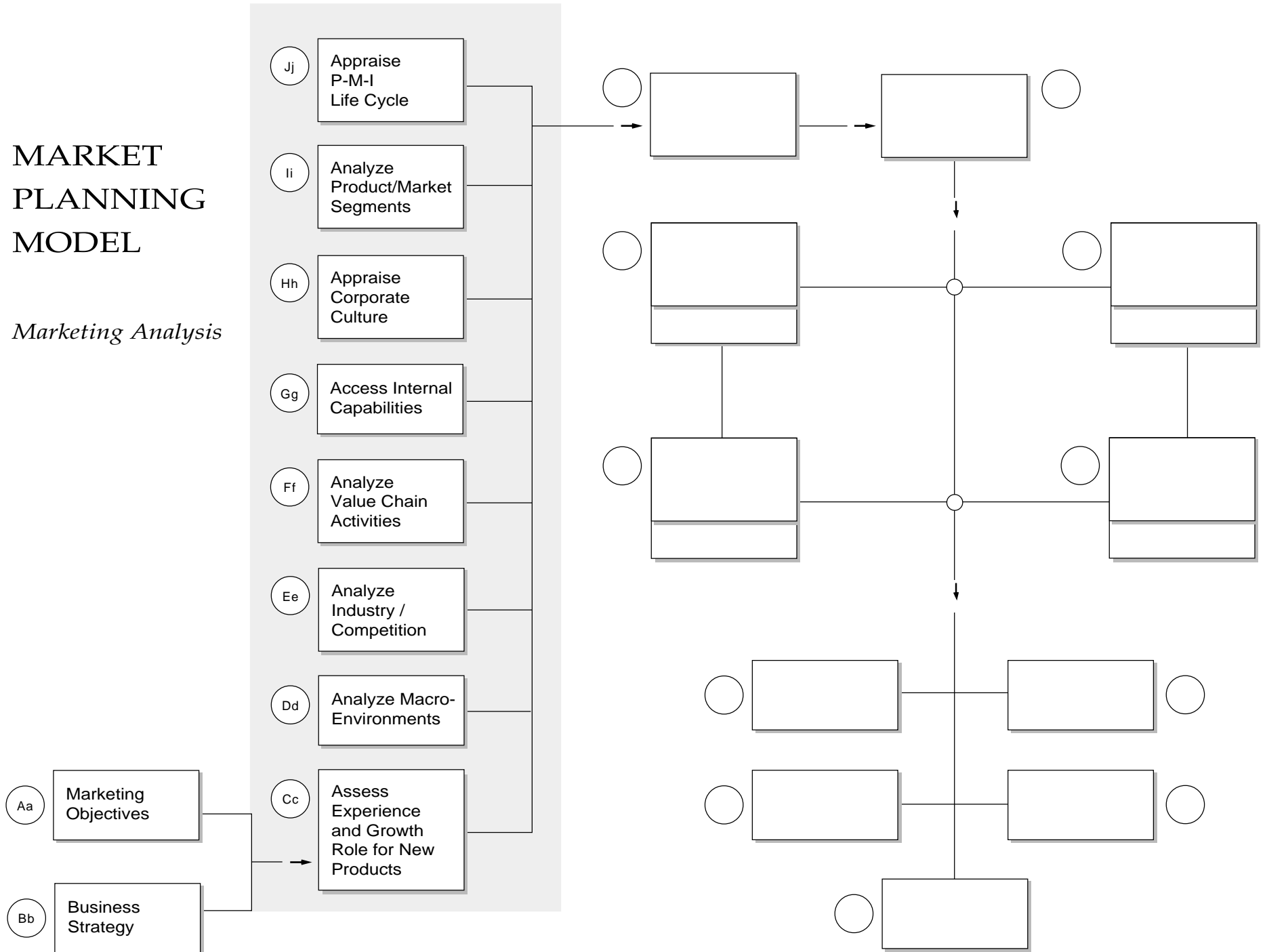


MARKET PLANNING MODEL

Marketing Analysis





Miles and Snow's Business Strategies

Prospector

Cc.2

Defender

Analyzer

Reactor



Prospector

- Operates within a broad product-market domain that undergoes periodic redefinition.
- Values being a "first mover" in a new-product and market areas, even if not all of these efforts prove to be highly profitable.
- Responds rapidly to early signals concerning areas of opportunity; and these responses often lead to new rounds of competitive actions.
- Competes primarily by stimulating and meeting new market opportunities, but may not maintain strength over time in all markets it enters.

Defender

- Attempts to locate and maintain a secure position in relatively stable product or service areas.
- Offers relatively limited range of products or services compared to competitors.
- Tries to protect its domain by offering lower prices, higher quality, or better service than competitors.
- Usually not at the forefront of technological/new-product development in its industry; tends to ignore industry changes not directly related to its area of operation.

Analyzer

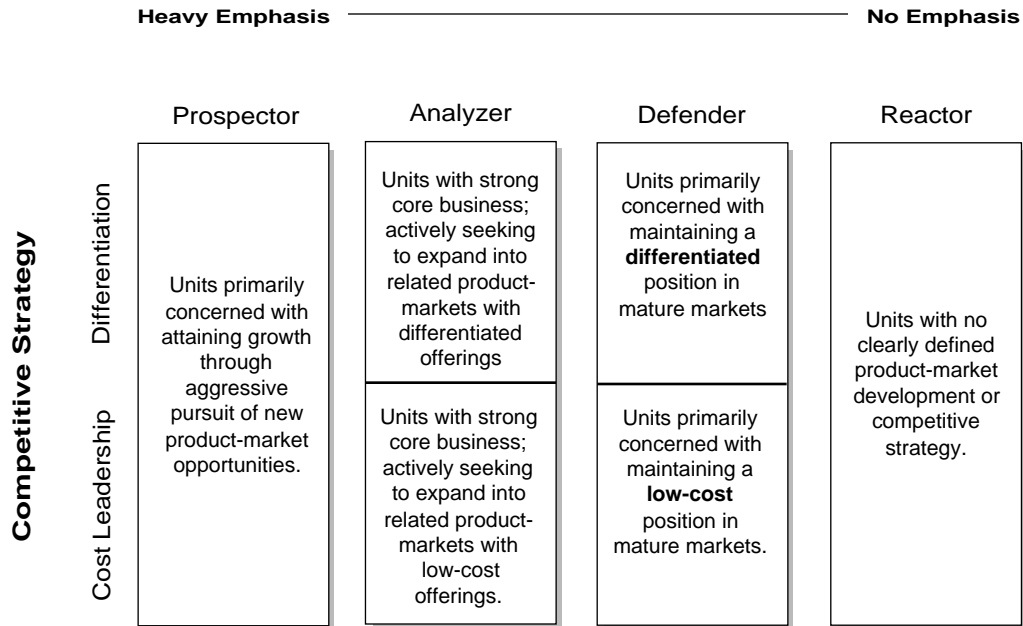
- An intermediate type; makes fewer and slower product-market changes than prospectors, but is less committed to stability and efficiency than defenders.
- Attempts to maintain a stable, limited line of products or services, but carefully follows a selected set of promising new developments in its industry.
- Seldom a "first mover," but often a second or third entrant in product-markets related to its existing market base—often with a lower cost or higher quality product or service offering.

Reactor

- Lacks any well-defined competitive strategy.
- Does not have a consistent product-market orientation as its competitors.
- Not as willing to assume the risks of new-product or market development as its competitors.
- Not as aggressive in marketing established products as some competitors.
- Responds primarily when it is forced to by environmental pressures.



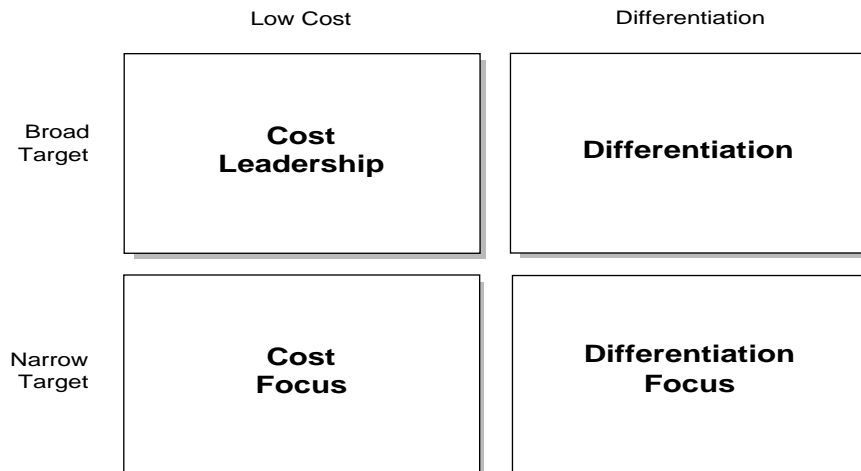
Emphasis on New Product-Market Growth



See Value Chain Activities for Low-Cost / Differentiation Strategies

Ff.1

Source of Competitive Advantage





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Page Cc.1: Porter's Four Business Strategies

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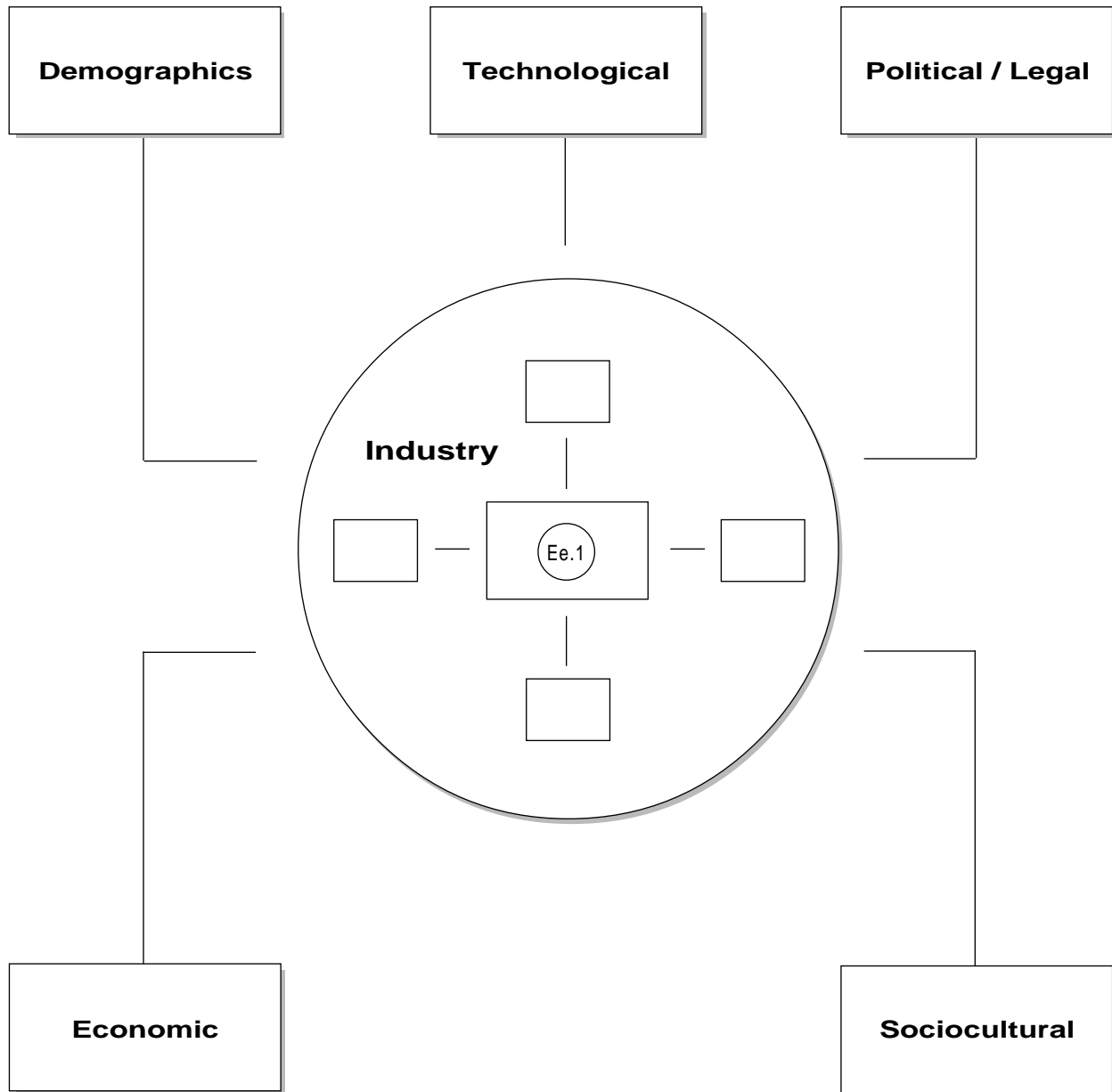
Page Cc.2: Miles and Snow's Four Business Strategies

Organizational Strategy, Structure and Process
R.E. Miles and C.C. Snow
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Page Cc.3: Combined Typology

Marketing Strategy
Walker • Boyd • Larreche
Page 81





Dd.2

Scenario Analysis

Dd.3



Demographics

Determinants of Demographic Changes —

- Population Increases
- Changes in Age
- Changes in Income
- Changes in Family Formation and Growth
- Changes in Homogeneity of People

Technological

Determinants of Technological Changes —

- Changes in Existing Technologies
- New Technologies Introduced
- CAD/CAM
- Flexible Manufacturing

Political / Legal

Determinants of Political / Legal Changes —

- Government Regulation
- Government Deregulation
- Consumer Protection Legislation
- Environmental Regulations
- Changes in Governments
- International Issues

Economic

Determinants of Economic Changes —

- Changes in FX Rates
- Rising/Lowering Interest Rates
- GNP Growth
- Changes in the Leading Indicators
- Inflation/Unemployment

Sociocultural

Determinants of Sociocultural Changes —

- Evolution of Individual Values
- Evolution of Family Structure



SCENARIO ANALYSIS

Step 1: Select the events that may happen about the market. Setup different scenarios.

Table with 3 columns: SCENARIO 1 (S1), SCENARIO 2 (S2), SCENARIO n (Sn). Rows list events: Harmonize Govt./Business, Entrance New Market, Entry Barriers Lowered, No Increase Intra-Trade.

Step 2: What is the probability of scenario event happening.

Scenario Probabilities -> 21.66%, 21.66%, 14.78%

Step 3: Establish Your Marketing Policy Options (strategy).

Table with 3 columns: Desired Outcome Under Scenario. Policy Option 1: Exploit agility, expertise, and Public Relations through buildup of own capabilities. Values: 10.00, 8.00, 5.00.

Step 4: What would be the desired outcome (from 1.00 to 10.00) if you executed the policy option under the possible scenario.

Table with 3 columns: Desired Outcome Under Scenario. Policy Option 2: Seek a strategic partnership or acquisition to strengthen service infrastructure. Values: 9.75, 7.00, 6.00.

Step 5: Highest outcome produces best policy under scenario.

Scenario Analysis Sheet available on next page.

Table with 3 columns: Desired Outcome Under Scenario. Policy Option n: Exploit size, breadth, and customer relationships through buildup of own capabilities. Values: 8.90, 3.00, 2.00.



SCENARIO ANALYSIS

	SCENARIO 1 (S1)	SCENARIO 2 (S2)	SCENARIO n (Sn)
Event 1:			
Event 2:			
Event 3:			
Event 4:			
Scenario Probabilities ->			
	Desired Outcome Under Scenario		
POLICY OPTION 1			
POLICY OPTION 2			
POLICY OPTION n			



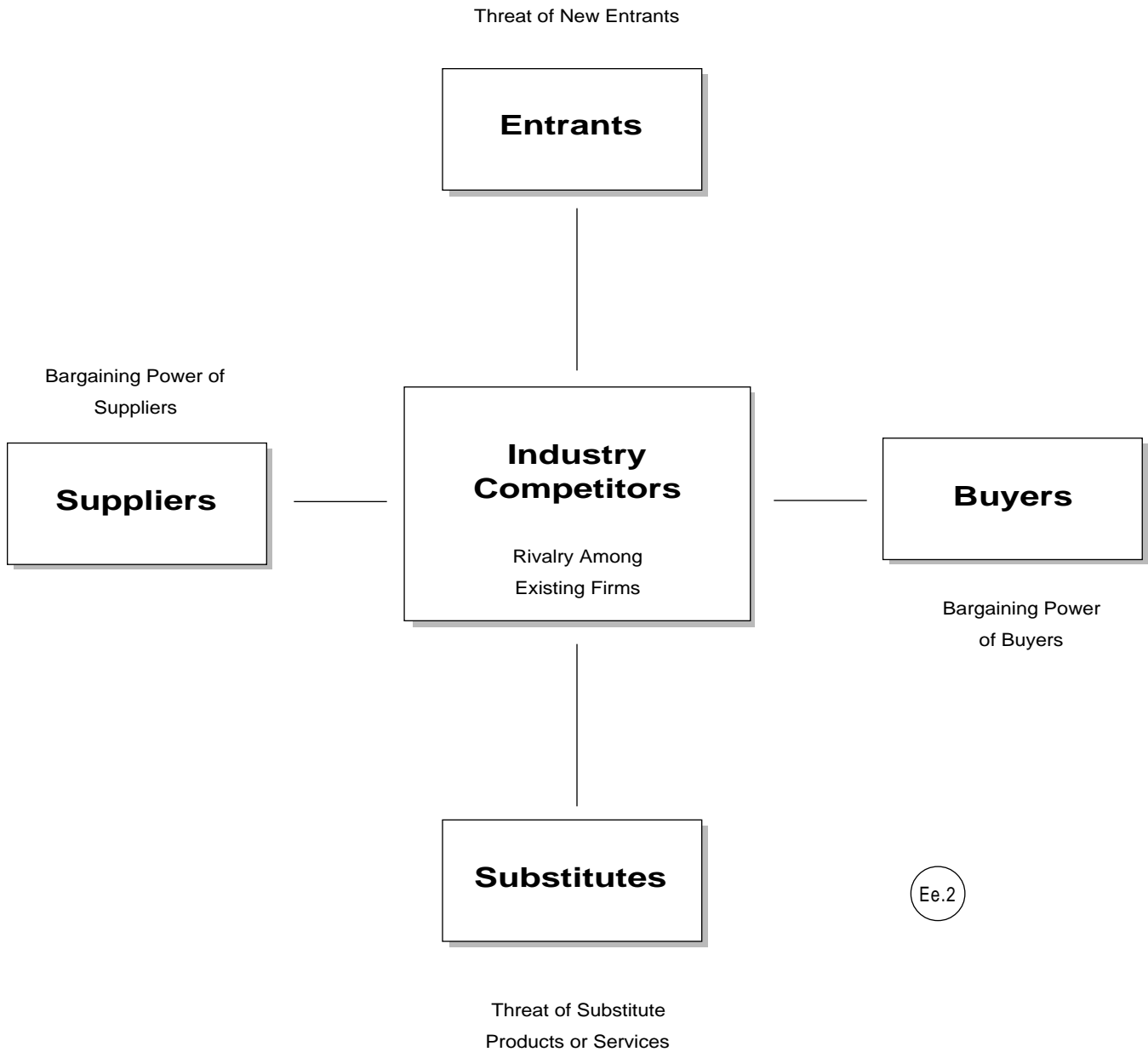
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Page Dd.1-2: Krayton M Davis
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Page Dd.3: Scenario Analysis







Entrants

Determinants of Entry Barriers —

Economies of Scale
Proprietary Product Differences
Brand Identity
Switching Costs
Capital Requirements
Access to Distribution

Absolute Cost Advantages

- Proprietary Learning Curve
- Access to Necessary Inputs
- Proprietary Low-Cost Product Design

Government Policy
Expected Retaliation

Suppliers

Determinants of Supplier Power —

Differentiation of Inputs
Switching Costs of Suppliers and
Firms in the Industry
Presence of Substitute Inputs
Supplier Concentration
Importance of Volume to Supplier

Cost Relative to Total Purchases in the
Industry
Impact of Inputs on Cost or Differentiation
Threat of Forward Integration Relative to
Threat of Backward Integration
by Firms in the Industry.

Substitutes

Determinants of Substitution Threat —

Relative Price Performance
of Substitute
Switching Costs
Buyer Propensity to Substitute

Replacement Innovations / Uses

Buyers

Determinants of Buyer Power —

Buyer Concentration vs. Firm
Concentration
Buyer Volume
Buyer Information
Ability to Backward Integrate
Substitute Products
Pull-Through

Buyer Switching Costs Relative to Firm
Switching Costs
Price / Total Purchases
Product Differences
Brand Identity
Impact on Quality / Performance
Buyer Profits
Decision Makers' Incentives



Industry Rivalry

Determinants of Rivalry —

Industry Growth	Switching Costs
Fixed (or Storage) Costs / Value Added	Concentration and Balance
Intermittent Overcapacity	Informational Complexity
Product Differences	Diversity of Competitors
Brand Identity	Corporate Stakes
	Exit Barriers

Individual Competitor

Determinants of Individual Competitor Analysis —

Identification of Competitor	Competitor Future Behavior
• Primary and Secondary	Competitor Objectives
Growth and Size of Competitor	Competitor Strategy
Competitor Share of Market	Competitor Success to Date
Competitor Strengths / Weaknesses	
Competitor Past Retaliatory Action	Competitor Marketing Activities



References

Page Ee.1-3: Elements of Industry Structure

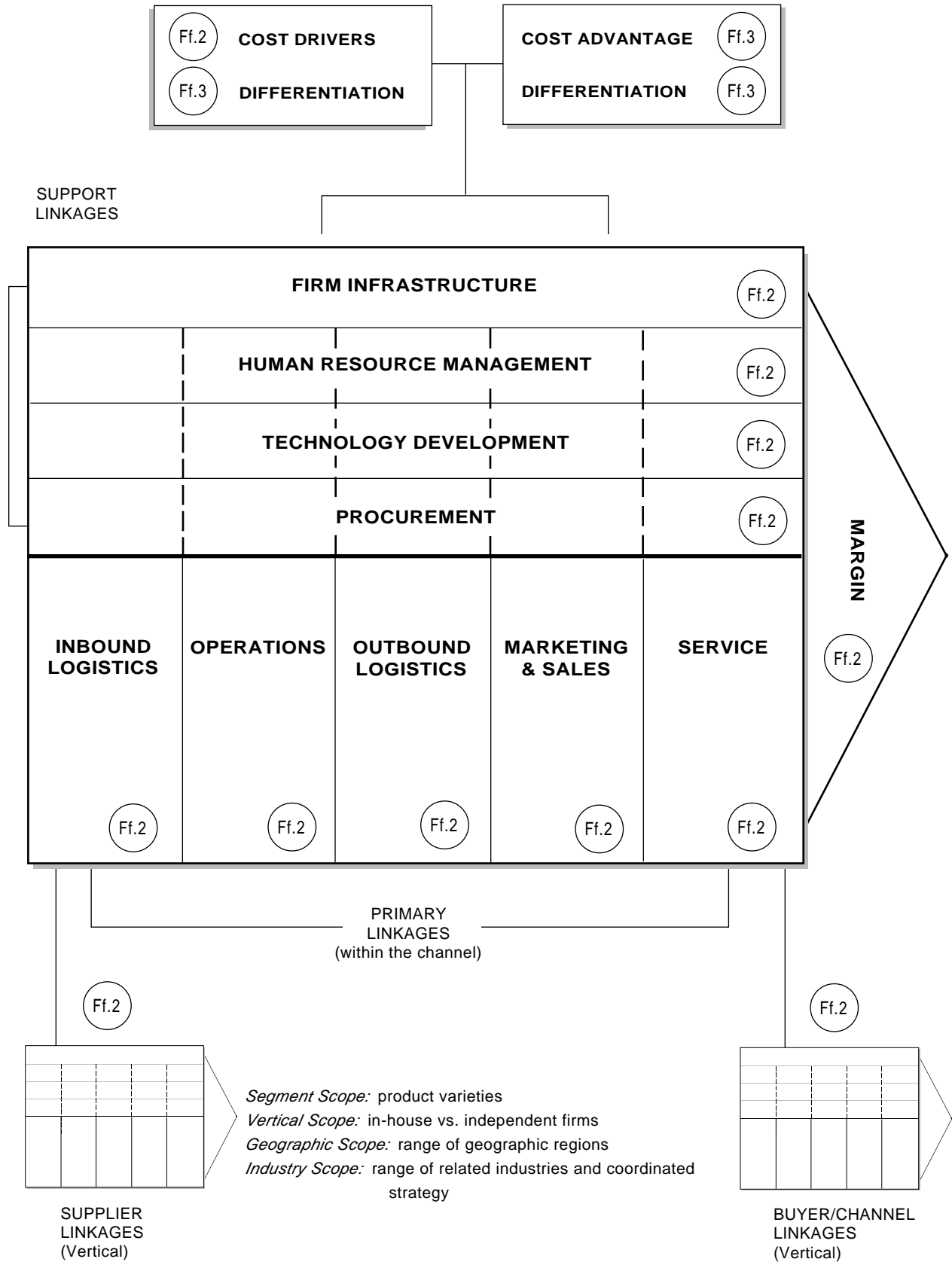
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Page 6*





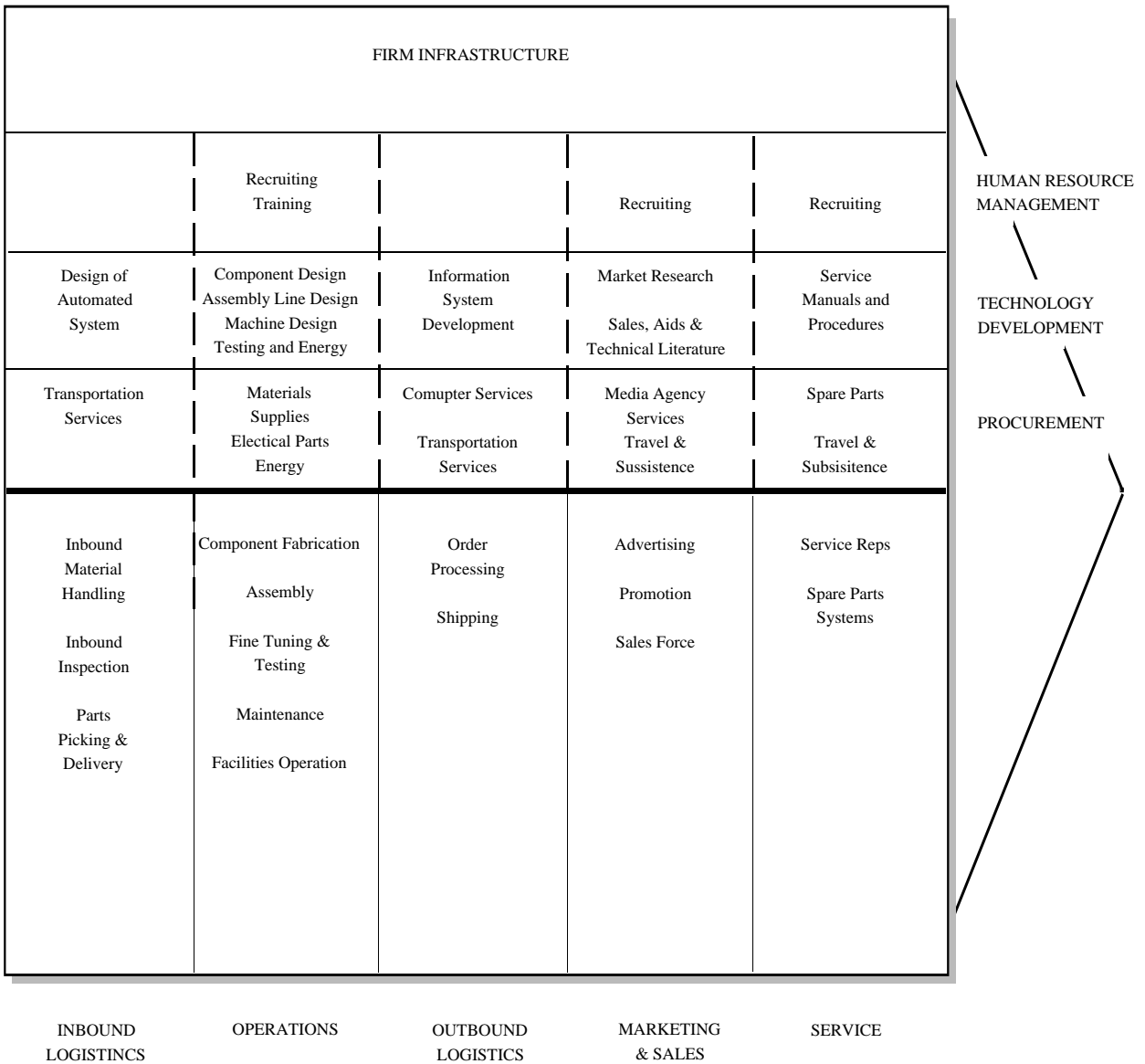
VALUE CHAIN ANALYSIS

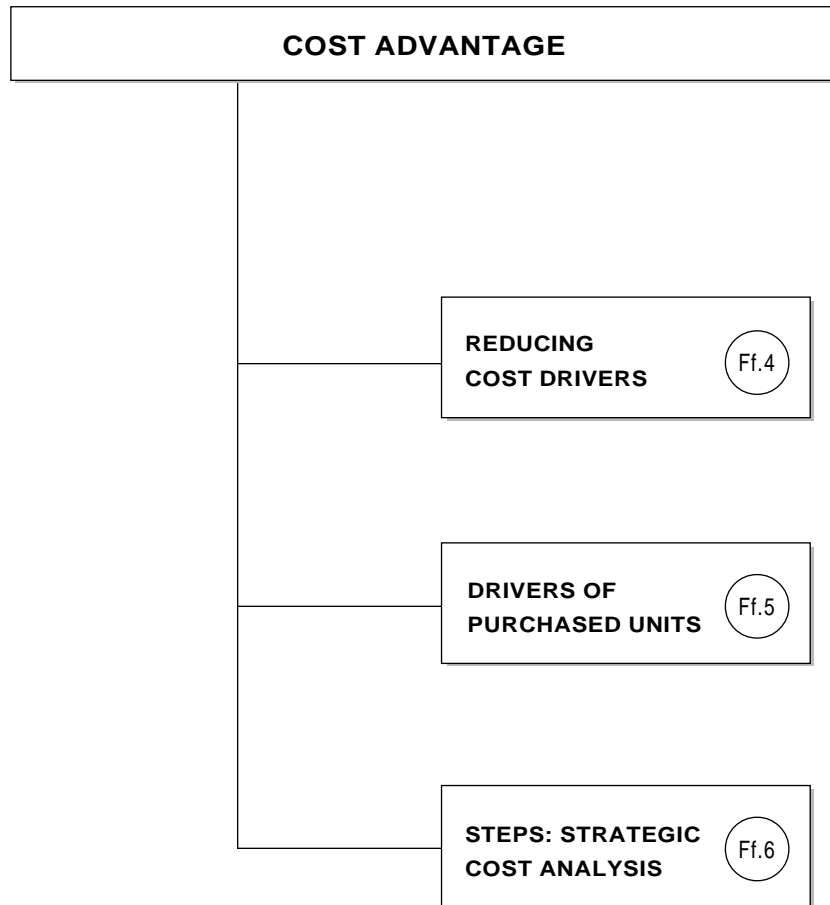
Ff.1





Value Chain for a Copier Manufacturer — Example







Reducing Cost Drivers

Economies or Diseconomies of Scale

- Appropriate Type of Scale
- Reinforce Scale in Scale-Sensitive Activities
- Exploit Scale Economies where Favored

Vertical Integration

- Examine Systematically for Integration and De-Integration

Learning and Spillovers

- Manage the Learning Curve
- Keep Learning Proprietary
- Learn from Competitors

Timing

- Exploit First-mover or Late-mover Advantages
- Time Purchases in the Business Cycle

Pattern of Capacity Utilization

- Level Throughput (level fluctuations in operations)
- Reduce Penalty of Throughput Fluctuations

Independent Discretionary Policies

- Modify Policies that do not Contribute to Differentiation
- Invest in Technology to Skew Favorable Cost Drivers
- Avoid Frills

Linkages - internal - external

- Exploit Linkages within Value Chain
- Work with Suppliers/Channels to Exploit

Location

- Optimize Location

Business Inter-Relationships

- Share Appropriate Activities
- Transfer Know-how to Similar Activities

Institutional Factors

- Share Appropriate Activities
- Transfer Know-how to Similar Activities

Issues:

- Industry Real Growth
- Differential Scale Sensitivity
- Different Learning Rates
- Differential Technological Change
- Relative Inflation of Costs
- Aging
- Market Adjustment

**Drivers of the Unit Cost of Purchased Inputs**

<u>COST DRIVER</u>	<u>COST DRIVER APPLIED TO PROCUREMENT</u>	<u>DESCRIPTION</u>
Economies of Scale	Purchasing Scale	The volume of purchasing with a given supplier affects bargaining power.
Linkages	Linkages with Suppliers	Coordinating with suppliers on specifications, delivery, and other activities can lower total costs.
Interrelationships	Shared purchasing with other business units	Combining purchases with sister business units can improve bargaining power with suppliers.
Integration	Make versus buy	Integration may raise or lower the cost of an input.
Timing	History of supplier relationships	Historical loyalty to or problems with suppliers may affect input costs, access to inputs during tight periods, and services provided by suppliers.
Policies	Purchasing practices	<p>Purchasing practices can significantly improve bargaining power with suppliers and the willingness of suppliers to perform extra services for example:</p> <ul style="list-style-type: none">• Selection of the number and mix of suppliers.• Hedging procedures• Investment in information on supplier costs and availability.• Annual contracts versus individual purchases.• Utilization of by-products.
Location	Supplier Location	Location of suppliers can affect the cost of inputs through the cost of transportation and the ease of communication.
Institutional Factors	Government and union restrictions	Government policy can restrict access to inputs or affect their cost through tariffs, taxes, and other means. Unions may affect the ability to out-source or whether nonunion suppliers can be used.



Gallo's Source of Cost Advantage in Wine — Example

Economies of Scale in Overhead Costs				
	Blending Technology			
	Grape Purchasing Scale			
	Backward Integration into Bottles High Speed Bottling Lines	Bulk Shipments to Supermarket Warehouses	Scale Economies in National Advertising High Sales Force Utilization Due to Scale and Target Accounts	

Gallo's Source of Cost Advantage in Wine — Example

1. Identify the appropriate value chain and assign costs and assets to it.
2. Diagnose the cost drivers of each value activity and how they interact.
3. Identify competitor value chains, and determine the relative cost of competitors and the sources of cost differences.
4. Develop a strategy to lower relative cost position through controlling cost drivers or reconfiguring the value chain and / or downstream value.
5. Ensure that cost reduction efforts do not erode differentiation, or make a conscious choice to do so.
6. Test the cost reduction strategy for sustainability.



References

Page Ff.1-6: Elements of Industry Structure

*Competitive Advantage: Creating and Sustaining
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Michael E. Porter*





Gg.2

S **trengths**

W **weaknesses**

O **pportunities**

T **hreats**



Strengths

Determinants of Internal Strengths —

Management	Resources
Brand / Corporate Identity	Organizational Structure
Technology	Policies
Channel Distribution	Operating Procedures
Service Organization	Consistency
Cost Leadership	Compatibility

Weaknesses

Determinants of Internal Weaknesses —

Lack of —	
Management	Resources
Brand / Corporate Identity	Organizational Structure
Technology	Policies
Channel Distribution	Operating Procedures
Service Organization	Consistency
Cost Leadership	Compatibility

Opportunities

Determinants of Internal Opportunities —

- Exploit Competitor's Move
- New Technology
- New Management
- Industry Changes
- New Markets
- Macroeconomic Changes

Threats

Determinants of Internal Threats —

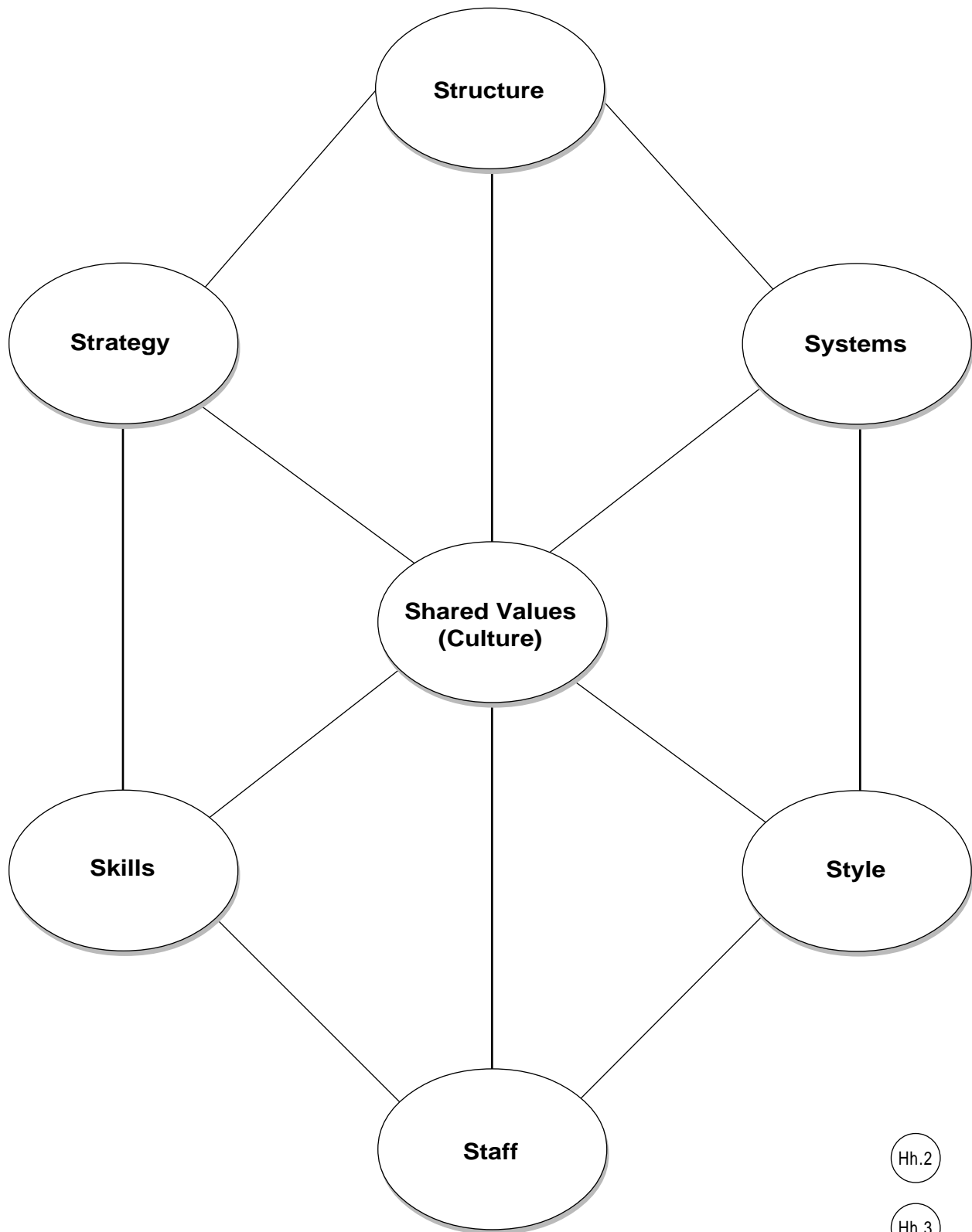
- Exploit by Competitors
- New Technology
- New Management
- Industry Changes
- Obsolete Markets
- Macroeconomic Changes



Appendix

SWOT Analysis Memo Sheets





Hh.2

Hh.3



Structure

See Corporate Strategy

Bb.1

Determinants of Structure —

Stages:

- Single manager
- Functional
- Geographic units
- Decentralized LOB's / SBU's

Other Alternatives:

- Matrix (many Joint Ventures)
- Combinations
- Customer at Top; CEO at Bottom
- Star Shape (rids hierarchy)

System

See Corporate Strategy

Bb.1

Determinants of System —

Reporting -> Measurement -> Assessment -> Behavior

All the procedures, formal and informal, that make the organization work:

- capital budgeting systems
- training systems
- cost accounting procedures
- budgeting systems

Style

See Corporate Strategy

Bb.1

Determinants of Style —

What Leadership Style is Appropriate

Vision

Enthusiasm; Commitment

The Role of Action — Words, Deeds, Details

Symbols, Rewards and Champions

MBWA (Management by Walking Around)

The Role of Myths and Stories



Staff

See Corporate Strategy

Bb.1

Determinants of Staff —

Selection
Training
Nurturing
Liaison / Links
Linking Strategy, Individual Performance and Rewards

Skills

See Corporate Strategy

Bb.1

Determinants of Skill —

Develop a New Capability
Dismantling an Old Mentality
Building New Capabilities to Replace Old Capabilities

Shared Values

See Corporate Strategy

Bb.1

Determinants of Shared Values —

Creates / Maintains the "Culture" of Organization
Individual Values are Hidden, Organizational
Behavior is Shown / Seen

Values -> Attitudes -> Beliefs = Behavior

Must be Clear; Communicated; Practised;
Rewarded



References

Page Hh.1-3: The 7-S Framework

Structure is Not Organization
Business Horizons
School of Business at Indiana University: 1980
Robert H. Waterman, Jr., Thomas J. Peters, and
Julien R. Phillips





Matrix Breakdown by Products and Segments

	West	South	North	East
Computers				
Calculators				
Adding Machines				

	Banks	Mfg. Firms	Small Retailers
Full Keyboard			
Deluxe Ten Key			
Basic Ten Key			

Identified Market Segments / Segment Rivalry (li.2)

Segment Profitability (li.3) (li.4)

**Product Productivity Analysis — Example**

	Company Total	Full Keyboard	Deluxe Ten Key	Basic Ten Key
Net Sales	\$10,000	\$5,000	\$3,000	\$2,000
Variable Manufacturing Costs	<u>5,100</u>	<u>2,500</u>	<u>1,375</u>	<u>1,225</u>
Mfg. Contribution	4,900	\$2,500	\$1,625	\$775
Marketing Costs				
Variable:				
Sales Commissions	<u>450</u>	<u>225</u>	<u>135</u>	<u>90</u>
Variable Contribution	\$4,450	\$2,275	\$1,490	\$685
Assignable:				
Salaries — Salesmen	1,600	770	630	200
Salary — Marketing Manager	100	50	25	25
Product Advertising	<u>1,000</u>	<u>670</u>	<u>200</u>	<u>130</u>
Total	<u>\$2,700</u>	<u>\$1,490</u>	<u>\$855</u>	<u>\$355</u>
Product Contribution	\$1,750	<u>\$785</u>	<u>\$635</u>	<u>\$330</u>
Nonassignable:				
Institutional Advertising	<u>150</u>			
Marketing Contribution	\$1,600			
Fixed-joint Costs				
General Administration	300			
Manufacturing	<u>900</u>			
Total	<u>\$1,200</u>			
Net Profits	<u>400</u>			

**Segment Productivity Analysis — Example**

	Company Total	Full Keyboard		Deluxe Ten Key		Basic Ten Key
		Bank Seg.	Nonseg.	Mfg. Seg.	Nonseg.	Retail Seg.
Net Sales	\$10,000	\$3,750	\$1,250	\$2,550	\$450	\$2,000
Variable Manufacturing Costs	<u>5,100</u>	<u>1,875</u>	<u>625</u>	<u>1,169</u>	<u>206</u>	<u>1,225</u>
Mfg. Contribution	4,900	\$1,875	\$625	\$1,381	\$244	\$775
Marketing Costs						
Variable:						
Sales Commissions	<u>450</u>	<u>169</u>	<u>56</u>	<u>115</u>	<u>20</u>	<u>90</u>
Variable Contribution	\$4,450	\$1,706	\$569	\$1,266	\$224	\$685
Assignable:						
Salaries — Salesmen	1,600	630	140	420	210	200
Salary — Marketing Manager	100	38	12	19	6	25
Product Advertising	<u>1,000</u>	<u>670</u>	<u>0</u>	<u>200</u>	<u>0</u>	<u>130</u>
Total	<u>\$2,700</u>	<u>\$1,338</u>	<u>\$152</u>	<u>\$639</u>	<u>\$216</u>	<u>\$355</u>
Segment Contribution	\$1,750	<u>\$368</u>	<u>\$417</u>	<u>\$627</u>	<u>\$8</u>	<u>\$330</u>
Nonassignable:						
Institutional Advertising	<u>150</u>					
Marketing Contribution	\$1,600					
Fixed-joint Costs						
General Administration	300					
Manufacturing	<u>900</u>					
Total	<u>\$1,200</u>					
Net Profits	<u>400</u>					

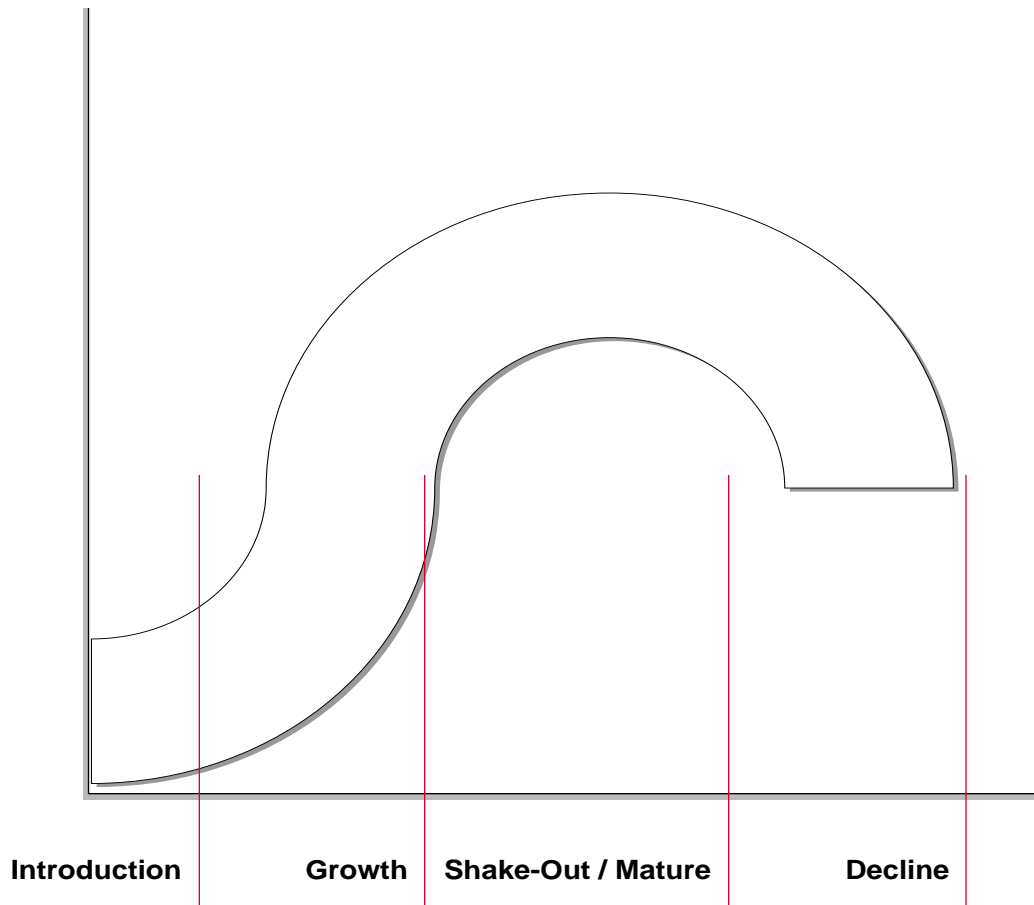


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Page Ii.1-4: Article #8-11

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Product / Market
Life-cycle

Jj.2

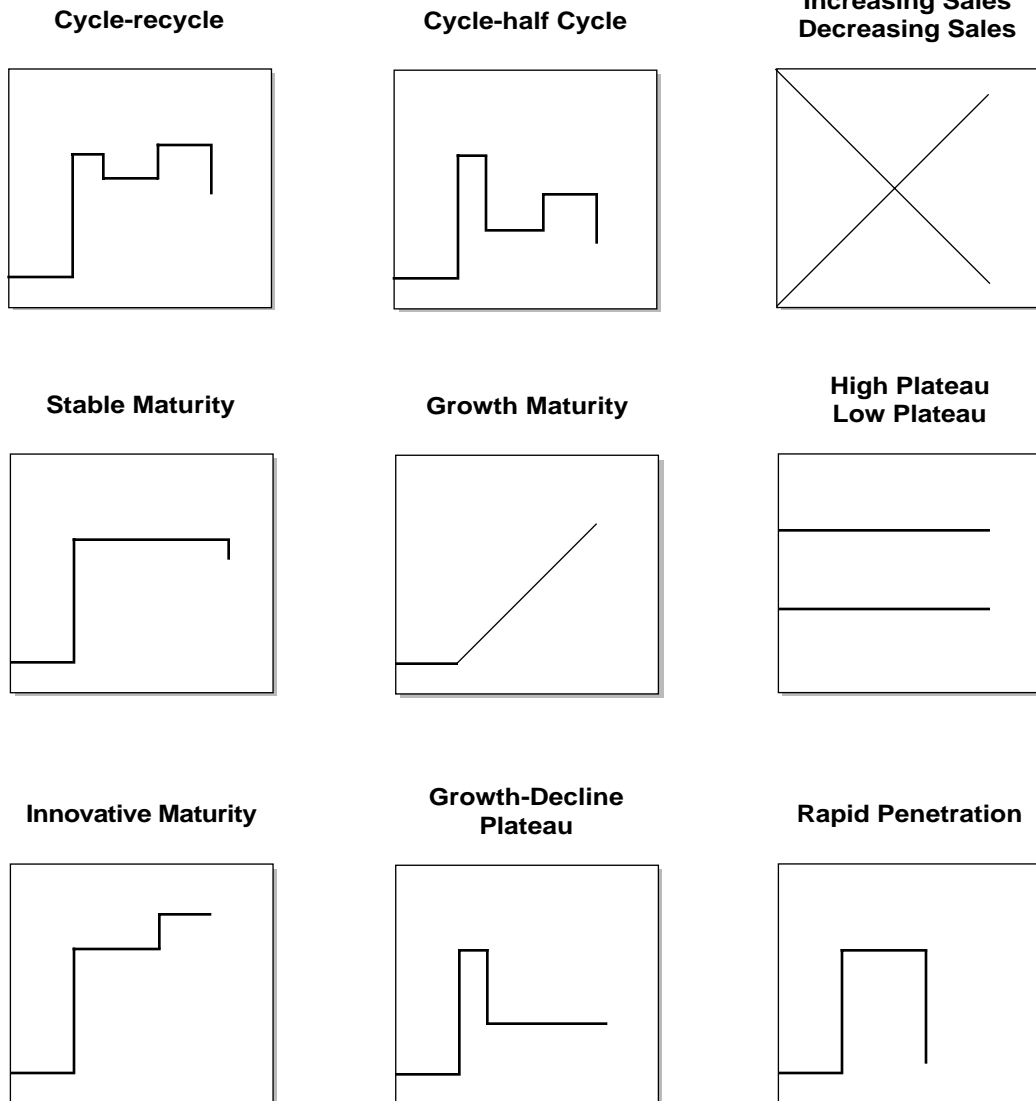
Jj.3

Industry Life-cycle

Jj.4



EXAMPLES



Underlying Factors

- 1: Initial Trajectory Stage (Introduction)
 - Rate of Diffusion
 - Experience Effects
 - Other Exogenous Factors
- 2: Transition to Rapid Growth
 - Changes in the relationship with substitute product (value perception)
 - Competitive Entry Strategies
 - Influence of Repeat Buying
- 3: Evolution to Maturity
 - Expanding Market Potential
 - Buyer Learning (Price Sensitivity)
 - Competitive Turbulence



	Introduction	Growth	Shake-Out	Maturity	Decline
Strategy	Minimize learning requirements, locate and remedy offering defects quickly, develop widespread awareness of benefits, and gain trial by early adopters.	To establish a strong brand market and distribution niche as quickly as possible.	To maintain and strengthen the market niche achieved through dealer and consumer loyalty.	To defend brand position against competing brands and product category against other potential products, through constant attention to product improvement opportunities and fresh promotional and distribution approaches.	To maintain and strengthen the market niche achieved through dealer and consumer loyalty.
Outlook for Competition	None is likely to be attracted in the early, unprofitable stages.	Early entrance of numerous aggressive emulators.	Price and distribution squeeze on the industry, shaking out the weaker entrants.	Competition stabilized, with few or no new entrants and market shares not subject to substantial change in the absence of a substantial perceived improvement in some brand.	Similar competition declining and dripping out because of decrease in consumer interest.
Product Design Objective	Limited number of models with physical product and offering designs both focused on minimizing learning requirements. Designs cost- and use-engineered to appeal to most receptive segment. Utmost attention to quality control and quick elimination of market-revealed defects in design.	Modular design to facilitate flexible addition of variants to appeal to every new segment and new use-system as fast as discovered.	Intensified attention to product improvement, tightening up of line to eliminate unnecessary specialties with little market appeal.	A constant alert for market pyramiding opportunities through either bold cost-and price-penetration of new markets of major product changes. Introduction of flanker products. Constant attention to possibilities for product improvement and cost cutting. Reexamination of necessity of design compromises.	Constant pruning of line to eliminate any items not returning a direct profit.
Pricing Objective	To impose the minimum of value: perception learning and to match the value reference perception of the most receptive segments. High trade discounts and sampling advisable.	A price line for every taste. Customary trade discounts. Aggressive promotional pricing, with price cuts as fast as costs decline.	Increased attention to market-broadening and promotional pricing opportunities.	Defensive pricing to preserve product category franchise. Search for incremental pricing opportunities, including private label contracts, to boost volume and gain an experience advantage.	Maintenance of profit level pricing with complete disregard of any effect on market share.
Promotional Guidelines Communications Objectives	Create widespread awareness and understanding offering benefits. Gain trial by early adopters.	Create and strengthen brand preference among trade and final users. Stimulate trial.	Maintain consumer franchise and strengthen dealer ties.	Maintain consumer and trade loyalty, with strong emphasis on dealers and distributors. Promotion of greater use frequency.	Phase out, keeping just enough to maintain profitable distribution.
Media Mix	In order of value: Publicity Personal Sales Mass Communications.	Mass media Personal sales Sales promos. Publicity .	Mass media. Dealer promos. Personal sales Sales promos. Publicity.	Mass media Dealer-oriented promotions.	Cut down all media to the bone-use no sales promos.
Distribution Policy	Exclusive or selective with distributor margins high enough to justify heavy promotional spending.	Intensive and extensive, with dealer margins just high enough to keep them interested. Close attention to rapid re-supply of stocks and heavy inventories.	Intensive and extensive, and a strong emphasis on keeping dealer will supplied, but with minimum inventory cost to him.	Intensive and extensive, with strong emphasis on keeping dealer well supplied, but at minimum inventory cost to him.	Phase out outlets as they become marginal.
Intelligence Focus	To identify actual developing use-systems and to uncover any product weakness.	Detailed attention to brand position, to gaps in model and market coverage, and for market segmentation.	Close attention to product improvement needs, to market-broadening.	Intensified attention to possible product improvements. Sharp alert for potential new inter-product competition and for signs of beginning product decline.	Information helping to identify the point at which the product should be phased out.



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Page Jj.1-2: Product Life-Cycle Curves

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Page Jj.4: Developing Competitive Advantage

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