packaging: HAJCO will use two sizes of waxed cartons to reflect the fresh content and to meet the different consumer's behaviours of their target market; the carton is a little bit silvered to give the drink a refreshing visual and distinguished design. HAJCO will use surrounding the carton with information about the contents of the carton, the production and expiry dates, the logo of the company, and a picture of the Jordan Valley landscape. Information will be written in both Arabic and English languages.
- Develop new product "tomato paste"
- Providing value added services such as fast delivery.
- HAJCO want to use branding as a strategy to penetrate the hotel industry further and subsequently make it possible to enter the supermarket and restaurants sectors.
- HAJCO will study the cost of producing dried juice concentrates for export and be ready for developing this new product when time is ready for that.

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## CASE STUDY

### (HAJCO) Marketing Growth plan

Continued on the next page...

#### Place:

- HAJCO will introduce its citrus juice to the supermarkets and restaurants very soon.
- Increasing distribution channels.
- HAJCO were thinking of selling to sport clubs.
- HAJCO had to identify whether to sell through a wholesaler or directly to supermarkets.
- HAJCO identify to approach 'Food Link' as an independent wholesaler to distribute its citrus juice to supermarkets and specialty food stores in all major towns in the country. They also distribute to a fairly large number of the better restaurants.
- HAJCO identify to approach 'Cost U Less', as an independent wholesaler to distribute its citrus juice to over half of the sport clubs in the country.
- HAJCO might decide (if business is going well) to set up a joint venture with the distributor.
- Jordan and EU signed Free Trade Agreement and this information encourages HAJCO management to seek the possibility to enter the EU market and benefit from this opportunity.

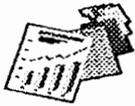
#### Price:

- HAJCO management decided to adopt the 'maximum current revenue' pricing approach for its existing citrus juice, by setting a lower price, because they believe this will assist them in gaining market share faster and grow.

#### Promotion:

- Heavy promotion to create a brand name in the local market for HAJCO fresh citrus juice.
- HAJCO is also contemplating a promotional campaign in hotels and restaurants to create higher awareness amongst customers about their fresh citrus product.
- HAJCO management decided to develop a website that contains only information about the HAJCO products and generating sales by receiving orders from the website.
- Direct-mailing campaign to hotels with the message 'citrus drinks 24-hours available'.
- Youth will need to be informed about the drink as a trendy energizer. Put up a big bill board with a picture of a re-energized sporty looking young man.
- Higher income earners, with healthy lifestyle awareness, will need to be approached about the health and natural aspects of the drink.
- A team of sales people will offer free samples of citrus juices in the supermarkets.
- HAJCO will spare some time to visit the owners of the supermarkets, and introduce them the new product assortment.

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## CASE STUDY

### (HAJCO) Marketing Growth plan

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- HAJCO also, hope that the distributor will be willing to put the logo of HAJCO on their delivery vehicles.
- HAJCO will update its customer database and manage its customer relationship more effectively.
- Look for the right CRM software to manage its customers' relationship within 2 months.
- Developing policies to keep in touch with customers by sales people and report any customer request and how to handle each one of them.
- HAJCO developed daily sales reporting system and decided to arrange for training the sales force on planning, time management and customer service skills.
- HAJCO developed motivational yearly bonus system to sales people, named the best sales person of the year, to keep their staff satisfied.
- Decided to classify its customers based on the size of the business they do with HAJCO. In order to classify who are advocates, supporters, clients and customers.
- HAJCO will qualify list of prospects of the hotels in the market and try to make joint visits to them herself with the sales person to make the best she can to increase the number of new customers.
- Training to sales people should be done in selling skills and product-Market knowledge.

#### 6. Quantify the investment needed to implement the marketing effort

HAJCO will draw an Action plan to implement all the above strategic actions through defining practical tactics in details and assigning people to do them with dead lines and budget. (See the attached HAJCO action plan to achieve the first marketing objective). Also, HAJCO will develop a follow up and evaluation procedure to control and adjust the marketing growth plan frequently.

HAJCO will calculate the return out of this plan and all the related expenses and financing needed to implement the action plan will be defined.

HAJCO will define all needed staff and define training required for the existing employees and new ones to achieve the marketing growth plan.



**HAJCO ACTION PLAN**

Objective (What To Achieve?)	Activities (What Should Be Done?)	Time Frame (When It Should Be Done?)		Responsibility (Who Should Do It?)	Resources (How It Should Be Done? And how much will cost?)	Status
		Start	End			
<b>Sell citrus juices in supermarkets and restaurants</b>						
<b>Product:</b>	1. Providing value added services such as fast delivery.	Jan	Feb	Hind	<ul style="list-style-type: none"> <li>- Prepare policy for that and train the person in charge.</li> <li>- Send letter to all customers about this policy. (Est. 50 JD).</li> </ul>	
<b>Price</b>	1. Adopt Maximum current revenue pricing approach, by setting lower prices.	Jan	Feb	Hind	<ul style="list-style-type: none"> <li>- Prepare letter to all potentials.</li> <li>- Prepare new price list to the sales team.</li> </ul>	
<b>Promotion</b>	<ol style="list-style-type: none"> <li>1. Promotional campaign in hotels, restaurants and supermarkets to create awareness and brand name.</li> <li>2. Offering free samples of citrus juices in the supermarkets.</li> <li>3. HAJCO has to ask "Food Link" distributor to put the logo of HAJCO on their delivery vehicles.</li> <li>4. Start selling to restaurants</li> </ol>	Jan	Dec	Hind	<ul style="list-style-type: none"> <li>- Co-ordinate with the advertising agency the campaign plan and budget. (Budget of 2,500 JD)</li> <li>- Choose the list of supermarkets to offer free samples and schedule between sales people to do that. (Est. 250 JD of free samples)</li> <li>- Get quotation for Logo painting on the vehicles. ( Est. Cost 200 JD).</li> <li>- Employee three sales people to handle this target market. (Move request to HR )</li> </ul>	

**STRATEGIC MARKETING MANAGEMENT**

Objective (What To Achieve?)	Activities (What Should Be Done?)	Time Frame (When It Should Be Done?)		Responsibility (Who Should Do It?)	Resources (How It Should Be Done? And how much will cost?)	Status
Place	1. HAJCO will introduce its citrus juice to the supermarkets and restaurants very soon.	Jan	Jan	Jameel	<ul style="list-style-type: none"> <li>- Study the increase in production cost.</li> <li>- Search for financing for the increase in production. (Move request to Finance Dept.)</li> <li>- Study the feasibility to distribute direct or thru Wholesaler.</li> <li>- Meet with "Food Link" and get an offer for distribution.</li> <li>- Start the distribution and employ one person to handle the orders. (Move request to HR Department)</li> </ul>	
	2. HAJCO had to identify whether to sell through a wholesaler or directly to supermarkets.	Jan	Jan	Jameel		
	3. HAJCO identify to approach 'Food Link' as an independent wholesaler to distribute its citrus juice to supermarkets and specialty food stores in all major towns in the country. They also distribute to a fairly large number of the better restaurants.	Feb	Feb	Jameel		
	4. Start distribution to supermarkets and restaurants	Mar	Apr	Jameel		

HAJCO will do the same for the other strategic options and adjust the marketing mix accordingly.

# GLOSSARY OF MANAGEMENT TERMS USED IN THIS MANUAL

Term	Its Meaning
Distribution Channel	Are all the organizations through which a product must pass between its point of production and consumption.
Franchising	Is an agreement in which a supplier grants a dealer the right to sell a product in return for some percentage of the total sales; typically the supplier provides management advice and marketing assistance to the franchisee, who agrees to operate according to the franchiser's general rules.
Internal Marketing	Is about making the employees more satisfied at their job by supporting and rewarding them for good performance and helping them to cope with their lives outside the office that will help them provide quality services to the customers.
Licensing	is an agreement in which a supplier grants a dealer the right to use a registered brand, symbol, process, patent... etc.
Market	Is more than a physical market where people meet to exchange goods, services and money to the satisfaction of both parties. It consists of all the potential customers sharing a particular need and wants who are willing and able to engage in exchange with suppliers to satisfy that need and want.
Market segmentation	Is the subdividing of a market into distinct and increasingly homogeneous subgroups of customers, where any group can conceivably be selected as a target market to be met with a distinct marketing mix
Marketing research	Is a process of explaining a marketing problem and opportunity, systematically collecting and analysing information, and recommending actions to enhance your business marketing and activities.
Needs	Are the things required by consumers to sustain their lives, e.g. food and shelter by individuals or computers by businesses.
Packaging	Includes the activities of designing and producing the container or wrapper for a product.
Product concept	Is an elaborated version of the idea expressed in meaningful consumer terms?

Term	Its Meaning
Service	Is any activity or benefit that one party can offer to another which is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product.
Strategy	Is a broad plan by which an organization aims to achieve one or more of its objectives by matching its activities to its resource capability and the surrounding environment?
Wants	Refer to additional goods and services that go beyond 'sustenance', e.g. chocolates or watches.

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