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PROPOSAL OF A MARKETING STRATEGY
Návrh marketingové strategie

Diploma thesis /Diplomová práce

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Anotace

Předmětem diplomové práce je návrh marketingové strategie pro konkrétní podnik. Práce předkládá odborné informace o marketingovém procesu segmentace, zacílení a umístění na základě různých pohledů marketingové teorie i praxe a seznamuje s několika způsoby analýzy situace i prostředí. Dále práce uvádí fakta o přístupu CRM a definuje způsob hodnocení navržených strategií. V praktické části jsou tyto informace použity k průzkumu vnitřního a vnějšího prostředí podniku a kritickému zhodnocení stávající situace. Na získaných údajích je vystavěn návrh marketingové strategie podniku. V závěru je tento návrh zhodnocen pomocí ekonomických kritérií.

Annotation

The subject of this diploma thesis is a proposal of a marketing strategy for a particular company. Scientific information on marketing process of segmentation, targetin and positioning based on different opinions in marketing theory and practice is presented within it as well as various kinds of situation and environment analysis. Furthermore, facts on CRM approach are submitted together with evaluation of suggested strategies. In the practical part the work uses information for internal and external environment research of a company and critical evaluation of current situation. The proposal of a marketing strategy is thereafter set upon this basis. At the end of this work the proposal is assessed according to economic criteria.

Klíčová slova

Marketingová strategie, STP proces, analýzy SWOT, analýza PEST, analýza BSC, Porterova analýza pěti sil, GE matice, rozvoj marketingového programu, CRM, marketingový koncept, B2B prostředí

Keywords

Marketing strategy, STP process, SWOT analysis, PEST analysis, Balanced Scorecard, Porter's analysis Five forces, GE matrix, marketing program development, CRM, marketing concept, B2B environment

Declaration/Prohlášení

I declare to have worked on the whole thesis Proposal of a marketing strategy on my own under a supervision of Ing. Klára Kašparová and to have listed in it all literal and other scientific resources in accordance with legal regulations, internal regulations of Masaryk University and internal acts of management of Masaryk University and Faculty of Economics and Administration.

Prohlašuji, že jsem diplomovou práci *Návrh marketingové strategie* vypracovala samostatně pod vedením Ing. Kláry Kašparové a uvedla v ní všechny použité literární a jiné odborné zdroje v souladu s právními předpisy, vnitřními předpisy Masarykovy univerzity a vnitřními akty řízení Masarykovy univerzity a Ekonomicko-správní fakulty MU.

Brno, 27th June 2008

V Brně dne 27. června 2008

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INTRODUCTION

The target of my diploma thesis is to use theoretical as well as practical experience in order to create a marketing strategy for a small company, STYL 2000, spol. s r.o. This thesis will be particularly concerned with analysing the present situation in marketing in the company while taking into account its results in the last two years, further to collect information on the status quo of the company as well as the market and finally propose an optimal marketing strategy fully in accordance with further documents and directions of the company stated for following three years.

The main hypothesis, „marketing analysis together with proposal of a new marketing strategy using mainly CRM software and methodology will increase company's profitability“ is to be divided into two partial hypotheses:

1. Increase in company's profitability will be caused by costs saving, increase in sales and elimination of the opportunity loss – all results of CRM implementation and use. The actual ratio of implementation cost and profit will be gained through criterial analysis.
2. Marketing analysis will help company set up criteria important for decision on look of the new strategy and on expected economical results.

Methods to be used in this thesis will cover a wide range of processes occurring during the various individual stages of creating a marketing strategy. The first part aims to collect the notorious facts on marketing issues regarding the main hypothesis of this work. Up-to-date knowledge on the current developments in marketing such as relationship marketing, e-marketing or direct marketing and the marketing strategy process will be brought up by the descriptive method. Both well-known quotations of authors and definitions from „marketing bibles“ will be confronted with each other while the outcome of this comparison will be clearly assessed in order to outline the opinion pool to be followed in the practical part.

When creating the proposal of marketing strategy, mainly analysis (of secondary data as well as the analysis of costs, profits, competitive environment, customers etc.) is to be used at first. The application of deduction as the main tool for inferring conclusions and completing a mind map of assumptions will be accompanied by economic-mathematical methods such as criteria and financial analysis. Main part of the practical task will rely upon the method of creating a marketing plan followed by simulations and comparisons between the original and newly gained results.

1 MARKETING FUNCTION IN A COMPANY

There are many ways to evaluate a company's performance. Usually the economic outcomes, such as profit before tax or the value of shares, are the key statistics. In this chapter we would like to summarize why marketing is supposed to be the cornerstone in a company's journey towards reaching good economic results.

Marketing is one of the most important functions in a company, if not exactly the most important. Peter Drucker once wrote, „*A business has two...and only two basic functions: marketing and innovation. Marketing and innovation produce results: all the rest are costs.*“¹ Also David Packard, the founder of the famous Hewlett Packard remembers the importance of marketing: „Marketing is too important to be left to the marketing department.“² Kumar, Aaker and Day (2001, p. 6) consider marketing to be playing the principle role in a business, since „marketing decisions involve issues that range from fundamental shifts in the positioning of a business or the decision to enter a new market to narrow tactical questions of how best to stock a grocery shelf“. All these statements confirm the importance of marketing in a company and therefore underline the importance of its strategic planning.

After defining the role of marketing, the content of this chapter will clarify how wide the scope of its tasks actually is. Through the definition of Kohli and Jaworski³ or the definition of the American Marketing Association⁴ we will be able to specify which field we should be interested in when planning the strategy.

The level we will mainly be focusing on is strategic marketing, which is concerned with the relationship of a company with its competitors, particularly with creating and maintaining competitive advantage over rival companies. However, in the definition of strategic planning Solomon, Marshall and Stuart⁵ believe strategic planning to be general planning not exactly oriented on marketing, while specifically marketing plan for the future is discussed as a tactical issue in the three-year plan. As it can be clearly seen, there are different approaches to this, so we decided to follow the process suggested by Kotler in his Marketing Management where strategic planning is described as the eight-step-process (see FIG. 1). Marketing strategy as a part of this chain then specifies target market, positioning, product line, price and promotion (in other words the entire marketing mix), personell, services, sales support, research and development and marketing research. (Kotler, p. 186)

¹ Personal Development for the Book Smart – FAQs on Marketing

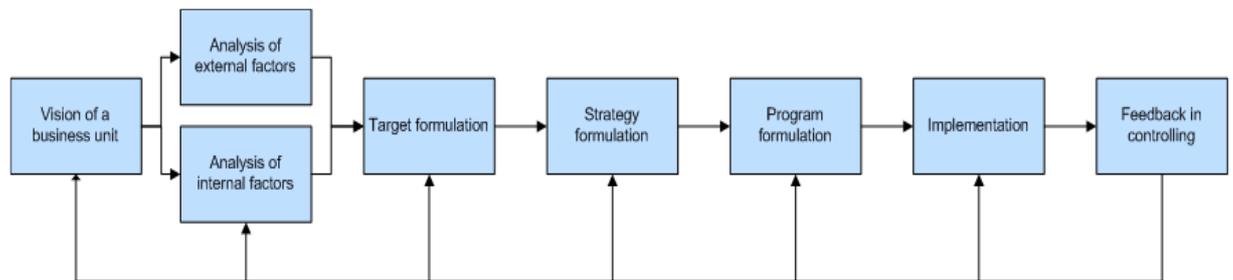
² Great quotes about life, business, and motivation by topic and subject

³ „Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, services, organizations, and events to create and maintain relationships that will satisfy individuals and organizational objectives.“ Kohli, A.K, Jaworksi, B.J. *Market Orientation: The Construct, Research Propositions, and Managerial Implications*, Journal of Marketing, 54. 1990 pp.1-18

⁴ „Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.“ Dictionary on Web pages of American Marketing Association

⁵ Solomon, M.R., Marshall, G.W., Stuart, E.W. *Marketing očima světových marketing manažerů*, 2006, p. 34-36

FIG. 1 Process of Strategic Business Planning



Resource: Kotler, P. Marketing Management, p.90

In this chapter we confirmed that scholars consider marketing function to be highly important for a company trying to reach its economic goals and targets. An important fact was also mentioned: that it is not only the everyday functioning of a company which clearly contributes to final income, as accounting is to prove, but above all a strategic level of marketing is of high importance. This strengthened our belief that having a good strategy, good marketing strategy, must lead to the healthy performance of a company.

2 CONTEMPORARY BUSINESS ENVIRONMENT

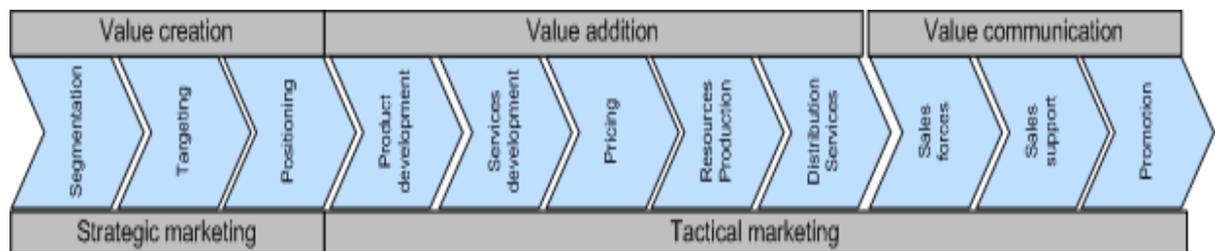
Along with other disciplines and research or practice fields, marketing also changes throughout time. It is important for a company to know how the whole economic environment is understood by its customers and competitors. This chapter aims to show which marketing concept has proved to be the best for this economic period and to help by deciding how to coordinate the company's strategy so that it can be as successful as conditions allow.

2.1 Marketing Concept

Coming out of what Philip Kotler said about marketing in his „bible book“ the fourth edition of Principles of marketing, “Today, marketing must be understood not in the old sense of making a sale – „telling and selling“ – but in the new sense of satisfying customer needs.“⁶, we must approach marketing as a highly innovative, innovations needed and on innovations based field of company processes.

In today's highly competitive market environment it is often difficult to meet all the requirements posed by the ever-changing situation. Not only are prices of resources fluctuating, but so are customers needs and wishes, not to mention competitors. As expressed by Harrell, „In the decades that have passed since the beginning of the marketing era, competition has intensified. Technological advances have enabled organizations to serve much larger geographical areas..., the explosion of information sources has made today's buyers more sophisticated and more demanding.“⁷ We also agree with Kotler when he says, „nowadays value creating marketing is being applied“⁸, and will set as a basis for further research into his view on strategic marketing as constituting the first, most important part of this process (see FIG. 2).

FIG. 2 Process of Value Transmission



Resource: Kotler, P. *Marketing Management*, p. 99

Historical development of marketing principles has brought up five different orientations as TAB. 1 below suggests. Nowadays mainly two lately named concepts are being promoted, even though production orientation or sales orientation can despite the best strategies and advice of marketing specialists towards companies⁹ sometimes appear.

⁶ Kotler, P. *Principles of Marketing*, 2005, p. 6

⁷ Harrell, G. D., Frazier, G.L. *Marketing: connecting with customers*. 1999, p.21

⁸ Kotler, P. *Marketing Management*, 2001, p. 99

⁹ E.g. such as the one of Kohli and Jaworski: „The marketing concept requires that customer satisfaction rather than profit maximization be the goal of an organization.“ Kohli, A.K, Jaworski, B.J. *Market Orientation: The Construct, Research Propositions, and Managerial Implications*, Journal of Marketing, 54. 1990 pp.1-18

TAB. 1 Basic Marketing Concepts

Concept of orientation	..says that
Production	...customers will buy easily accessible products which are sold for a low price.
Product	...customers will prefer products with highest quality, effectivity or with completely new features.
Selling	...an aggressive selling and promotional approach is required, otherwise customers would buy a lot less.
Marketing	...customer needs are to be revealed by the company and satisfied in a better way than by the competitor.
Societal	...customers will require products which impact the whole society positively.

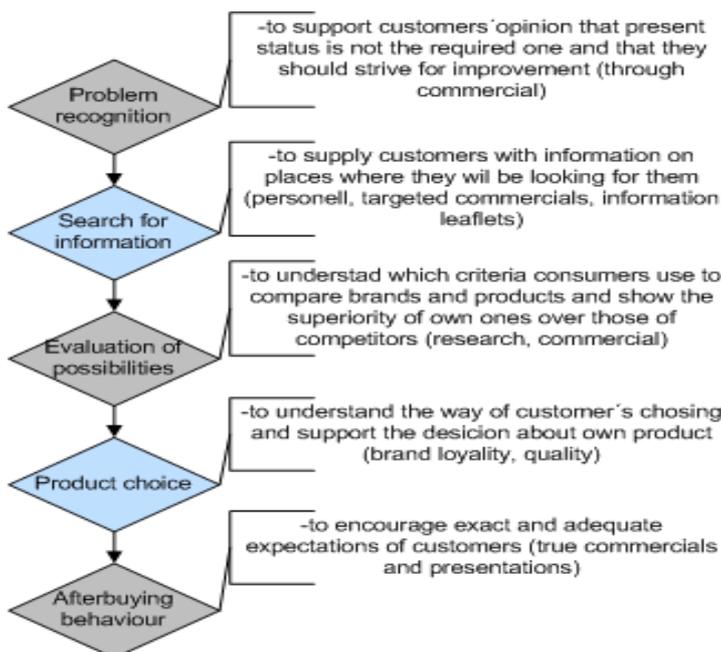
Resource: adapted from Kotler, P. *Marketing Management*, p. 34-44

A company can always have choose how to direct its activities and how to reach its goals. In this chapter we tried to show the ongoing history and process of the development of marketing approaches which are important in different conditions in different ages. Although production concept might bring good results we believe that today's situation offers a company two safest ways to ensure customer satisfaction – marketing and societal orientation.

2.2 B2B Environment – Organisational Behaviour

In this sub-chapter we are going to mention shortly features which can be found in both B2B and B2C sector, we will though concentrate only on B2B environment. The reason is that even if there are two main addressees at the end of a marketing process: customers and organisations (be it private, stately held or non-profit companies) and we would need to know all factors determining buyer's decisions we do not have enough space to discuss it deeply. Since we aim to create theoretical support for further practical use where our target concentrates mainly on business customers we will not devote ourselves to B2C sector thoroughly.

FIG. 3 Decision Process and Strategy to Be Applied



Resource: adapted from Solomon, M.R., Marshall, G.W. and Stuart, E.W. *Marketing očima světových marketing manažerů*, p. 138

In all stages of a typical buying process there are a lot of factors which impact the final decision, so that in every step of a buying process a certain strategy can be applied. (see FIG. 3). „The business market consists of all the organisations that buy goods and services to use in the production of other products and services that are sold, rented or supplied to others. It also includes retailing and wholesaling firms that acquire goods for the purpose of reselling or renting them to others at a profit.“¹⁰ Being aware of this Kotler’s definition of B2B environment, we would like to find the characteristics which make segments in this environment different from those in B2C.

The needs of a company seem to constitute the main difference from B2C environment. Companies’ needs can usually be found in their strategic vision and can comprise targets such as: profit, growth, innovation, customer satisfaction or just survival. Working with organisational customers though requires not only knowing this, but also being aware of the needs of people working in these companies, since there is a certain overlap in the needs observed.

These individuals are usually indicated as buying centres. They are assigned with specific tasks usually closely interconnected with their competencies and position. Typical buying centers in the B2B sector are initiators who recognize the need for a new acquisition, coordinators who take care of the whole buying process, influencers who provide coordinators with necessary technical or other specialised information, gatekeepers who in contrary prohibit unnecessarily high flow of information from disturbing coordinators¹¹, deciders who represent the last step in the business hierarchy, and end user to whom the bought product or service comes over. The involvement of all interested persons can highly influence the outcome of marketing activities.

TAB. 2 Differences in B2C and B2B End User Sector

Characteristics	Organisational market	Customers market
Purpose	-other than personal consumption	-personal consumption
User-to-buyer relation	-very often two different persons	-the same person
Decision making	-usually more people	-individuals
Deciding factors	-technical specifications according to specialised knowledge	-brand fame, personal recommendations
Evaluation of possibilities	-careful, longlasting process	-little or even impulsive purchase
Criteria	-rational	-without criteria, emotional reactions
Supplier’s relation	-longlasting with reciprocal tendencies	-shortterm, or repeated
Channels	-directly from producer	-through wholesalers and retailers
Conditions flexibility	-very high depending on difficult, long and complex dealing	-strictly given, without dealing
Risk and cost	-both often very high	-rather small
Number of buyers	-limited	-many individuals and households

¹⁰ Kotler, P. *Principles of Marketing*. 2005, p.302

¹¹ Such as porters, assistants, administrative forces.

Demand	-derived, generally in a short term non-elastic and not stable	-based on customer needs, primary, price-elastic
Promotion	-mainly personal selling	-mainly commercials, advertising
Spent financial means	-large amounts	-rather small amounts
Form of financing	-often leasing, no direct payments	-cash, credit card

Resource: adapted from Kotler, P. Marketing Management, p. 195 and Solomon, M.R., Marshall, G.W. and Stuart, E.W. Marketing očima světových marketing manažerů, p. 166

As TAB. 2 above suggests organisational purchasing process is more formalised than the consumer one. Higher attention must be paid and more resources utilised if the seller is to seduce its customer. Commonly, large amounts of goods are sold for large revenues in total, notwithstanding multiple buying influence which plays an important role as well. A positive outcome shouldn't be wasted and the necessity of trying to keep a customer for the longest possible period and encourage loyalty is more apparent there than in the B2C sector.

We were able to show different demands of contemporary business environment in this chapter, be it marketing concept demanded or division of customers into B2B and B2C market. In our work we are going to address both markets, to create a strategy covering as well organisational as customers segments. While to study or not to study and thereafter to use or not to use a marketing concept depends mainly upon the company, knowledge of B2B or/and B2C environment is for a company a must. The company is more or less forced to research both (if operating both) and to organize its processes according to gained information. This will namely impact the strategy the company chooses and therefore its profit. Omitting this important knowledge would in our opinion inhibit the company from recognizing critical points of customers relationship and from creating a successful strategy.

3 MARKETING STRATEGY

In this chapter we would like to discuss both general features of a strategy and special characteristics of marketing strategy. The aim is to assess the common opinion of researchers and practitioners on the process of creating marketing strategy, its individual parts and to establish the tools a company should use when building its own strategy.

Strategy is originally a Greek word coming from the military origins. Nowadays this word is usually defined on two levels. First as general description: „a careful plan or method or an adaption that serves or appears to serve an important function in achieving evolutionary success“ and second as its realisation: „the art of devising or employing plans or stratagems towards a goal, or a variety of or instance of the use of strategy“¹² or „a plan of action resulting from strategy or intended to accomplish a specific goal“¹³.

Most authors in marketing (e.g. Kotler in *Principles of Marketing*, Grant in *Contemporary Strategy Analysis*¹⁴) offer a definition not much different from the one formed by Mintzberg, Quinn and Ghoshal: „A strategy is a pattern or plan that integrates an organization's major goals, policies and action sequences into a cohesive whole.“¹⁵ On the fact that marketing strategy planning must be effected in steps, all three authors agree. Kotler suggests using his 8-steps planning proces (for detailed description see TAB. 3 below), while others define it more narrowly (as e.g. El-kadi¹⁶). A certain parallel could be seen between El-Kadi's layout and the one coming also from Kotler and mostly being used in marketing school books as segmenting, targeting and positioning. Both are showing the most important part of the strategy planning process and are accepted by other scholars as well, even slightly differently.¹⁷ This division is partly mirrored in his previously mentioned eight-step procedure as outcomes from segmenting represent part of the current marketing situation, results from targeting feed both into objectives and issues and into marketing strategy and action programmes consist of a description of marketing mix.

TAB. 3 Eight-step Strategy Planning Process

Section	Purpose
Executive summary	Presents a quick overview of the plan for quick management review.
Current marketing situation	The marketing audit that presents background data on the market, product, competition and distribution.
SWOT analysis	Identifies the company's main <i>strenghts</i> and <i>weaknesses</i> and the main <i>opportunities</i> and <i>threats</i> facing the product.
Objectives and issues	Defines the company's objectives in the areas of sales, market share and profits, and the issues that will affect these objectives.
Marketing strategy	Presents the broad marketing approach that will be used to achieve the plan's objectives.
Action programmes	Specifies <i>what</i> will be done, <i>who</i> will do it, <i>when</i> it will be done and <i>what</i> it will

¹² Both first and second definition at Merriam-Webster's Online Dictionary, 02.10.2007
The Free Dictionary by Farlex – Thesaurus, 02.10.2007

¹⁴ „Strategy...is a unifying theme that gives coherence and direction to the actions and decisions of an individual or an organization.“ Grant, R.M. *Contemporary Strategy Analysis*, Oxford 2002, p.4

¹⁵ Mintzberg, H., Quinn, J., Ghoshal, S. *The Strategy Process*, 1998 , p. 25

¹⁶ „The strategy definition most commonly known today is as the art of analysing, projecting and directing campaigns“, Osama El-kadi,

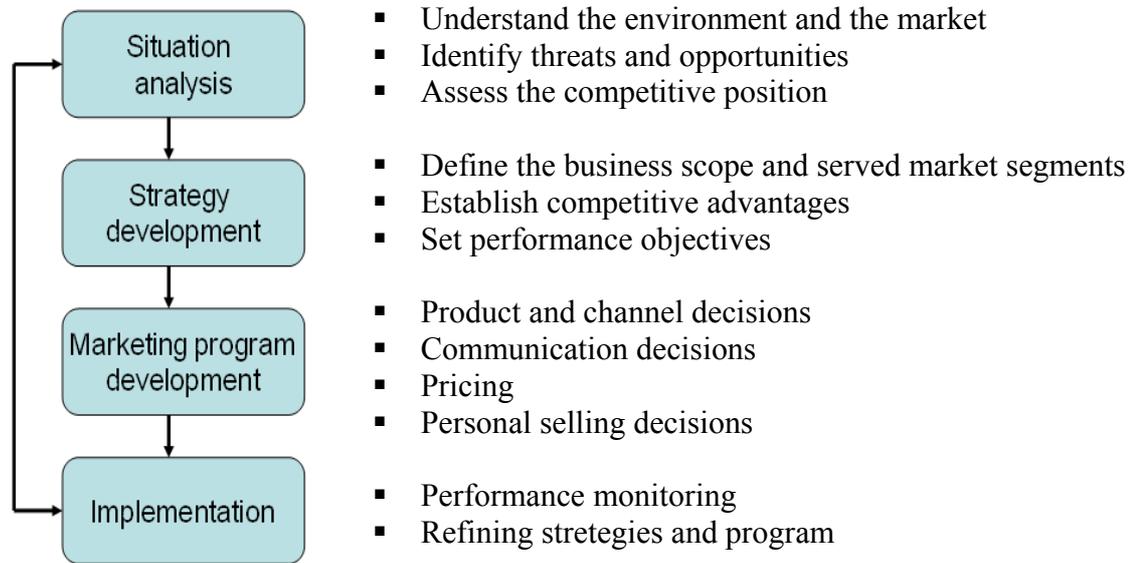
¹⁷ e.g. Abell suggested that the definition should cover three dimensions: customer groups to be served, customer needs to be served, and technologies to be utilized. Cited from 12-manage – E-learning community on management: Defining the business of a company

	cost.
Budgets	A projected profit-and-loss statement that forecasts the expected financial outcomes from the plan.
Controls	Indicates how the progress of the plan will be monitored.

Resource: adapted from Kotler, P. *Principles of Marketing*, p. 68

To make it more understandable and easily comparable to both Kotler’s descriptions of the processes of strategic planning in marketing, we introduce his third concept, where he completes the process with stage of realization.¹⁸ Kumar also divided the process of strategic planning into four stages in order to point out the equal level of importance of analysis present situation, creating a clear view of objectives as a whole as well as the ways of achieving them, and last but not least of implementation (see FIG. 4).

FIG. 4 Marketing Planning Process



Resource: Kumar, V., Aaker, D. A. and Day, G. S. *Essentials of marketing research.*, p.7

To sum up, marketing strategy belongs to one of the seven key processes of marketing as a survey of 1995 applied by the Chartered Institute of Marketing’s claims.¹⁹ In most organisations „strategic planning“ is an annual process while books on strategic planning do suggest this to cover at least three years in order to keep it as an ongoing, continuous process. Marketing strategy is a formal document, generally in written form, describing the overall objectives of the company and the way of achieving them. Many scholars argue about whether or not the strategy should really outline also the basic steps of individual action plans (or marketing programmes). Grant claims the strategy not to be a detailed plan of instructions or programme²⁰, Kotler on the contrary includes the level of programmes in each of his three schemes.

For the purpose of this work it is important to include situation analysis as a whole (and segmentation therefore as one of its parts), further continue with describing aspects strategy

¹⁸ „The entire marketing is usually described as „the process of analysing marketing opportunities, selecting target markets, developing the marketing mix and managing the marketing effort.“ Kotler, P. *Principles of Marketing*. 2005, p. 24

¹⁹ Cit. according to Alsbury, A Jay, R. *Quick Answers to Marketing Questions*, 2001, p. 5-6. Except for the above mentioned marketing strategy, the other six are: Quality strategy, Innovation, Branding, Customer development, Supply chain management and Manufacturing strategy.

²⁰ Grant, R.M. *Contemporary Strategy Analysis: Concepts, Techniques, Applications*, 2002, p.4

development in the sense of targeting and attach also positioning as marketing programme development on a strategic not an operational level.

3.1 Situation Analysis

Situation analysis is sometimes termed as marketing audit since it should bring the insight deep into the marketing of a company. „Since marketing is about making and selling what people want to buy, the most important first stage in marketing planning is understanding the marketing environment: the setting where marketing takes place. This has two levels: first, the macroenvironment of broad societal forces that influence a business; and second, the microenvironment of forces closer to the company that affects its ability to serve its customers,“²¹ says Kotler at the beginning of his famous *Principles of Marketing*. Through marketing audit we can find out much about a company's environment, objectives, strategies and activities to determine problem areas and opportunities. Its parts gradually examine markets, competitors, customers, products, prices, distribution channels, sales and promotion.²²

Situational analysis should bring with it as much accurate description of all factors impacting the existence of a company in a timeperiod possibly nearest to the current moment as possible. Only this way can a company responsibly choose the best matching strategies among all those theoretically available²³. Which confirm Kumar, Aaker and Day: „Effective marketing strategies are built on an in-depth understanding of the market environment of the business and on the specific characteristics of the market.“²⁴

It therefore covers both macroenvironmental and microenvironmental conditions. Macro-analysis is more complex and usually common for most enterprises playing on the same industrial playground. In this work it will be represented by PEST analysis. We can talk of legal environment, government attitude to doing business, technological maturity, and ecological and social-cultural features).

Micro-analysis includes:

1. market analysis, which includes market definition, market size, market segmentation, industry structure and strategic groupings, competition and market share, competitors' strengths and weaknesses and market trends
2. consumer analysis, in order to reveal the nature of buying decisions, participants, demographics, psychographics, buyer motivation and expectations and loyalty segments
3. internal analysis covers three groups
 - I. Company resources – financial, human, time, skills,
 - II. Objectives - mission statement and vision statement, corporate objectives, financial objectives, marketing objectives, long-term objectives,
 - III. Corporate culture - description of the basic business philosophy

There are many tools which help to define the present situation in a company, be it financial, competitive or customer-related. They will all be mentioned in the following chapter, but of course in lower measure than if we did a proposal of overall strategy of a company, not only the marketing one. For relevant information on financial status of a company typically

²¹ Kotler, P. *Principles of Marketing*. 2005, p.25

²² An example of a Marketing audit form can be found in the Appendices.

²³ The most important ones will be described in chapt. 3.2. Strategy development.

²⁴ Kumar, V., Aaker, D. A. and Day, G. S. *Essentials of marketing research*. 2002, p. 7

balance sheet and profit and loss report are to be employed. For our purpose we will need this analysis because of information if the suggested strategy is feasible.

3.1.1 Marketing Analysis Tools

In order to work out a marketing analysis many tools can be used. Some of them are used only in order to specify the market position of a company and do not suggest strategies to be used, some of them, however, are closely interconnected with strategies and their authors provided them with solution possibilities. Those first mentioned will appear in this chapter, while the others will be included later in chapter 3.2.

PEST analysis

As mentioned above through PEST analysis we will be able to discover external environment, the macro-environment. The reason why we need to research it is its impact onto companies and their well-being or even existence. The acronym PEST consists of initial letters of words Political, Economic, Social and Technological in the meaning of factors. The outcome of analysis should provide the basics for the SWOT analysis, mainly in its OT parts. The external environment represents namely both threats and opportunities and the task of PEST analysis is to collect the description of all possible influences from which the SWOT analysis could afterwards pick those ones which are the most important for the company.

In the analysis we usually concentrate on political features like trade regulations and other parts of legal framework, political stability or industrial safety regulations. The economic analysis is for us the most important in areas such as economic growth rate, business cycle stage, quality of infrastructure or inflation rate. Class structure, interests of inhabitants, demographics and attitudes are the most important in social analysis, while technological analysis encompasses recent technological development, impact of technology on cost structure or knowledgebase as the main barrier for entry to the industry. In our work we will therefore highlight above mentioned in order to be able to provide correct SWOT results.

SWOT analysis

Summary of Situation Analysis is usually done by SWOT analysis. This is the basic analysis helpful in any situation analysis for any projects or outcomes. Since 1957 when Selznick first used his basic idea of matching external with internal factors in order to get the overall and true view of the situation in his *Leadership in Administration: A Sociological Interpretation* it has been globally introduced, also thanks to Learned, Christiansen, Andrews and Guth who made the idea an acknowledged method. All genial things are simple, so is an evaluation of Strengths, Weaknesses, Opportunities and Threats.

TAB. 4 An Example of SWOT Analysis Table

	Helpful	Harmful
Internal factors	Strengths: <ul style="list-style-type: none"> • Production quality • Technology • Distribution channels • Customer loyalty/ relationship • Management • Leading brands 	Weaknesses: <ul style="list-style-type: none"> • Absence of important skills • Weak brands • Poor access to distribution • Low customer retention • Unreliable product/ service • Sub-scale • Management

External factors	Opportunities: <ul style="list-style-type: none"> • Changes in customer tastes, needs • Liberalisation of geographic markets • Technological advances • Changes in governmental politics • Lower personal taxes • Change in population age-structure • New distribution channels 	Threats: <ul style="list-style-type: none"> • Changes in customer tastes, needs • Closing of geographical markets • Technological advances • Changes in government politics • Taxes increase • Change in population age-structure • New distribution channels
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Resource: compiled according to Kotler, P. Marketing Management, p. 91 - 93

Putting this chart together does not mean the end of analysis – the most important are namely answers to following questions:

- How to use each Strength?
- How to stop each Weakness?
- How to exploit each Opportunity?
- How to defend against each Threat?

However, attention must also be paid to problematic issues connected with SWOT analysis. This list of positive and negative features may lead a company far away from current issues because it represents a very broad view. It also does not allow any prioritising and fails in attributing weight to each point. Therefore an increase in cost might occur if a company paid too much attention to stamping out weaknesses or defending against threats while, when balanced correctly, Pareto optimal status would occur if the company invested its money in supporting strengths or exploiting opportunities.

Description of all possible factors influencing a company in terms of being helpful or harmful, external or internal, is sometimes very individual even when striving to be impartial, e.g. through setting up a team of representants of different departments (accounting, executive, technical, business, marketing). There must be therefore also other tools restituting absence of objectivity through measurements and data analysis.

Porter’s Analysis of Five Forces

This analysis can give a marketer a better overview of a particular industry. Under the expression „five forces“ we understand environmental forces that impact a company’s ability to compete in a given market. Through this analysis the main competitive factors are described as for their strenght and importance.

TAB. 5 Five Forces Analysis

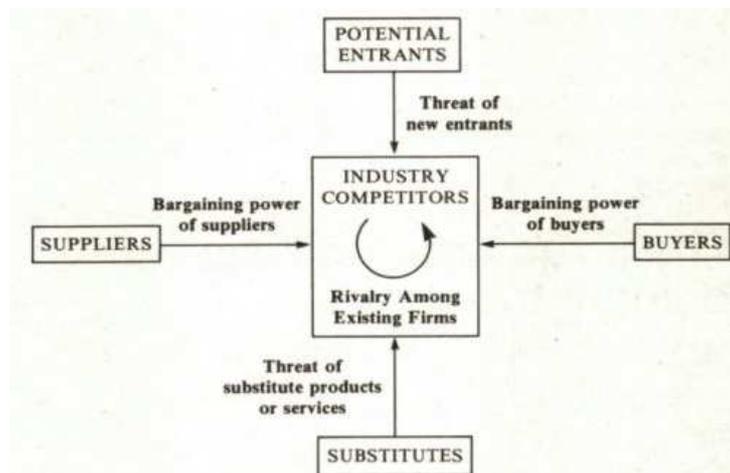
Environmental force	Fields of threats
New entrants	<ul style="list-style-type: none"> - Economies of scale - Product differentiation - Capital requirements - Switching costs - Access to Distribution Channels - Cost Disadvantages Independent of Scale - Government Policy
Suppliers	<ul style="list-style-type: none"> - Supplier industry is dominated by a few firms - Suppliers’ products have few substitutes - Buyer is not an important customer to supplier - Suppliers’ product is an important input to buyers’ product - Suppliers’ products are differentiated - Suppliers’ products have high switching costs - Supplier posses credible threat of forward integration
Buyers	<ul style="list-style-type: none"> - Buyers are concentrated

	<ul style="list-style-type: none"> - Purchases are relatively large to seller's sales - Purchases account for a significant fraction of supplier's sales - Products are undifferentiated, Buyers face few switching costs - Buyers' industry earns low profits - Buyer presents a credible threat of backward integration - Product unimportant to quality - Buyer has full information
Substitute Products	<ul style="list-style-type: none"> - No or only small difference between competing products
Competing firms	<ul style="list-style-type: none"> - Jockeying for strategic position - Using price competition - Staging advertising battles - Increasing consumer warranties or service - Making new product introductions - Slow growth industry - Lack of differentiation or switching costs - Diverse competitors - High entry barriers

Resource: Porter, M.E. *Competitive strategy: techniques for analysing industries and competitors with a new introduction*, p. 10 ff

In the following FIG. 5 there are all above in the table mentioned factors influencing the company. Talking of forces driving industry competition four main categories impact whole industry (in the figure as coming from four different worldsides: potential entrants, buyers, substitutes and suppliers with the arrow displaying the impact) and one is inside the industry, i.e. competitors. Not knowing potential threats from any of the fields means not being able to prevent them.

FIG. 5 Forces Driving Industry Competition



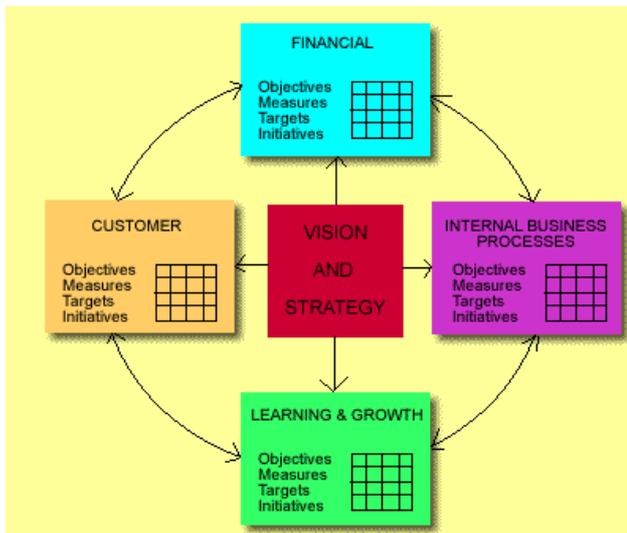
Resource: Porter, M.E. *Competitive strategy: techniques for analysing industries and competitors with a new introduction*, p. 4

Balanced Scorecard

Kaplan and Norton designed this tool in 1992 which is the most comprehensive in terms of key performance indicators and long-term orientation of all. Its four fields (financial, customers, business processes and learning and growth) describe a company's potential for success amongst market competition. In order to get clear idea of what the strategy and vision of a company is, we must analyse the four fields in points as objectives, targets, measures and initiatives. For the purpose of this work we will focus on the financial and customer fields, but internal processes and growth are also of high interest to us. The proposed marketing strategy must namely comply with all four areas.

This tool is one of the following four which are rather of modest use in the case of this work and are placed in it more or less for the complexity of marketing tools description.

FIG. 6 The Balanced Scorecard



Resource: Marketing Teacher – Definitions, The Balanced Scorecard

Nowadays business practice almost could not exist and flourish without being supported by IT tools and means. The use of Balance Scorecard is also widely made this way easier. We would like to point out the importance of CRM software which enables BS analysis, mainly in the customer and financial fields, but contributes also to learning how internal business processes work. However this analysis is much more complex than this works requires to be discussed and CRM concept will be handled in the next chapter.

BCG (Boston Consulting Group) Matrix

This tool is not of much use to our purpose since its problematic characteristics outweigh its advantages. First, it is either applied to single products (the cost on classification of each individual item are higher than possible profits) or to business units which is not applicable in the case of a small organisation. Second, it oversimplifies the complex of decisions to be made.

GE Matrix

The consulting company McKinsey & Co. developed this tool with the aim of evaluating business in a two dimensional matrix. The evaluated fields were: industry attractiveness and industry strength. The GE Matrix represents an improvement of the BCG Matrix as for the number of fields (there are 9 instead of 4) but also as for areas observed. Instead of market growth rate it uses market attractiveness and instead of relative market share the competitive position in terms of company's strength.

TAB. 6 The GE Matrix

		Competitive Position		
		High	Medium	Low
Market Attractiveness	High	Protect Position	Invest to Build	Build Selectively
	Medium	Build Selectively	Selectivity/Manage for Earnings	Limited Expansion or Harvest
	Low	Build Selectively	Manage for Earnings	

Resource: adapted from Zanthus web pages, Business Strategy

However both fields can be further subdivided according to the following criteria. Market attractiveness is to be evaluated as for: size of market, growth rate of market, nature of competition and its diversity, demand variability, global opportunities, profit margin, impact of technology, law and environment. Each factor is assigned a weighting that is appropriate for the industry. These features: market share, management profile, quality (of both products and services), place and distribution, promotion and cost reduction will have certain influence on the outcome of competitive position/or business unit strenght. But still this Matrix fails to reliably answer all possibly posed questions. Not only because scoring is personal and subjective and there is no rule on how to set the weigh for single factors, but also because it does not take the interconnectivity of business processes into account. Last but not least it does not say how to best use and implement the received results.

Shell Directional Policy Matrix

The last attempt to rewrite BCG Matrix was done through Shell Directional Policy Matrix. It suggests using a company’s competitive capability and prospects for sector profitability. As it can be seen in TAB. 7 below, we receive following fields:

- **Leader** - major resources should be moved here.
- **Try harder** – be aware of future as this moment seems to be alright, but can change.
- **Double or quit** - gamble on potential of this field.
- **Growth** – employ as many resources as to grow the market sufficiently.
- **Custodial** – harvest without applying any more resources.
- **Cash Generator** – should be milked as much as possible.
- **Phased withdrawal** – call back on cash in this field to move it to a field with greater potential.
- **Divest** - cancel or move these assets on as fast as you can.

TAB. 7 Shell Directional Policy Matrix

		Prospects for Sector Profitability		
		Unattractive	Average	Attractive
Company’s Competitive Ability	Weak	Disinvest	Phased Withdrawal/ Custodial	Double or Quit
	Average	Phased Withdrawal	Custodial/ Growth	Try Harder
	Strong	Cash Generation	Growth/ Leader	Leader

Resource: adapted from Lancaster, G., Massingham, L. and Ashford, R. Essentials of Marketing, p.528-9

Higher in this chapter some commonly used approaches to analysing environment of a company and company's position in the market were outlined. According to a study carried out in the UK there are many companies using decision-making methods in order to put together a marketing strategy. The most important ones in terms of usability and utilization are to be found in TAB. 8 below.

TAB. 8 Decision-making Methods Used to Draw Up a Strategic Marketing Plan

Decision	Regularly use	Tried, no longer use	Heard of, never used	Heard of, appropriate	Never heard of method
SWOT analysis	54%	7%	14%	8%	12%
Portfolio analysis	42%	8%	21%	12%	11%
PLC ²⁵ analysis	51%	11%	20%	9%	5%

Resource: Alsbury, A., Jay, R. *Quick Answers to Marketing Questions*, p. 11

This sub-chapter was intended to offer a wide choice of methods used for determining a set of basic characteristics necessary in market segmentation decisions and marketing strategy planning. Some of these methods may overlap in results and application of each of them, or all of them together, depends mainly on how deeply a company wants to verify the outcomes of another and how much the company is willing and able to invest in the process. We provided theoretical basis for definition of both external and internal impacts on a company within a certain industry and will use them in the practical part.

3.1.2 Market Segmentation

This chapter on market segmentation should summarize ways of achieving a clear picture of company's current customers. Market segmentation is a proces, where all potential and existing customers are being examined. As suggested above, basic market segmentation should follow the B2C or B2B criteria.²⁶ Some of them are to be found in TAB. 9 below.

TAB. 9 Criteria on Market Segmentation

Type of factor	Customer market	Organisational market
Charakteristics of customers/organisations	Age, sex, race Income Family size Lifecycle stage Place Living standard	Industry Place Size Technology Profitability Management
Purchase/use	Amount of purchase Brand loyalty Using purpose Buying behaviour Importance of the purchase Selection criteria	Application Importance of the purchase Quantity Purchasing frequency Purchasing procedure Selection criteria Distributional channel
User's needs and preferences of product characteristics	Product similarity Price advantage Brand advantage Required characteristics Quality	Effectivity requirements Suppliers assistance Brand advantage and Quality Required characteristics Service requirements

Resource: Johnson, G., Scholes, K. *Cesty k úspěšnému podniku*, p. 116

²⁵ This shortcut is used for „product life cycle“.

²⁶ We are well aware of the fact that other relations such as B2G can be found when dividing customers. For the purpose of this work suggested basic splitting suffices.

What we miss in this chapter is the description of relationship from a company towards customer. Since among characteristics describing an organisation or a customer should according to our opinion also figure parts describing retention, recruitment, satisfaction and loyalty of customers (expressed by cost or another financial measure, time and/or number of complaints).

Except for the above mentioned standardized way of segmenting market into groups, a methodology based on CRM software can also be found whose main task is to keep information and assess and segment customers (often based on customer value). TAB. 10 shows, segmentation process can be both data based and intuitive, which is generally meant as based upon experience and opinion.

TAB. 10 Intuitive and Data-based Segmentation Processes

Intuitive	Data-based
Brainstorm segmentation variables <ul style="list-style-type: none"> • Age, gender, lifestyle • Standard Industrial Classification (SIC), size location Produce word-profiles Compute sizes of segments Assess company/segment fit Make targeting decision <ul style="list-style-type: none"> • One/several/all segments 	Obtain customer data <ul style="list-style-type: none"> • Internal and external Analyse customer data Identify high/medium/low-value customer segments Profile customers withing segments <ul style="list-style-type: none"> • Age, gender, lifestyle • Standard Industrial Classification (SIC), size location Assess company/segment fit Make targeting decision <ul style="list-style-type: none"> • One/several/all segments

Resource: Buttle, F. Customer Relationship Management, p.101

As Buttle suggests, „market segmentation process can be broken down into a number of steps“ and continues by naming them as follows:

1. Identify the business you are in
2. Identify relevant segmentation variables
3. Analyse the market using these variables
4. Asses the value of the market segments
5. Select targe market(s) to serve²⁷

Even though Kumar, Aaker and Day say, “marketing research is a critical part of a marketing intelligence system; it helps to improve management decisions making by providing accurate, relevant and timely information.”²⁸, we still believe together with Kotler, who claims that managers of small businesses and non-profit organisations are able to obtain good marketing information simply by observing things around them (Kotler, p.31), which could be complemented with a sample research on reduced number of addressees. Extensive marketing research is for smaller companies rather inefficient since the benefits do not justify the financial outlay required to implement the research.

Also to be cautious and use common sense when applying the results of marketing research pays off since results without correct application could do harm rather than good which is also confirmed by Ogilvy’s quotation, „I notice increasing reluctance on the part of marketing executives to use judgment; they are coming to rely too much on research, and they use it as a drunkard uses a lamp post, for support, rather than for illumination.”²⁹

²⁷ Buttle, F. *Customer Relationship Management*, p. 102

²⁸ Kumar, V., Aaker, D. A., Day, G. S. *Essentials of marketing research*. 2002, p.3

²⁹ Famous Quotes and Famous Sayings from Famous People

In Situation analysis, chapter 3.1, we highlighted the most commonly used methods for primary analysis of external and internal environment. Based upon outcomes of one or more analysis a company must be able to become aware of its economic situation in order to pose exact, specific and achievable goals. We would suggest using primarily those first three mentioned marketing analysis methods (all being supported by CRM as much as possible) for general research and segment the market according to criteria outlined above with the help of CRM software.

3.2 Strategy Development

This sub-chapter will introduce concepts of strategies in the view of well-known scholars and practitioners. We aim to provide an overview of approaches so that we can choose the best and most convenient for the company being analysed in the second part of this work..

There are many overall strategies which can be used as a general guideline within the strategy development process. Authors diversify not only in their classification, but also in pointing out which of the factors most influence the choice of a strategy. For this reason a simple two-way choosing pattern as well as multi-way one can appear. As a basis Kotler's point of view will be described first as we want to build on his classification, however, none of the other authors will be omitted.

Kotler sees as the basic three strategies the following: strategy based on lifecycle of a product and based on lifecycle of a market, and strategy of differentiation. His description of lifecycle of a product or an entire market leads to strategies that can be applied on anything the company provides to its customers, be it product, services, promotion or channels, and will be discussed later on in chapter 3.3.

TAB. 11 Characteristics of Product Lifecycle and Corresponding Marketing Targets

Stage	Characteristics	Marketing target
Introduction	<ul style="list-style-type: none"> • High cost • Low sales volume • High necessity of promotion • No/little competition 	To create and support customer's awareness on the product, make customers wish to try the product
Growth	<ul style="list-style-type: none"> • Lower cost thanks to economies of scale • Increased sales volume • Customers awareness • Profitability • Market share maximization (through price) • Increased competition 	To win maximum of market share
Maturity	<ul style="list-style-type: none"> • Low cost and High sales volume • Diversification and differentiation in brands • High competition • Decreasing prices and profit 	To maximize profit and maintain market share
Decline	<ul style="list-style-type: none"> • Ratio cost x profit unfavourable • Decrease in sales volume • Production and distribution efficiency necessary 	To decrease cost and harvest the brand

Resource: adapted according to Kotler, P. Marketing Management, p. 303 ff

Kotler's differentiation strategy is best to be shown on his Four-positions-model discerning companies as: Market Leaders, Market Challengers, Market Followers and Market Nichers. For each position individually can a number of strategies be offered. (see TAB. 12) Both attack and defense is usually based on innovations, reaching and keeping low cost or a better

ratio of value and price. However, a common feature for all is the effort of differentiating itself from competitors.

TAB. 12 Kotler’s Model on Four Positions in a Market

Market Leader	Expanding the Total Market	<ul style="list-style-type: none"> • New users • New uses • More uses
	Protecting Market Share	<ul style="list-style-type: none"> • Position defense • Flanking defense • Preemptive defense • Counteroffensive defense • Mobile defense • Contraction defense
Market Challenger	<ul style="list-style-type: none"> • Frontal Attack • Flanking Attack • Encirclement Attack • Bypass • Guerrilla Attack 	
Market Follower	<ul style="list-style-type: none"> • Cloner • Imitator • Adapter 	
Market Nicher	Low Volume, High Margin	
	Specialization and Differentiation	

Resource: adapted from Kotler, P. Principles of Marketing, p. 532-535

Hamel and Prahalad suggest application of two basic strategies, where the decision factor is a ratio of availability of resources and of market needs. Ansoff, on the other hand, understands as an acceptable strategy only the one with orientation towards expansion – in increasing either the amount of product units sold or percentage of market share taken. (TAB. 13) Solomon, Marshall and Stuart describe the process of choosing a target strategy as comparing target markets and product offer. This division will be described later on.

TAB. 13 Ansoff’s Matrix

		Product	
		Present	New
Market	Present	Market Penetration	Product Development
	New	Market Development	Diversification

Resource: Wikipedia, Ansoff’s Matrix

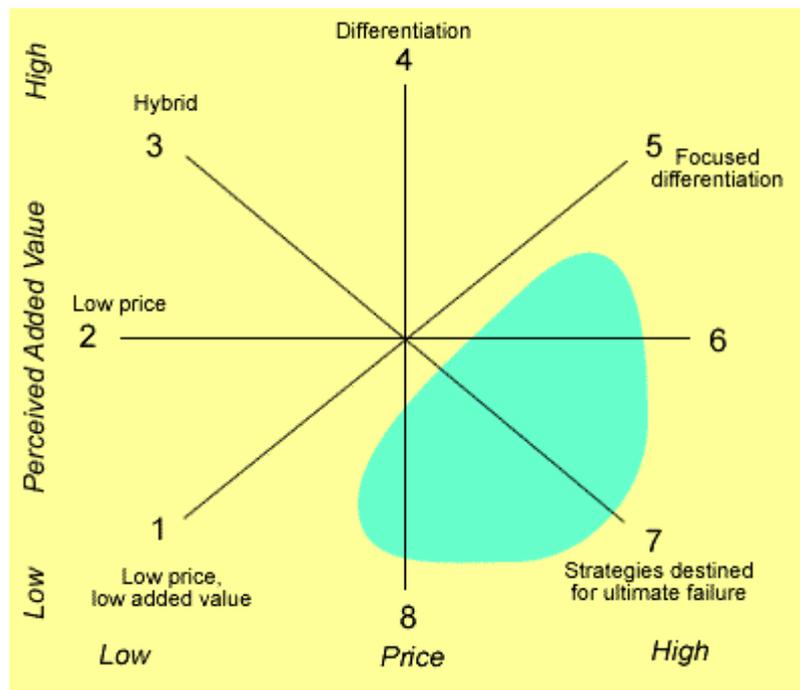
TAB. 14 Basic Strategic Question: Assimilation or Expansion

Strategical aspect	Orientation on environment – „assimilation“	Orientation on resources – „expansion“
Main idea of the strategy	Strategical conformity of market possibilities and company’s resources	Increasing value for money through resources
Competitive advantage through...	...right positioning, differentiation imposed by market needs	... differentiation based on qualifications complying with or creating market needs
Smaller firms survive if...	...they find and occupy a gap	...they change „rules of game“
Risks are reduced through...	...product/business portfolio	...qualifications portfolio

Zdroj: Hamel, G. and Prahalad, C.K. Competing for the future, p. 65

Other strategies arise from analytical approach as indicated in chapter 3.1. Here we speak of Porter's Generic Strategies, all of which however will be discussed as a part of Kotler's classification (cost focus or leadership and differentiation focus or leadership), GE Matrix where the suggested strategies are: invest, grow, earn, harvest or divest, or of Boston Matrix very narrowly concentrated on products with strategies support, keep and milk or get rid of. Also if we wanted to mentioned the strategies designed in terms of Strategic Gap Analysis, we would repeat diversification, product or market development and market penetration. One more though deserves to be published – the Strategy Bowman's Clock – at least briefly. Not because it would bring a completely new invention, but because it concentrates on value delivered to a customer which arguably makes the basis for today's marketing.

FIG. 7 Bowman's Strategic Options



Resource: Bowman, C. and Faulkner, D. Competitive and Corporate Strategy, p.214

FIG. 7 shows ratio of perceived added value and price and explains the circumstances in which a certain strategy should be employed. Going from southwest we discern completely different approaches. Number one represents segment specific strategy of low price and low added value, while number two represents risk of price war together with need to become cost leader in the segment. Hybrid solution means to connect together low costs with investment into differentiation. There are two ways possible in differentiation – either with a price premium (to be understood as perceived added value which also brings money) or without it (to be understood as perceived added value bringing not directly money, but market share benefits. Slightly divergent meaning has focussed differentiation - perceived added value is implicitly expected by customers because of e.g. good fame. Turning further to east we achieve a standard strategy – higher margins with perceived added value high enough. Then there are only number seven feasibly managed in monopoly situation, and number eight when the customers are not motivated to buy your goods and you loose your market share. Company should be aware of the feeling it evokes in its customers and either comply with this idea or fight it.

In conclusion to this chapter we would like to point out that general strategies offered above can be easily applied upon any specific situation of any company. We will therefore not use all mentioned, but will choose in accordance with company's objectives which also need to be designated.

3.2.1 Targeting

Targeting is a process of choosing the right segment. In this chapter we would like to show what setting objectives depends on and state some examples. In order to target efficiently objectives must be clearly designed. They should answer questions concerning benefits which the objective is connected with, nature of change that should be implemented, its location and time period. In marketing, objectives are often built using the SMART acronym. All objectives must be according to this principle: Specific, Measurable, Achievable, Realistic and Time Specific. It is conventionally assumed that marketing objectives will be designed to maximize volume or profit by creating demand or renewing existing demand.

A profitable target market must fulfil some criteria which must establish whether this group of target customers is able to bring profit and how high it can be. Typical questions concern the verification of expectation and demands of potential customers. Based on the segmentation the group should show similar features. Another question is if each individual in target group is in the future profitable enough to invest into. Marketers should also consider whether there are channels to address such a target market. (Kotler, p.205 ff)

TAB. 15 Most Common Objectives

Profit	<ul style="list-style-type: none"> - maximize long-run profit - maximize short-run profit - increase sales volume - increase sales expressed in money - reach fixed ROI - reach fixed return on sales
Market share	<ul style="list-style-type: none"> - increase market share - stabilize position on market - discourage new entrants into the industry - encourage the exit of marginal firms from the industry
Price	<ul style="list-style-type: none"> - maintain price leadership - use price to make the product „visible“
Customer satisfaction	<ul style="list-style-type: none"> - desensitize customers to price - obtain and maintain the loyalty of distributors and customers - be perceived as „fair“ by customers and potential customers
Conditions	<ul style="list-style-type: none"> - avoid government investigation or intervention
Company	<ul style="list-style-type: none"> - growth - survival - enhance the image of the firm (brand, product) - get competitive advantage

Resource: : Wikipedia, Marketing Objectives

According to most authors (De Pelsmacker, Geuens, Van de Bergh 2003, Kotler 2000, Solomon, Marshall, Stuart 2006) targeting strategies are based upon the market sector chosen, or better on the amount of them, as we briefly mentioned in chapter 3.2. Solomon et al. see the main factors in comparison of customer segment and product offer. Slightly more detailed is Kotler's and De Pelsmacker's description. Concentrated marketing in Solomon's view is to be called „concentration on one segment“, differentiated marketing can require a strategy of „selective specialisation“, „product specialisation“ or „market specialisation“. Companies should carefully take into account how to organise their approach since a well know truth is that differentiated marketing breeds higher total profit. We should however also pay attention

to increased cost in the fields of promotion, production, delivery, product modifications or administration³⁰. (Kotler, p.276)

Thanks to this chapter we will be able to suggest objectives that will represent the milestone of marketing strategy application process. As already mentioned in one of the previous chapters, generally described facts can and certainly will be applied on the concrete company.

3.3 Marketing Program Development

In this chapter we will take a closer look at marketing mix elements in order to be able to differentiate later different strategies and to provide a well-arranged survey of areas that need to be strategically changed and supported. A marketing program should be developed on the basis of all above gathered information, that is on set principles and strategic objectives.

3.3.1 Positioning

Positioning is based on choosing the right combination of „marketing mix“. This term stands for a group of typical items which determine the scope of marketing activities and on which a marketing strategy can be based. The 4 P’s therefore do not only include a short description of their role in marketing, but mainly specify strategies being used in connection with them.

3.3.2 Product

Product mix includes all products being offered. Length or total number of items within a line, depth or number of versions of each product and width or number of different product lines – all these figures set together each product mix. Before suggesting strategy every company should carry out product portfolio analysis.

This analysis should first explain where each product or product group is to be found among competitive brands in one of the perceptual maps coming from approaches mentioned above (such as BCG, GE analysis etc.) and then it also should specify the product life cycle phase. While the position of products within a field of competitors can change very slowly and usually only slightly depending on the perception of customers, and is very hardly predictable, life cycle of a product is planned in advance, so the reaction on a change rising from this movement can be either prevented entirely or at least the effects and result can be reduced to acceptable minimum. Marketing strategy therefore greatly derives from the combination and ratio of stages of products on offer.

Since every product consists of its core and additional layers expressing its general utility, functionality, design and quality and further characteristics, marketing differentiation can appear through any of these features. Regarding product lifecycle, enlargement of so far provided qualities or reduction of price, as well as geographical spread and change in promotion are all in play. The company can also make modifications with width, length, depth and consistency of product lines.

TAB. 16 Strategies of Product Lifecycle – Product

Stage of the life cycle	Strategy
Introduction	Offer basic product
Growth	Offer product modifications, services and warranty
Maturity	Change of brands and models
Decline	Exclude weak products

Resource: Kotler, P. Marketing Management, p. 316

³⁰ Marketing plans have to be prepared for each segment individually.

Product strategies such as product lining (offering for sale several related products), product bundling (combining several products into one), line filling (adding new products into the existing range) must come out of thorough and ongoing research on customers needs and perception of company, or better its products.

3.3.3 Price

Price is the only element in marketing mix which produces revenue. Therefore it is important to pay attention to both external and internal factors influencing it. Prices generally do not depend only on economic conditions such as boom or recession, taxes, interest rates, inflation etc., but also on the type of the market and relations between competitors customer or on perception of ratio value for money. Internally, price is influenced by factors such as cost, marketing objectives and marketing mix strategy. So as not to get into a vicious circle, we will consider price one of features that can be changed on a product in order to achieve fulfillment of a specific strategy. Therefore our primary attention should be paid to the way price is calculated.

Cost-plus pricing

where product costs are increased by amounts to cover expected revenue. Fixed costs are divided by the expected number of sold units and together with variable costs and percentage of revenue make together the price. This way of pricing is for the seller very convenient since the price can be set very precisely, but has its disadvantages in the dependency on selling at least the expected amount (less than expected would lead to loss) and in omitting buyer completely from price decisions.

Break-even analysis

where price should reach such an amount so that breaking entire fixed costs by the difference between price and variable costs brings up number of units expected to be sold. Disadvantage of this way of pricing is dependency on price elasticity and competitors' prices.

Value-based pricing

where the customer is the main originator of pricing chain because he or she sets the value which is economically expressed in price. Cost are then derived from this price and determine product.

TAB. 17 Strategies of Product Lifecycle – Price

Stage of the life cycle	Strategy
Introduction	Use cost-based pricing
Growth	Price penetration on market
Maturity	Use price against competitors
Decline	Decrease price

Resource: Kotler, P. Marketing Management, p. 316

Following all that is said above, there are four main positioning strategies based on price. TAB. 18 below shows there occurrence further to quality. Except from those mentioned in the chart we should mention strategies for the first setting of a new or innovative product on sale.

- a) market skimming – setting a high price for a new produkt to skim maximum revenue from the segments willing to pay the high price. The company usually makes fewer but more profitable sales
- b) market penetration – setting a low price for a new produkt in order to attract large numbers of buyers and a large market share – when market are price sensitive,

production and distribution costs must fall when sales volume increases and no strong competition

TAB. 18 Possible Positioning Strategies

		Price	
		High	Low
Quality	High	Premium strategy	Good-value strategy
	Low	Overcharging strategy	Economy strategy

Resource: Kotler, P. Principles of Marketing, p. 656

Price is generally the most flexible aspect of a strategic portfolio which a company can play with. It is however a very treacherous weapon which can easily hurt its own creator. A company labelled as low-cost company would have to go through a very difficult and long-lasting journey if it decided to remove this label. The same is through in the case of a company known as too expensive. Therefore planning strategy carefully is a very important task in this area.

3.3.4 Place

Place explains through which channels is a product transmitted towards its customers. Based on nature of the company (as for its size, financial position or number of employees) and on the nature of its products, on competition and marketing environment and on marketing intermediaries (their number, type, responsibilities) we can basically come to three strategies falling back on the type of the product: intensive distribution (for convenience goods), selective distribution (for shopping goods) and exclusive distribution (for specialty goods). Further strategies are to be based in product life cycle, as TAB. 19 below shows.

TAB. 19 Strategies of Product Lifecycle – Channels

Stage of the life cycle	Strategy
Introduction	Selectively build distribution
Growth	Build intensive distribution
Maturity	Build intensive distribution
Decline	Selective exclude non-profit distribution places

Resource: Kotler, P. Marketing Management, p. 316

Considering distribution net there is always space for either improvements of quality of services in current channels or for extension in quantity (or both together). Since we mentioned the distribution as for its size and extensiveness before, let us concentrate on quality issues. Two important things should not be omitted – quality of the channels itself (i.e. how well retailers and other intermediaries provide their services to end customers) and quality of communication among them including company itself (establishment of business processes, setting up rules and introduction of control points for feedback of customers). To ensure quality of channels a company should implement strategy of orientation on qualitatively high intermediaries. There are many ways of ensuring a healthy distribution policy, though most of them rely upon databases (as is e.g. CRM – see below) or certification. Internal cleaning in terms of defining processes and best practices to be used on the other hand ensures that flows, be it information to or from customers, goods or financial means, will go through channels as smoothly as possible.

For a company there is usually an option of having channels under its control completely (own forces) or only partly (delegation of some duties onto an agency). Which strategy a company finally chooses depends on costs (managerial, flexibility and economy of scale). According to Kotler (2001, p.503) a company should use different distribution channels for different customers segments. Attention however must be paid to costs occurring through conflicts of ownership or a certain level of differentiation. Both problems can be though eliminated if using database software, e.g. any CRM application, and together having well organised flows.

3.3.5 Promotion

As well as in discussing product, price and place strategies, promotion also can be based on the stages of the lifecycle. Kotler suggests dividing strategies according to the main communication mix tools – advertising and sales promotion. Both may exist separately but may also coexist in order to support each other and together than sales. There are three more communication tools: public relations, personal selling and direct marketing. All five elements represent space for evolving strategic behaviour.

TAB. 20 Strategies of Product Lifecycle – Promotion

Stage of the lifecycle	Strategy	
	Advertising	Sales promotion
Introduction	Mind penetration of early accepters and dealers	Use strong sales promotion for creating interest to try
Growth	Penetration into mass market	Partially decrease, keep demand of strong users
Maturity	Point out the difference of brands and benefits	Increase to support brand change
Decline	Decrease so that permanent followers remain	Decrease to minimum level

Resource: Kotler, P. Marketing Management, p. 316

Strategies suggested for the promotional improvement differ as for their recipients. As mentioned some chapters above B2B sector reacts in a different manner that B2C does. Is there a slight emphasis put into price building when keeping in mind the first or the second, then in promotion we will experience much bigger difference. According to Kotler, for B2B segment by far the most money is spent on personal selling, followed by sales promotion, advertising and public relations. When trying to persuade customers from B2C sector a company invests money into sales promotion and advertising, far less in personal selling and public relations. (2001, p. 559)

However generally can a company always accept either push or pull strategy. To push a product to customers requires the use of a motivation programme for intermediaries (such as discounts or word-of-mouth power. Companies usually resort to this strategy if customers lack loyalty or if the product is of a general kind. Pull strategy, on the other hand, tries to create loyal customers through direct interface with the end user, such as advertising or sales promotion. This strategy can be accompanied by a less extensive distribution channel and does not require the best knowledge of customers, while push strategy must usually be accompanied by data mining on potential and existing customers. Being very similar to database marketing, CRM software and its application in a company has showed as a good solution (see in the following chapter).

In this chapter on Marketin Programme Development we aimed to identify guidelines for further application in practice. A company whose top management is creating a new or

changing its existing marketing strategy chooses, based upon previous marketing analysis, a combination of strategic ways in corresponding marketing mix tools.

3.4 Implementation

The last phase of a successful marketing process is implementation. Even though our goal in this work is actually to make a marketing strategy proposal which is not supposed to contain any implementation steps, implementation belongs here because it naturally rounds the STP process off. We would like to emphasize that implementation appears in the background of any phases of planning as we have to project goals which are except for other things achievable by means and methods which are feasible.

As Kotler states: „because many surprises occur during the implementation of marketing plans, the marketing department must engage in constant marketing control. Marketing control is the process of measuring and evaluating the results of marketing strategies and plans and taking corrective action to ensure the achievement of marketing objectives.“³¹ And he continues with another claim towards implementation: „Implementation is difficult - it is easier to think up good marketing strategies than it is to carry them out. Many managers think that 'doing things right' (implementation) is as important as, or even more important than, 'doing the right things (strategy). The fact is that successful marketing implementation depends on how well the company blends its people, organisational structure, decision and reward systems, and company culture into a cohesive action programme that supports its strategies.“³²

TAB. 21 Performance Metrics Used by Sector

	B2C	both	B2B
Basic financial measures, e.g. sales	82%	80%	71%
Consumer/customer measures, e.g. Brand image	71%	62%	45%
Market performance, e.g. Market share	70%	56%	46%
Shareholder value measures	24%	21%	19%

Resource: Alsbury, A., Jay, R. Quick Answers to Marketing Questions, p. 27

This work however should touch implementation only in its border parts, so we will restrain from filling this chapter with more details. We have succeeded in outlining the importance of implementation.

³¹ Kotler, P. *Principles of Marketing*. 2005, p.73

³² Kotler, P. *Principles of Marketing*. 2005, p.74-75

4 CUSTOMER RELATIONSHIP MANAGEMENT

This chapter will provide a knowledge base for further use of CRM concept in practice. We would like to mention approaches to this method, existing experience, benefits and problems in order to choose its correct place in marketing strategy proposal. As we mentioned before, CRM may support different strategies, whether it be product, price, place or promotion oriented strategy.

4.1 General Description

Success of any of the above mentioned strategies a company would like to choose will greatly depend on how well this company knows its customers and how forthcoming will it be. Kotler calls such companies „outstanding“ and defines them as those which „analyse customer complaint, enquiry, warranty and service data. They observe customers using their own and competing products and train salespeople to be on the lookout for unfulfilled customer needs.“³³ CRM is a method suggesting how to manage all these activities with the prospect of gaining relevant information.

CRM originates from different parts of direct marketing and nowadays represents a modern approach to managing a company's relationship with customers. Its first basis is database marketing which originally served as a supporting medium for direct marketing in general with the aim of collecting and providing as much data on as many customers as possible. It has accompanied direct marketing through all stages: mail orders service, enlarged marketing communication pointing out feedback and also in the period of creating long-term relationships and increasing loyalty of customers. Kotler still sees database marketing not only as a basis for CRM, but identifies it with the narrow meaning of CRM. „In this definition, it involves managing detailed information about individual customers and carefully managing customer contacts in order to maximise customer loyalty.“³⁴

Its second source is relationship marketing whose main idea is according to De Pelsmacker et al., „a linkage between customer's satisfaction, his/her loyalty and profitability“³⁵. Thus we can say together with Kotler: „Relationship marketing is the process of creating, maintaining and enhancing strong, value-laden, relationships with customers and other stakeholders.“³⁶ This clearly shows that relationship marketing and CRM are, in Kotler's opinion, very close to each other.

Since the time of introducing CRM concept many studies have been written and still CRM is a topic for discussion of many scholars. Neither the definition nor impact of CRM on company's performance have so far been clearly put down. While Kotler sees CRM in its broader meaning as is „the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction“³⁷ orientated only towards profitable customers. Buttle describes CRM rather in the sense of network marketing as „the core business strategy that integrates internal processes and functions, and external networks, to create and deliver value to targeted customers at a profit. It is grounded on high-

³³ Kotler, P. *Principles of Marketing*. 2005, p.9

³⁴ Kotler, P. *Principles of Marketing*. 2005, pp. 32-33

³⁵ De Pelsmacker, P., Geuens, M. and Van de Bergh, J. *Marketingová komunikace*, 2003, p. 402

³⁶ Kotler, P. *Principles of Marketing*. 2005, p.11

³⁷ Kotler, P. *Principles of Marketing*. 2005, pp. 32-33

quality customer data and enabled by IT.³⁸ Both however understood this in a rather similar functional and processional mode. On the other hand Harry Wessling from Cap Gemini Ernst & Young describes CRM more on the institutional level „CRM is a comprehensive organisational unit superior in the hierarchy of a company to such departments as marketing, sales, human resources, controlling etc.“³⁹ CRM is therefore to be understood as a new organisational unit in charge of tracking interactions.⁴⁰

In CRM all three commonly used levels of processes can be found: strategical, tactical as well as operational. At the tactical level, Buttle asserts, CRM possesses the role of intelligent data mining of customer data, other see it similarly (Peppers and Rogers⁴¹ 1995, Kotler Marketing management) At the strategical level detect Buttle CRM as „a top-down perspective... which views CRM as a core customer-centric business strategy that aims at winning and keeping profitable customers.“⁴²

The main advantage of CRM, as McGarry asserts, is that, „a CRM strategy, supported by the appropriate technology, allows a company to build up a repository of information about its customers, which enables that company to understand the customers that it does business with and to deliver services and products which meet and exceed those requirements now and into the future.“⁴³ According to a study (Sin, Tse, Yim) whose findings should „validate the long-held belief that CRM is a critical success factor for business performance“ the results were surprisingly clear since their authors found out that „the favorable impact of CRM on marketing performance is larger than that on financial performance“. This finding led the scholars to a claim that „managers... can effectively boost their marketing performance (trust and customer satisfaction) through proper implementation of CRM.“

4.2 Up-to-date Position

As for the current status of CRM software and application use there have been studies confirming that the importance of CRM has been growing recently. A study which took place in the German speaking countries by the consulting firm Cap Gemini has proved this trend not only on the growing number of employees assigned to this section of the company, but also on the increasing company budget devoted to this area.⁴⁴

Implementation of a CRM system is a long-term process. Nowadays two ways of acquiring it are applied (very similarly to acquiring other assets) – purchase or leasing. The latter mentioned started in the CRM industry in 2006. This solution can be an alternative for smaller businesses since no other demands on hardware, software or implementation are raised. This kind of leasing is set up on an external basis and represents a complete opposite of licence purchase with all its advantages and disadvantages, whether it be value/money ratio, implementation costs, flexibility and implementation length on the plus side and/or lack of scalability, lower performance, worse integration into company's system and threatened data security on the negative side. This solution of having „CRM on Demand“ however seems to be rather a marketing step by CRM providers since during the first two years advantages

³⁸ Buttle, F. *Customer Relationship Management*. 2004, p. 34

³⁹ CRM ist die integrative Organisationseinheit, die in einer Matrixorganisation über die Bereiche Marketing, Vertrieb, Personal, Controlling etc. gelegt werden kann. Wessling, H. *Aktive Kundenbeziehungen mit CRM: Strategien, Praxismodule und Szenarien*. 2001, p. 12-13

⁴⁰ Wessling, H. *Aktive Kundenbeziehungen mit CRM: Strategien, Praxismodule und Szenarien*, 2001, p. 15-16

⁴¹ Peppers, D., Rogers, M. *A new marketing paradigm: share of a customer, not market share*, 1995, pp. 14-18

⁴² Buttle, F. *Customer Relationship Management*, 2004, p. 3

⁴³ McGarry *Understanding the strategic value of customer relationship management*, 2006, p. 72

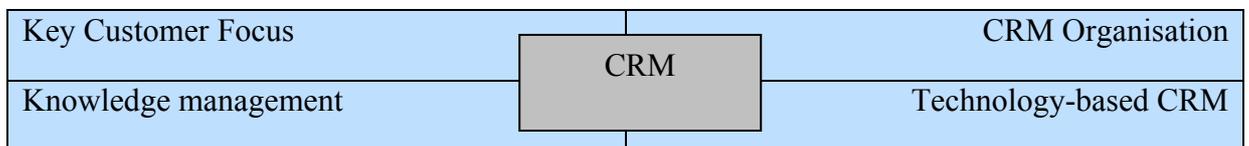
⁴⁴ CRM Barometer – 2006, p. 3

overweigh disadvantages, but starting from the third year the CRM standard solution would come closer and closer to cost-effectiveness, and starting from the fifth the situation is completely opposite to the situation at the beginning. This rent system is usually, that is to say, later on, transformed into a standard CRM solution, says Cap Gemini Group in its study.⁴⁵

4.3 Benefits and risks of CRM

For a CRM to be implemented correctly both levels, i.e. strategic with the orientation on how best to use CRM to achieve strategic goals and which goals can be achieved this way, as well as operational replying to the question of IT support and specific details to be collected and analysed in specific processes (as suggests Buttle, p.3). We could however also accept Sin et al. idea of evaluating each of four components of CRM individually – strategy, people, technology and processes (see FIG. 8.)

FIG. 8 The Four Dimension of CRM



Adapted from: Sin, L.Y.M, Tse A.C.B., Yim, F.H.K. CRM: conceptualization and scale development, p. 1267 (1264-1290)

The producers and retailers of CRM software generally promote two kinds of benefits their product brings to customers – improvement in services and economic benefits. Improvement in services can in the short-term view lead to higher costs, but can also support increase in profit. The following benefits are therefore to be expected:

- Integrated communication channels, therefore is the same information available to any employee at any time and through any channel (face to face, e-mail, phone or online)
- This further leads to improved communication – shorter time of response, elimination of misunderstandings, elimination of necessity to repeat enquiries
- Better customer service increases customer loyalty and retention rate, thus saving replacement costs
- Simplification of marketing and sales processes reduces operating cost and increases effectivity of activities
- Effective targeting decreases marketing cost
- Percentage of cross-selling gets increase which leads to increased profits
- CRM helps to identify new selling opportunities

We would like however to adopt generally used metrics showing exactly where benefits are to be found and how their impact can be traced. „Industry analysts, such as Deloitte Research, Gartner Group, and Meridien Research have all researched the CRM concept. Deloitte's study shows that CRM and supply chain applications are 81 percent more profitable for companies who use them, compared with those who don't.“⁴⁶ According to a February 2004 survey by IDC, 58 percent of companies that have measured ROI-based CRM initiatives had a payback

⁴⁵ CRM Barometer – 2006, str. 13

⁴⁶ Widmer, L. *CRM: a risky bridge to the customer*, 2002, p. 1

on their CRM projects within a year. Another 35 percent received payback in a timeperiod of one to three years.⁴⁷

TAB. 22 Categorization of CRM Benefits

	Yes	Quantifiable	No
Financial	Yes	Cost Reduction and Efficiency Savings <ul style="list-style-type: none"> • Increase in number of completed orders • More cost-effective use of channels • Improved use of resources 	Service Improvement/Added Value <ul style="list-style-type: none"> • More efficient sales and marketing • Development of re-usable skills • Information sharing
		No	Service Improvement/Added Value <ul style="list-style-type: none"> • Improved customer satisfaction • Improved customer response

Resource: Pisello, T. CRM ROI: Creating a Business Case, p. 3

An important task of CRM is to have customers selected into groups. A company can thereafter either follow the largely discussed Pareto 80/20 rule when 80 percent of company's profit are brought just by 20 percent of its customers, or together with Kotler take into account relationship revenues and its cost and get four groups as TAB. 23 suggests.

TAB. 23 Comparing Customer Relationship Revenues with Relationship Costs

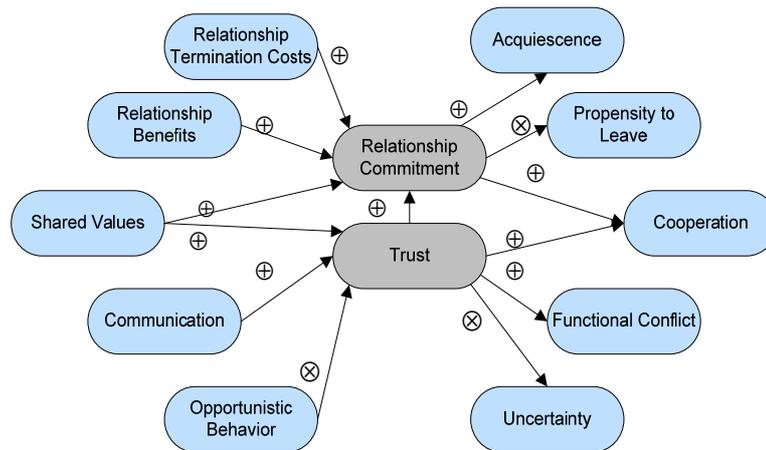
Relationship revenue	Relationship costs		
		Low	High
	High	Sleeping giants	Power traders
Low	Pets	Delinquents	

Adapted from Kotler, P. Principles of Marketing, p. 484

Similarly, Morgan and Hunt (1994) research the ratio of revenue and cost in the meaning of relationship benefits and relationship termination cost. Their approach is rather applicable to B2B sector since it assumes the possibility of a long-term relationship. In their KMV (key mediating variable) model five antecedents and five outcomes are to be found (see FIG. 9 below). If four of these are estimated as positive (in the meaning e.g. of a purchasing act) and the fifth negative, trust and relationship commitment occur and lead to changes described in the figure, to decreases or increases. For companies entering into B2B relationship „the firm's procurement strategy may be the most important ingredienn in its ability to deliver superior value to its customers“ – thus a belief of Webster (cited according to Morgan and Hunt, p. 24)

⁴⁷ Rinelli, C. Western European Retail/Wholesale, IT Solutions Adoption and Investments: An IDC Survey, 2004, p. 33-34

FIG. 9 The KMV Model of Relationship Marketing



Resource: Morgan, R.M., Hunt, S.D. *The Commitment-Trust Theory of Relationship Marketing*, pp. 20-38

Practice in the form of a study conveyed by Cap Gemini Ernst and Young consultants company says that the objectives the strategy of CRM is usually applied to do have much in common with recognizing own customers in common (60% in the sample of 106 addressed companies) or increasing customers loyalty (48%), nevertheless there are also targets directly connected with profitability: increase in sales effectivity (57%), increase in sales support (47%) or reduction of marketing and sales costs (18%).⁴⁸

The second component we are going to concentrate on in this work is technology. Two conditions are to be maintained: accurate and up-to-date data. Both can be fulfilled through convenient technology. Buttle confirms that an essential moment of effective CRM is storing and using knowledge about customers. There are different forms of data sheets used and one must be aware of the fact that the „success of CRM depends largely on how well this information is converted into enterprise-wide knowledge, and finally customer insight“⁴⁹. The reason of employing two remaining components is clear and even if they deserved further explanation they are not directly connected with the target of this work.

Due to the high cost of CRM software most companies cannot afford to have a tailored solution. Many problems however occur not because of missing modules, but mainly because of an imperfect process of implementation. As a study says more than half of complaints concerning the use of CRM software (in 2007 even one percentage point more than in 2006) fell into the category of CRM implementation without having a clear intention and/or placing CRM processes in accordance with already existing ones. CRM seems to be a good servant but bad master. The problem of most companies is that they are not able or willing to make CRM serve well. A company implementing CRM must set objectives, redefine processes, commit management as well as ordinary employees and provide all with the necessary skills for fruitful use.⁵⁰

To summarise this chapter we pointed out the origin of CRM concept, its current use, benefits and problems or tricky places during implementation. Thanks to this chapter we will be able to design chosen strategies with the support of CRM system and also to present economic calculations based upon joint benefits of CRM in new strategies and CRM being a new strategy on itself.

⁴⁸ CRM Barometer – 2005, p. 4

⁴⁹ Buttle, F. *Customer Relationship Management*. 2004, p. 77

⁵⁰ This suggestion result from above mentioned Capgemini 2006 survey.

5 EVALUATION OF A STRATEGY

This chapter's target is to describe the way the proposal of a marketing strategy is going to be evaluated. There are four main criteria a strategy must fulfill in order to be pronounced as a good and useful one.

1. **Consistency** – we will observe set goals and policies to eliminate possible inconsistencies among marketing objectives themselves and towards other company objectives
2. **Consonance** – there is always a need to comply with researched information, in our case marketing analysis, in order to address in a strategy adaptive response to external and internal impacts and to bring critical changes withing the strategy
3. **Advantage** – a strategy must provide clear proof of economical effectivity and profitability for a company
4. **Feasibility** – in accordance with above mentioned advantage, feasibility should encompass the strategy evaluation in terms of available resources (financial, personell etc.)

If a strategy is to be called to life, we will have to pay close attention to its evaluation according to final analysis. We have chosen three basic analyses which can give us an overview of all four characteristics an effective strategy should have. Therefore we would like to briefly outline their content, procedure and results expected.

5.1 Qualitative Analysis

The above discussed chapter on CRM benefits has introduced some ideas on the measurability of criteria and therefore of results of CRM use. Qualitative analysis will concentrate above all on those positive and negative outcomes of a strategy that cannot be assigned to direct economic results. Qualitative analysis should point out the most important qualitative characteristics which a strategy is to bring thanks to its implementation.

5.2 Quantitative Analysis

In this part we would like to estimate all costs brought in by strategies whose results can be in contrary to the above mentioned qualitative analysis accounted and compared with either direct expected increase in sales or decrease in cost. We will use the cost-benefit analysis.

This method estimates and summarizes equivalent money value of benefits and costs of a project. The aim is to find out if the activity is worthwhile. Jules Dupuit wrote in 1848 an article mentioning the basic features of this analysis, however it was later Alfred Marshall who set up the conception as useful in 1936. This method started spreading after WWII.

There are some basic principles which must be upheld. The first of them is a common unit for any expected results, be it benefits or cost. Money is a good unit, though it cannot always be used. Secondly, time plays an important role. Therefore in this analysis interest rates are usually counted in order to outweigh the difference in today's cost and benefits and future costs and benefits. The Czech Republic is nowadays experiencing dramatic movements in exchange rates and this, as well as other factors, gives the best insight in the changing value of money. For the purpose of this work we will however calculate with cost and benefits not to be influenced by inflation rate since the time of occurrence of individual items in CBA analysis cannot be exactly specified.

6 DESCRIPTION OF THE COMPANY

This chapter should make the current status of Styl 2000 more understandable, that's why we only describe how does the company look like, what are current mission and vision and objectives as well as business portfolio and customers.

6.1 Classification and Its Core Business

The company Styl 2000 has been providing its services on the market in the Czech Republic since 1990. From the very beginning the company has focused its business on supplying Italian ceramic tiles and pavements, and in 2003 the company started to deliver also glass mosaics and agglomerate stone. In 1993 the company enlarged its major business activities of delivering construction ceramics and pavements and facades with the delivery of pensile, ventilated facade facings, mainly with use of porcelain stoneware MIRAGE and ARKIM.

Based upon classification suggested by the Czech Statistical Office (www.czso.cz), STYL 2000 belongs to a group of small and medium enterprises in nonfinancial institutions, into a group of 10-19 employees, where average of employed persons was in 2005 counted to 13,8 and where the value added per person is the highest of all size groups.

Since there has come to a change in classifying companies in the Czech Republic we will follow the new methodology of the Czech Statistical Office and classify STYL 2000 accordingly.⁵¹ The company can thus according to Industrial Classification of Economic Activities (CZ-NACE) be found under no. 46.73 – wholesalers with building materials and sanitary products. The subjects of activities are: Construction of buildings, their changes and removal, further business activity in buying goods with the purpose of further selling and in selling.

STYL 2000 is an Ltd. Company whose only owner is the company Fasádní systémy a.s. Its shares are partly held by both present CEO's and partly by two more shareholders who strongly influence the existence and activities of STYL. A three-member advisory board is constituted by current company employees. Turnover of the company is around 9mio CZK, its net profit approx. 450 th. CZK. Exact financial situation will be subject of analysis with the prospect of setting the right marketing strategy.

6.2 Strategy

6.2.1 Mission and Vision

Styl 2000 is a well known and stable company with a good reputation in the building industry market. Its success is based upon high quality of its personell and of service standards, further upon long-term history and collected experience. Its mission is therefore orientat around communicating these qualities to external customers, while internal customers are in the mission addressed through fair attitude and promise to further develop their qualities and prospective chances in their job.

The company's strategy is to satisfy the most demanding requirements of architects, investors and facade creators through the application its plentiful professional experience and new information from the realization of over 160 important facing facades throughout the Czech Republic. The company's aim is to retain its important market position achieved through the

⁵¹ The old classification lost its validity at the beginning of 2008. For more details see www.czso.cz

capability of its personnel and its progressive approach to clients needs. The mission contains also expression of the desire not only to deliver materials convenient for facades, cladding and floors, and engineering services, but also to execute building works. As Johnson and Scholes state, „Values and expectations of higher management, who can also be the owners, are very important. .. Small companies will be set under a big competitive pressure unless they find market niche. ...Another problem for small companies can be inability to collect enough capital means which can limit their strategical opportunities.”⁵² All of his expectations seem to be valid for Styl 2000. Problems caused this way have not been solved so far by any strategy applied upon company. Its vision is defined by statement: „Styl 2000 is an acknowledged and stable company with a good reputation on the market. Thanks to a high standard of services and quality of personnel, gained experience and good technical conditions the company represents the top in the business area and offers the clients professional and qualified solutions.”⁵³ Company’s strategy was revised in 2003 most recently, in the year of excellent growth in construction industry, and since then it has remained unchanged.

Following Harrell’s quote, „At the level of the organization, strategic planning consists of activities that lead to development of a clear organizational mission, organizational objectives, and strategies that enable the organization to achieve its objectives”⁵⁴, management of a company should have clear idea where to direct company to and revise its overall company strategy in accordance with up-to-date situation of both the company and the industry as a whole.

6.2.2 Objectives

In compliance with company’s vision the main objective is to keep a good reputation, in other words loyal customers by perfect services. The company’s target is not to grow, at least not at this moment, and rather concentrate on increasing profit margin through perceived added value. As for maximisation of customers’ satisfaction we believe that increase in perceived added value would be the biggest help. Company would also like to increase the interest of potential customers and ensure the complexity of assortment. This should be fulfilled by partial objective to stabilize the relationship with suppliers. Not only can success in this objective lead to lower transaction costs, but stability would surely increase the certainty of customers concerning deliveries (length of a cycle, eliminating possible delays).

As for finances the main objective of the company is expressed as creation of long-term profit. How the company has to or should reach cannot be found in any company’s documentation, be it internal or external.

TAB. 24 Overview of Objectives

Departement	Stated objective
Finance	Long-term stable profit
Marketing	Increase of interest in company’s products and services Maximize customer’s satisfaction (through helpfulness and accomodativeness)
Sales	Ensure the complexity of assortment in building ceramics and facade cladding through enlarging product portfolio (different price levels)
Purchase	Stabilize relationships with suppliers

Resource: internal materials

⁵² Johnson, G. and Scholes, K. *Exploring Corporate Strategy*, 1997, p.25

⁵³ This vision cannot be found anywhere except for internal materials of the company. We consider this fact to be rather demaging company’s status and is to be changed.

⁵⁴ Harrell, G. D., Frazier, G.L. *Marketing: connecting with customers*, p. 122

6.3 Portfolio of the Company

Chapter on portfolio of the company will present the whole business range of Styl 2000. There are three categories – business products, realisation products and services. Business products are represented by items to be sold without any additional services while realisation product includes service of setting up components together and offering product in form of a packet mainly to B2B customers. As we will uncover later through analysis we would like to pay more attention to realisation product since it has high potential and creates the biggest competitive advantage. That is also the reason why we are going to target mainly at B2B customers as shown in TAB. 40.

6.3.1 Business products

Styl 2000 has a wide range of products being offered for sale. There are three groups of main business article: supporting constructions, ceramics and mosaics.

Supporting constructions

This group is represented by different anchoring and connecting components, as well as supporting profiles. They are all made of high-grade alloys of aluminium (Al + Mg + Si) which is rust and aggressive environment resistant. For facades there are offered profiles with offset from the footing from 80 to 300 mm with counterbalancing of roughness up to 35 mm using one type of anchor. According to the type of facade they are offered in two variants fixed or sliding hitching. This highly variable system allows construction of arbitrarily sophisticated facade facings including the curvilinear shapes. It can be used for any kind of cladding material (porcelain stoneware, fired ceramic, sheet metal, cement-fibred panels, HPL plates, glass, cement elements etc.) It is a good and sought business item in company's portfolio. Its supplier EUROFOX is seated in Austria and has been supplying components to Styl 2000 for many years.

Ceramics

This business article was the original product group of company. Its specific group, technically called porcelain stoneware, aspires to have the same qualities as natural granite, natural stone. Thanks to special production procedure the material has excellent technical characteristics for being used both as cladding and floor tiles material. Some of them are non-absorption, uniformity of physically-technical characteristics in any place of homogenous potsherd and high frost-resistance. Products offered in this area come from two main suppliers: Mirage and Imola Ceramica, both coming from Italy. The variety is large, every design group differs from the others through colour shades and patterns, size and coating. In almost every series, standard tiles and special pieces such as steps, plinths etc.

Another type of ceramics sold by Styl 2000 are brick panels, these however cannot be used as floor tiles, they are specially designed for cladding the walls, mainly for pensile facades. These panels are frost-resistant as well, have high bearing capacity and are dimensionally constant. The two suppliers Styl 2000 cooperates with offer both cladding panels and special pieces, such as cornerstones in a wide range of colours with body either fully coloured or coloured only on surface. The goods is delivered from Spain (Faveton) and Germany (Argeton).

Mosaics

The third group of products for direct sale is mosaics. This special group mean rather a complementary article for company. Mosaics is highly decorative wall cladding and floor

coating for interiors as well as exteriors. Bisazza, the supplier of this product, aims at middle- to high-income customer segment.

6.3.2 Realisation products

Ventilated facades are the only representants of this product group. Company specialises in pensile ventilated facades where it gained number of experience. This is a combined product consisting of supporting aluminium construction, thermal insulation from mineral wool and facing panel. The advantage of this kind of facade are multiple. These facades guarantee the optimal moistness regime of the peripheral wall and minimize thermal demands of buildings during summer months, further they are permanently resistant to weather so that the lifetime of the facade and the resilience of the building are in fact the same and the operating costs of a building are lowered. Further advantages offered to architects are possibly invisible hitching and including arched places of a building into project since this system enables the builders to overarch problematic flatness of footing or create arches. For maintenance mainly the advantage of possibility of replacing only one panel when damaged, not the whole facade, and self-cleaning characteristics are indispensable. Thanks to the dry assembly can the construction can be done all year round.

In order to accomplish successfully this product company uses many ways to facilitate itself and its customers the way towards pensile facade. Styl 2000 includes into offers particularly material being delivered to it as business items (see above). Except for mentioned porcelain stoneware and brick panels company is however able to supply its customer with enamelled glass (St.Gobain), metal (Tahokov) or cement-fibred panels (Cetris) and large size HPL plates such as Trespa or Max. Also since pensile ventilated facades lay demands on architects creating buildings proposal plans company has own building planners and technicians working on an offer before being handed in to the customer.

6.3.3 Services

Except for services offered to an investor, architect or main builder, i.e. planning and counting technical dimensions of planned facade, the services of company Styl 2000 include not only help when deciding which tile to choose depending on the type of the purpose or the room to be placed in, but also planing and drawing the layout of tiles and counting the amount the amount of tiles needed to be bought. For the architects wide range of services is offered:

- free samples and models in real size
- technical drawings of facade layout
- consultations on different qualitative features of offered materials
- creation of production project documentation and solution of cladding details
- test boring at original facade and its analysis followed by suggestions

6.4 Customers

The portfolio of customers partly corresponds with the one of product portfolio since realisation products are usually offered only to the customers coming from B2B sector. Business items and services are however offered to both groups. Final customers make less than 10 percent of total income of the company. We are therefore going to discuss only business customers.

6.4.1 B2B Customers

Typical customers in this category are architects or planning studios, in other words those who do not consume the offered product or service directly, but include them into their own products towards final customers. Further members of B2B sector can be in the case of Styl

2000 investors producing non-residential buildings not designed for production (e.g. parking houses, shopping centres etc.) or the construction companies working directly for these investors, or governmental agencies and governmental administrative parts (e.g. universities, academical institutes, post office etc.).

Architects and planning studios

There are 2350 architects and representants of planning studios and agencies addressed periodically with offers or just consultations and informations on new products and solutions. Most of these customers appreciate having constant supply of information because that way they are prepared and able to offer their customers more professional services and advice. It is task of business representants to take care of them in order to achieve loyal customers for long-term cooperation. Individual approach is therefore more than welcome.

Investors

Both private and public investors are not interested in gaining information continuously all year around, but appreciate having solutions ready at the moment of deciding important contracts. No matter whether they are independent or bound by governmental rules on contract assignment, the most important part of business with them is personal relationship or close contact.

Construction companies

Among all B2B partners, construction companies are led mainly by conditions offered, be it price, delivery or additional services conditions (e.g. possibility of instalments, transport of goods free of charge directly onto the building site etc.). To create a loyal relationship is very difficult since their behaviour is rather opportunistic.

7 COMPANY'S SITUATION ANALYSIS

Before coming to the proposal of a new marketing plan it is worth carrying out a complex analysis consisting of part analysis of all key factors which influence the observed company. In this way the present strategy can be evaluated. That is why we are going to use PEST analysis, SWOT and Financial Analysis and also intracompany analysis of its current marketing strategy in order to generate not only a basis for evaluating up-to-date strategy, but also to be able to propose changes or even a new strategy.

7.1 PEST Analysis

First we will discuss the industrial branch as a whole. PEST analysis uncovers the conditions which are imposed upon the company through political and legal, economical and social features of its environment. As the company's main activity covers trading with building materials and assuring their assembly we consider it best to go out of data describing the building industry.

7.1.1 Political Environment

The Czech government is planning and gradually implementing unpopular changes in distribution of social welfare. Mortgages were easily accessible not only thanks to the well-being of the Czech economy, but also thanks to the openhanded politics of contribution on building activities, and will no longer drive demand in this industry area. Due to expected cuts in governmental support of private homes by individuals, i.e. a flat or a house, demand will probably sink. Tax increase from 5 to 9 percent could also influence demand as Matyáš, chairman of the Czech Construction Trade Union, said⁵⁵.

Another important factor crimping construction demand is the legal process of acquiring building permission. This is administratively a very demanding procedure⁵⁶ carrying over from the past without changes which inhibits construction demand and can lead to slow-down in building industry. According to a KPMG study⁵⁷ inhibiting factors are also high bribe rate, insufficient payment morale, imperfect legislation or difficulties in the enforcement of liability.

The above mentioned factors will impose important threats onto the company in form of decreased demand from both public and private sphere and increased cost through increased risks in financial areas and general business relationship to other companies and/or bodies operating in the market.

7.1.2 Economical Environment

The Czech economy is still growing – starting from 2001 with 70.4 of Purchasing Power Standards⁵⁸ to 81.9 forecasted for the year 2008. Real GDP growth rate increases every year as well, in the past years even enormously, the years 2008 and 2009 are however predicted to show significant slow-down in the growth rate. This is according to a survey applied by

⁵⁵ Fórum českého stavebnictví 2008, online text

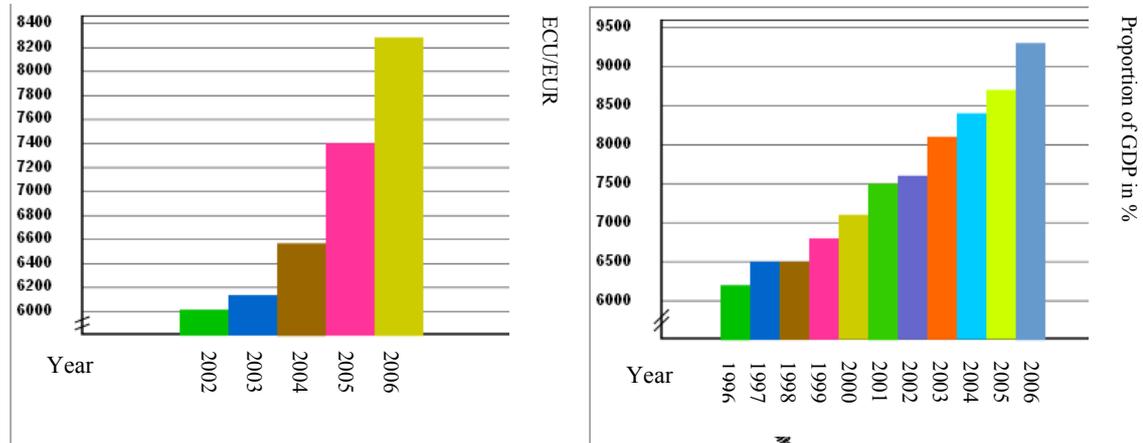
⁵⁶ According to the Czech Administrative Law the office can judge the enquiry for up to 60 days not mentioning the possible prolongations in case of incomplete documentation or other obstructions.

⁵⁷ Vacek, J. *Kvalitativní studie českého stavebnictví 2007*, results summary

⁵⁸ PPS are a common currency that eliminates the differences in price levels between countries allowing meaningful volume comparisons of GDP between countries. Zdroj: <http://epp.eurostat.ec.europa.eu>

Eurostat agency going to be mirrored also in gross value added⁵⁹ in the construction industry where growth rate has experienced a slight slow-down in comparison to previous years. Average gross annual earnings as well as Total Household Consumption Expenditure are growing as FIG. 10 shows.

FIG. 10 Average Gross Annual Earnings and Total Household Consumption Expenditure⁶⁰



Resource: Eurostat, Average Gross Annual Earnings; Total Household Consumption Expenditure

The above mentioned data could be positive for construction industry because having higher annual earnings means to invest more into residential and non-residential buildings and also growing consumption of households predicts higher demand, we must however compare them with other economy indicators of the Czech Republic. Basic data on the economic development of the Czech Republic is stated TAB. 25 below. Even though GDP, both per capita and percentually, is constantly growing, building production revenues seem to have reached their peak in 2006. The total of the building production revenues in 2007, despite a growing inflation rate and much higher prices than in the previous year, was more than 9 percentage points lower and predicted slow-down in this field of industry.

TAB. 25 Basic Data of The Czech Economy

Real economy indicators		2004	2005	2006	2007
GDP	mld. CZK, c.p.	2 814,8	2 987,7	3 231,6	3 557,7
GDP per capita	CZK/inhab.,c.p.	275 770	291 938	314 765	344 644
GDP	%, r/r, real	4,5	6,4	6,4	6,5
Building production –revenues	%, r/r, real	4,5	3,7	13,8	4,1
Services – revenues	%, r/r, real	3,2	3,0	5,0	7,0
Inflation rate	%, r/r, average	2,8	1,9	2,5	2,8
Industry production prices	%, r/r, average	5,7	3,0	1,6	4,1
Building production prices	%, r/r, average	3,7	3,0	2,9	4,1
Market services prices	%, r/r, average	2,3	-0,3	3,3	1,6

Resource: Czech Statistical Office, Real Economy Indicators

⁵⁹ It is value of all newly generated goods and services less the value of all goods and services consumed as intermediate consumption. The depreciation of fixed assets is not taken into account. Gross value added is compiled according to the industry that created it. Zdroj: <http://epp.eurostat.ec.europa.eu>

⁶⁰ Total household consumption expenditure refers to expenditure incurred on the domestic territory, by residents and non-residents, on goods and services used for the direct satisfaction of individual needs. It covers the purchase of goods and services, the consumption of own production and the imputed rent of owner-occupied dwellings. The figures are expressed as proportion of GDP in %.

Here are two contradictory streams, one promising for the industry, the other one rather sceptical. We see the explanation in restructuring of expenses from those oriented towards constructions of accomodation to those covering food and energies. This economical situation represents threat to building industry since it does not allow the demand for construction products to flourish and/or makes investors cut off investments and look for cheaper solutions. However we can also believe that investors will prefer investing into longlasting materials with better services saving them additional cost and will be forced to consider thoroughly all risks when choosing cheaper materials. And this is opportunity for a company operating with best services and good materials.

7.1.3 Social Environment

The total population of the Czech Republic has been growing constantly from the year 2003 starting at 10 203 269 and having so far reached 10 381 130 (in the year 2008). It is highly probable, however, that this progress will experience a change since population projections made by Eurostat agency predict constant decrease in the next 40 years, so that in the year 2050 the Czech Republic may not have even 9 million inhabitants.

When considering the living conditions of people in the Czech Republic there are many opportunities for the building industry as a whole since more than half of Czechs live in an apartment house and more than 60% have accomodation which was built before 1990. Above this also 23% of the inhabitants of the Czech republic in average of all classes live in rented accomodation. (see TAB. 26) Old houses, mainly apartment houses, are expected to be perceived as insufficient for current potential investors into new accomodation. Good conditions in the social field present also strong age-groups becoming rapidly independent, wealthier and willing to live in their own accomodation.

TAB. 26 Households Total by Net Money Income per Person - Deciles - Housing Characteristics

	Net money income (in CZK)									
	lowest 10%	second 10%	third 10%	fourth 10%	fifth 10%	sixth 10%	seventh 10%	eighth 10%	ninth 10%	highest 10%
Number of households	402 994	402 845	403 033	402 460	402 610	402 284	403 435	402 740	402 769	402 501
Detached, semi-detached house	39,2	44,5	45,2	47,6	46,4	45,2	46,7	42,8	39,1	34,4
Apartment house	60,0	55,0	54,2	51,2	52,3	54,1	52,7	56,7	60,5	65,3
Residence - before 2000	73,4	80,6	85,3	88,9	88,3	90,1	88,1	84,3	77,6	71,4
- after 2000	26,6	19,4	14,7	11,1	11,7	9,9	11,9	15,7	22,4	28,6
Own accomodation	45,4	57,4	57,0	62,1	60,6	61,4	64,3	63,6	58,6	56,1
Rented or others	54,6	42,6	43,0	37,1	39,4	38,6	35,7	36,4	41,4	43,9

Resource: adapted according to the Czech Statistical Office

Growth of population in the Czech Republic as well as coming of baby-boomers from the 70's are signs of opportunities for construction companies, mainly for those who will be able to address these technically better equipped people, i.e. mainly per internet. Also TAB. 26 offers opportunity in form of a large number of people living in rented accomodation and those living in residences older than 8 years.

7.1.4 Technology

Strong competition in the field of the building industry is heavily influenced by the technical status quo of the industry. New materials mostly with the attribute of being „environmentally-friendly“ are emerging and are driving traditional materials out. This wide range of materials brings also into this so far very conservative industry branch the appearance of a well-known term „frustrated by over-choice“. All persons concerned are presented with many options with very similar physical features, differing mostly only in appearance (even though today’s producers are able to manufacture one material resembling another) and in price. These conditions seem to polarize customers into two main groups – innovators and conservatives. While the first mentioned are interested particularly in hi-tec products, those latter group referenced tend to evaluate products according to their prices. Rapid technical changes make wholesare more dependent on their suppliers, which means having to wait for the strategy to be chosen by the supplier when deciding how best to satisfy his customers.

Another important characteristics concerning technical environment is the fact that the Czech republic joined the European Union. Even though this fact might seem to be more of a political or economic argument, the technological environment benefited from this membership more than ever expected. The Czech market has since that time been influenced by new technologies coming from western countries as well as new building methods. Also people deciding on materials to be used for a specific building have broadened their view and became more demanding in their sense of high quality. This process started after 1990 but was even more boosted by the above mentioned event.

The threat posed through technology is caused by coming of new and cheap substitutes to traditional materials and allowing so new potential competitors to entry the industry. Another problem of a quickly developing technology are high cost in order to keep pace with competitors – this could also became a threat for the company. Opportunity can be seen in shortening time of assembly, in other words saving time of investors through quicker realisation.

7.2 Porter’s Analysis of Five Forces

Styl 2000 that is to say has never conducted a wider research on what are those important forces influencing company’s business. Thanks to a long-term existence in this branche and thanks to various relationships between both top management members and employees and colleagues active in the same field, a lot of information is usually gained through informal channel without however claiming complexity of such information.

This chapter should discuss where the company has to expect problems in the main direct five forces which impact company’s well being. We will discuss potential entrants, suppliers, buyers, substitutes and competitors. The last mentioned factor is to be handled more precisely since knowing competitors and their marketing strategy will outline limits within which we are going to operate with company’s marketing strategy itself.

7.2.1 Potential Entrants

There is always threat of new potential entrants on the market since technology is moving fast forward, producers from abroad assume Czech market to be good environment prepared enough for accepting their goods. On the other hand is this threat decreased by high capital requirements and difficult access to distribution channels since the market seems to be shortly before saturation. On the other hand, lack of knowledge and experience represent natural limits for competitors’ entry.

TAB. 27 Potential Entrants

	Areas of entrants	Pro's and Contra's for Entry
Horizontal Integration	Big construction companies	<p>PRO</p> <ul style="list-style-type: none"> • diversification through building industry • usage of database of contacts <p>CONTRA</p> <ul style="list-style-type: none"> • lack of specialized knowledge • increase in cost through fall in economy of scale • increase in administrative cost <p>SUMMARY</p> <ul style="list-style-type: none"> • cost overweight the benefits, it still pays to hire subcontractors for partial works
Vertical Integration	Construction planning studio	<p>PRO</p> <ul style="list-style-type: none"> • knowledge of materials and procedures of assembly • first point of contact for customers from B2B <p>CONTRA</p> <ul style="list-style-type: none"> • low experience with assembly itself • financial base not sufficient enough • high administrative cost • customers not used to such connection – possible prejudice <p>SUMMARY</p> <ul style="list-style-type: none"> • customers and environment not yet prepared but could in next 5 years be an interesting market gap
	Facade materials producer	<p>PRO</p> <ul style="list-style-type: none"> • knowlege of materials and their technical characteristics • can ensure highly flexible deliveries • can tailor materials upon customer's wish or need <p>CONTRA</p> <ul style="list-style-type: none"> • concentration only on one kind of material (ceramics, steel etc.) – loses advantage of diversity • high cost on building the net of channels and/or gainig contacts of customers • usually producer country different from customer's country – insufficient information on market customs <p>SUMMARY</p> <ul style="list-style-type: none"> • highly probable in the country of origin, too cost demanding in other countries • no differentiation in product possible
Diagonal Integration	Real estate agency (or similarly anybody new to the industry)	<p>PRO</p> <ul style="list-style-type: none"> • database on customers, well shaped procedures in getting new customers • long history connected with residencial business <p>CONTRA</p> <ul style="list-style-type: none"> • no knowledge and experience – high cost in gaining them • long-term cooperation takes long time to be established <p>SUMMARY</p> <ul style="list-style-type: none"> • could be possible if coming with new ideas or materials, however rather not feasible because of continous technology development

Resource: own considerations

In TAB. 27 there are the possibilites of entry of potential competitors into the specific area of facades, or pensile facades, together with evaluation of the threat coming from them. As we can see, there is no serious problem represented by any of them, only planning studios could in five years reach the stage of feeling necessity to diversify this way. Styl 2000 should therefore not be much afraid of potential entrants, but should also keep an eye mainly on those mentioned.

7.2.2 Suppliers

Suppliers play an important role in the construction business. There are few famous and popular producers of construction material whose reputation has been won over decades and who are known in the Czech republic, there are however also many suppliers who intend to share market with the old companies and are good and go-ahead enough to be able to cut one piece of market share after another. We could said that bargaining power of suppliers is rather small and is being weakened. Another important fact is that switching cost are high both for suppliers and for wholesalers in this branch, lead therefore to reciprocal loyalty.

The most important suppliers for different product groups were mentioned in chapter 6.3. The cooperation of the company is rather long-lasting and therefore very conservative (the suppliers have not been changed for more than 10 years and no new are expected to be used). This approach may be cost saving thanks to no additional cost on looking for a new supplier (see

TAB. 41) but is rather prohibitive in terms of flexibility for customers' needs and constant innovations in order to offer customers better services. We therefore suggest (after knowing the segment and product the company will concentrate on) to change suppliers' portfolio.

7.2.3 Buyers

Buyers on the contrary posses high bargaining power since, speaking of B2B customers who constitute almost 90 percent of company's business, they do not only present a credible threat of backward integration (mainly really big investors and construction companies not rarely address directly producers when not expecting added value from wholesalers in order to reach lower price), but also are aware of the fact that they represent always an important item in total sales (in contrary to ordinary customers – private persons). TAB. 28 shows in fact all possible buyers and in another TAB. 40 we describe the profile of a buyer we would like to have. The reasons are separately stated below.

TAB. 28 Buyers versus Product Groups

	Supporting constructions	Ceramics	Mosaics	Pensile facade	
Architects and studios					
Construct. companies					
Investors					
Legend	<192 000 CZK	≤314 625 CZK	≤438 000 CZK	≤559 875 CZK	≥682 500 CZK

Resource: calculations based on internal documents

The figures displayed in the table say that in 2007 some items in the product portfolio were not sold at certain buyers (those in grey). The completed cells are colourfully discern as for financial amount originated from the business with these in different product groups. The lowest business as for products was done with mosaics, while concerning buyers the lowest profit came from Architects and planning studios (altogether 893 500 CZK) followed by the Investors (1 077 500 CZK) and finally with Construction companies (1 198 000 CZK).

Coming out of this we would suggest the concentration on both last mentioned with the highest orientation on pensile facades.

7.2.4 Potential Substitutes

As already mentioned in chapter on technology, products are very different and there can be found many substitutes to any material. At this moment also quality starts to play its role, and price of course. When considering all three different product groups, mostly threatened through this are ordinary business items since substitutes to them can be found in any hobby market. Both remaining – realisation products and services represent without doubts areas where substitutes can indeed be found, but the threat of these is rather small.

TAB. 29 Potential Substitutes

Product Portfolio Item	No. of potential substitutes	Examples of substitutes	Potential threat
Supporting constructions	3-6	Different types of clamping, material used and technology	Quite LOW - differ only through supplier
Ceramics	25-50	Mosaics, floor and wall ceramic tiles, stone, metal boards, artificial floor or wall covers	Very HIGH due to no.of substitutes
Mosaics	15-20	Ceramic tiles, wooden, glass boards, paintings	Quite HIGH also in connection with low demand
Pensile Facades	2	Dashed facade, Contact facade	LOW because no real substitutes

Resource: internal documents (research on substitutes)

As stated in the table above the highest risk of being substituted is posed on business product of ceramics and slightly lower on mosaics. Supporting constructions and pensile facades are in this view very well off. We should however be aware of the fact that technology mentioned in chapter 7.1.4 is impacting gradually also these fields and it is therefore possible that in five years the situation will be completely different. That is why we would suggest using the opportunity of being highly resistant to substitutes and concentrate in the strategy on pensile facades or supporting constructions.

7.2.5 Competitors

As for competitors, Styl 2000 cannot compete with large companies with more than 100 people, but is pretty much successful in facing threats of smaller companies. Although sometimes forced to use price competition, Styl 2000 makes better use of new product introductions and increasing care of customers. In numerous cases however had the top management of Styl 2000 to ascertain this customer care to be insufficient, or better somebody’s competitive advantage to be higher in this factor.

Main competitors of Styl 2000 are Mramor Trading Ostrava, Ceram Objekt, FASTEC, TRIANGEL and Karpata CS s.r.o. Pardubice. There is pretty high rivalry among these firms since all of them concentrate mainly of facade tiles and do not diversify, therefore their switching cost are too high to be willing to back off the competition. In TAB. 30 below there are the main characteristics of individual companies (competitors) featured.

TAB. 30 Main company’s competitors

Company	Main features
Mramor Trading s.r.o.	Main interest: <ul style="list-style-type: none"> development of net of stores with floor tiles and cladding Region:

	<ul style="list-style-type: none"> • northern Moravia, spreading into other regions <p>Claimed advantage:</p> <ul style="list-style-type: none"> • catalogue on CD for architects • instruction visits (for architects) at producer's • studies of plans, 3D drawings, assembly of materials • own stone-mason workshop – production from natural stone <p>Summary:</p> <ul style="list-style-type: none"> • pensile facades are displayed on the last place of presentation • offer consists of mainly Italian ceramics, but also other materials
Ceram Objekt s.r.o.	<p>Main interest:</p> <ul style="list-style-type: none"> • facades, swimming pools, floor tiles and cladding, ceramic materials <p>Region:</p> <ul style="list-style-type: none"> • all Czech Republic, from 1992 <p>Claimed advantage:</p> <ul style="list-style-type: none"> • colours and formats tailored at wish (from 500 m2) <p>Summary:</p> <ul style="list-style-type: none"> • old web pages • German ceramics, but also other materials • Approx. 47000 m2 in the years 1992-2001
Fastec s.r.o.	<p>Main interest:</p> <ul style="list-style-type: none"> • Delivery and assembly of pensile facades <p>Region:</p> <ul style="list-style-type: none"> • All Czech Republic, from 2001 <p>Claimed advantage:</p> <ul style="list-style-type: none"> • None <p>Summary:</p> <ul style="list-style-type: none"> • All possible materials, 66 000 m2 in the years 2001-2008 – most of them in 2002-2003
TRIANGEL s.r.o.	<p>Main interest:</p> <ul style="list-style-type: none"> • Interieur claddings and floor tiles (main web page bar) • Pensile facades (according to company intro) <p>Region:</p> <ul style="list-style-type: none"> • All Czech Republic, from 1996 <p>Claimed advantage:</p> <ul style="list-style-type: none"> • ISO 9001 • Czech bob-sleigh team sponsorship • Offer of 200 kinds of granite and marmor, cast stone • Shorter time of realization thanks to special system • Atypical and rugged facades <p>Summary:</p> <ul style="list-style-type: none"> • All materials, German Moeding and Italian ceramics • Laying also floor tiles and cladding • 36000 m2 in the years 1996-2008, but usually none more than 2000 m2
KARPATA CS s.r.o.	<p>Main interest:</p> <ul style="list-style-type: none"> • Retail in ceramic cladding and floor tiles • Wholesale of ceramic claddings • Adhesives and mastics • Pensile facades <p>Region:</p> <ul style="list-style-type: none"> • Prague and surroundings, from 1991 <p>Claimed advantage:</p> <ul style="list-style-type: none"> • None <p>Summary:</p> <ul style="list-style-type: none"> • Bad presentation, no additional information

Resource: internal materials, competitors web pages

In TAB. 30 we used as the main assessment categories main interests of the companies, region of operation and year of establishment and further claimed advantage. In the summary

to each competitor there is characteristic which will help us in describing where is the potential advantage or disadvantage of this competitor. Main interest will help us define which competitors are oriented mainly on facades, namely pensile facades, and which not in order to find direct competitors and/or only substitutional competitors. Operating region further says where Styl 2000 should be more aware of potential competition while the year of establishment shows if any of competitors can be compared to Styl 2000 as for its history. This is one of the possible sources of competitive advantage. In claimed advantage we assumed to find items especially attractive for customers from which our company could take the inspiration.

As for general assessment, situation in building industry is by entrepresis being active here is considered to be slightly worse than in previous periods, the same was valid also for level of total demand, while the insufficient demand was named as the biggest barriers for further production growth (only 28,3% do not feel the same). The situation is for next three months expected to be stabilised (as 88,5% believe). The same is expected for six months with only a little less respondents to believe this (74,7%).⁶¹ The average period of advance orders is 8,9 months, prices are expected to rise mainly steadily at approx. 37% of production, twice as many respondents do not expect any rise.

7.3 SWOT Analysis

In this chapter we will describe strengths, weaknesses, opportunities and threats as for the current status of the company. As indicated in the theoretical part, SWOT analysis shows the areas we can lean on or we have to beat up. The individual points in the analysis can be both supported by economic or other research or can just come out of comparative analysis of non-economical characteristics in the competitive environment. We will intend to summarize all critical points (critical to success or to avoiding failure) in order to implement solution of them in our marketing strategy proposal.

Thanks to Porter's Analysis of Five Forces we will be able to gain the general view on what differentiates the company from competitors, where are internal capacities compared to potential entrants or competitors and how do suppliers strengthen or make weaker the company. Through summarizing information gained in PEST analysis the opportunities and threats will appear. All four fields (political, economic, social and technological) have provided us with sufficient data on compiling together a list of expected opportunities and threats.

7.3.1 Strengths and weaknesses

Both strengths and weaknesses describe internal features appearing in the company and limiting or in the contrary broadening company's domain.

Strengths are:

- history and fame of the company
- experienced, qualified labour force
- good position in the market
- territory compassing all country (not yet abroad)
- personal connections with architectural and planning studios
- exclusiveness of offered products, wide range of products

⁶¹ For more details and whole study – see [http://www.czso.cz/csu/2007edicniplan.nsf/t/CD0041609D/\\$File/12010712t.pdf](http://www.czso.cz/csu/2007edicniplan.nsf/t/CD0041609D/$File/12010712t.pdf), 12.3.2008

- independent from foreign money
- good and area specific knowledge of local environment
- distribution channels in own hands

Strengths are mostly connected with history of Styl 2000. All points above do more or less have the history of company in common. It is the fame that is the cornerstone of good position in the market of pensile facades (but this is not true for the market of floor tiles and wall cladding) and it is the history why the company has longlasting personal connections with architectonical and planning studios and also specific knowledge of local environment as well as much experience in the field of pensile facades.

Weaknesses are:

- fame for being expensive
- no or only limited introduction of new materials
- decreasing quality and amount of offered services
- low flexibility and adaptation to market trends and customer
- no conception of marketing, not existing marketing departement
- small size of the company (not able to fulfill bigger orders)
- old equipment of showrooms
- very few customers with regular orders (only Kaufland)
- low level of using IT

The company however seems to suffer from old age since its strengths gradually turn into weaknesses. High quality is falling and is felt as expensiveness which further frightens customers away and should therefore be pointed out when creating marketing strategy proposal. Decreasing quality of services is due to falling profit, however seems to be bad sign for customers as well – on the contrary today's business environment (as mentioned above) requires higher perceived added value and this is mostly achieve through better and more extensive services. Further problem is that despite long history it does not have regular customers. Also concentration on traditional materials slows down flexibility and demand of new materials that are introduced only after a request and deny another current business requirement to forecast customers demand and needs and wishes. Through bringing a solution before customer asks for it could increase competitive advantage of this company. Also other weaknesses are threatening – introduction of information technology is more or less a must as well as concentration on marketing, be it as for planning reasons or managing overall process of selling.

7.3.2 Opportunities and Threats

These two cathogories answer question of impact of environment on company's being. In the general PEST analysis we have pointed out some characteristics of today's environment impacting Czech companies operating in the building industry. Here we will discuss shortly those features which can be associated directly with the analysed company .

Opportunities are:

- markets abroad (mainly Slovak or Polish)
- expansion of internet
- using new methods of marketing – databases etc.
- global agreements with suppliers and other building companies

We do not want to anticipate marketing strategy proposal, but even though there is opportunity to exploit markets abroad we do not think it will be used at least in the current situation. However internet is a big resource of opportunities for many industries and many companies, so it is also for Styl 2000. Marketing based in databases is also area where company could base its boom in. Sofar the company is alone standing, confiding only in itself, however the environment brings with it requirement of being interconnected to others, like suppliers or strategic partners since a small or alone company has to face imposed threats without any other help.

Threats are:

- incoming and existing competitors
- cheap substitutes
- technical progress empowering suppliers
- financial crisis
- economical situation

Economical situation can both be opportunity and threat. If the company chooses a convenient strategy also negatively looking signs of incoming valley in building industry can be converted into competitive advantage working for those who are able to use it.

SWOT analysis points out factors both outside and insed which could change company's situation in future. For our purpose it is necessary to take the most important ones and build company's marketing strategy on them.

7.4 Balanced Scorecard

We have inserted this chapter so that it provides us with detailed information on four important areas inside company. In fact the specification concerns customers, finance, growth and learning and business processes. Customers are in this chapter not understood as threatening forces because of their bargaining power and therefore something to accept provisions against, but as the source of income and therefore somebody we need to understand and know how to satisfy and to comply with ideas and wishes.

Finance is a necessary and inevitable component of internal conditions analysis. Here in this chapter we will present only goals set and measurments plus targets and iniciatives, but in the next chapter a whole financial analysis (even in shortened form) will be presented.

TAB. 31 Company's Balance Scorecard

Finance	<p>Objectives:</p> <ul style="list-style-type: none"> • Profit increase <p>Measures:</p> <ul style="list-style-type: none"> • Net profit before taxes <p>Targets:</p> <ul style="list-style-type: none"> • Revise discount tactics <p>Iniciatives:</p> <ul style="list-style-type: none"> • Introduce information on customer's previous discount and payment history
Customers	<p>Objectives:</p> <ul style="list-style-type: none"> • Retain customers • Increase satisfaction • Increase loyalty <p>Measures:</p> <ul style="list-style-type: none"> • No.of orders and sum in money from old customers <p>Targets:</p>

	<ul style="list-style-type: none"> • Approach customers with new ideas • Be flexible <p>Iniciatives:</p> <ul style="list-style-type: none"> • Perform customers and market research • Create a marketing strategy to better address their needs
Internal business processes	<p>Objectives:</p> <ul style="list-style-type: none"> • Increase effectivity <p>Measures:</p> <ul style="list-style-type: none"> • Decrease of cost (financially expressed) <p>Targets:</p> <ul style="list-style-type: none"> • Introduce new processes • Optimize old processes <p>Iniciatives:</p> <ul style="list-style-type: none"> • Acquire CRM software and implement it
Learning and Growth	<p>Objectives:</p> <ul style="list-style-type: none"> • Employ new skills and knowledge in the company <p>Measures:</p> <ul style="list-style-type: none"> • No.of courses or training hours • Lower no.of mistakes and problems caused by employees <p>Targets:</p> <ul style="list-style-type: none"> • Increase knowledge of employees (business representants mainly, but also others) <p>Iniciatives:</p> <ul style="list-style-type: none"> • Prepare internal and external courses (IT and soft skills) • Provide time for training • Reset motivation and benefits system

Resource: internal documentation, own research

The aim of company's strategy is to reach these expectations and even go beyond them to higher levels. On the basis of interviews undertaken by business representants with customers (architects, direct investors and construction companies) customer expectations like reliability, helpfulness, accomodativeness and correct behaviour, experience, understanding unconventional proposals and also favourable price relations have been identified. Perceived added value should be high so that company does not get caught in the part of Bownman's strategic clock where any strategy is destined to ultimate failure. There are company's characteristics which are to be kept on only or maybe broadened, while others must be employed. Always questions as: „Is this quality or width of product range good enough? Are our price relations understood favourable?“ must be posed and answers monitored. It is up to yearly revisions to change strategy, or better decide which way it should go from the revision on to be well balanced with financial situaiton of the company.

7.5 Financial Situation

In order to gain complexity of information on the company financial analysis is usually done in three parts auditing Balance Sheet, Profit and Loss Report and ratio indicators. Comprehensive tables can be found in the Appendices to this work.⁶²

In the Balance Sheet there can be observed a rising trend in the total balance amount, this increase is caused by current assets. For 2006 the most significant was an increase in Unfinished and Semifinished Goods (almost 50%). In an ideal case the rate of income growth should be larger than the rate of assets growth – however this company is not the case, in

⁶² In the financial analysis we could work with data from three years (2004, 2005 and 2006) only, because our collecting of information was stopped when our employment contract finished, e.i. in February 2008. From that time until this work was finished no financial data on 2007 were publically accessible, except for operational profit.

contrary all incomes are falling. Worth mentioning is decrease in Shortterm Outstandings and Long-term Outstandings which fell by almost one half. This is generally assumed as good sign for healthy financing of the company. It is however necessary to point out the unbalanced economical outcomes in 2004 and 2006 when the company experienced negative operational profit of such amount that even neither financial profit nor extra profit could cover it and the overall profit appeared in red numbers. Both latest mentioned economical outcomes make namely tinies amounts in the total sum.

Structure of Liabilities has in the past three years been influenced mainly by economic profit (both of past years and current year). The company seems not to feel any necessity in increasing basic capital amount or profit funds. As for Loan Capital a significant rise in shortterm debts could signalize higher company indebtedness, but also a more effective use of loan capital. In case of this company it is the firstly mentioned. Profit before Tax has after an increase of more than 22% between (2004 a 2005) fallen down again in 2006 (even though this decrease hasn't reached even 1%, it still makes around 274 000 absolutely). Extraordinary Profit and Financial Profit have influenced this fall by far the most. Nevertheless added value of the company was on stable rise.

TAB. 32 Profitability, Liquidity and Efficiency Ratios

No.	Indicator	2004	2005	2006
1.	Profitability			
1.1.	Return on assets (ROA)	-0,33%	1,51%	0,86%
1.2.	Return on equity (ROE)	-6,13%	20,22%	20,06%
1.3.	Return on investment (ROI)	-0,14%	0,57%	0,80%
1.6.	Net profit margin	-5,95%	6,46%	-4,87%
2.	Liquidity			
2.1.	Current	1,56	1,18	2,26
2.2.	Quick	0,01	0,10	0,09
3.	Efficiency			
3.2.	Current assets turnover	2,61	2,79	1,11
3.3.	Inventory turnover	14,29	19,5	2,7
3.5.	Period of inventory turnover (in days)	26	19	135
3.6.	Period of accounts receivable turnover (in days)	113	101	182
3.7.	Period of debts turnover (in days)	98	94	85
4.	Capital Structure			
4.1.	Debt-to-equity ratio	17,3	12,4	10,7
4.2.	Equity ratio	5%	7%	54%
4.3.	Debt-to-asset-ratio	95%	93%	46%
4.4.	Equity-to-asset-ratio	5,5%	7,5%	4,3%

Resource: internal materials

Profitability ratios show financial viability of a company and allow to compare a company to others in the industry area. Net profit margin of Styl 2000 is very unstable and very often appears in red numbers. Return on assets (ROA) ratio is very low, however this is significant for the industry as a whole. On the other hand, a significant part of company's business is represented by services, therefore we would expect at least 5 percent.

Another ratio is return on equity (ROE) which is important for shareholders. Styl 2000 seems to be doing fine with its almost stable 20 percent. Return on investment is the last to be observed as for profitability. Experts suggest that companies usually need at least 10-14

percent ROI in order to fund future growth, unfortunately company's ROI is too low which could indicate poor management performance or a highly conservative business approach.

Liquidity ratios measure the amount of liquidity and show therefore company's financial health. Current ratio of Styl 2000 is the highest for the past 3 years which can be understood as a very good sign, but in the view of accounts receivable turnover rising (almost twice as long in 2006 as in the previous year) and in taking into account deeply decreased inventory turnover annually from 2005 to 2006 it means that company has problems with collecting accounts receivable and is carrying too much inventory. Quick ratio which measures the ability to access cash quickly to support immediate demands and is also known as the acid test is very low since a ratio of 1.0 or greater is generally acceptable, but Styl 2000 shows only approx. 0,1 percent. A general piece of advice in this case is to review credit policies with customers and adjust them possibly to improve the time it takes to collect receivables.

Some of efficiency ratios have already been discussed. Company's operation is distinguished by high cost caused by long-term keeping of inventory and buying and inventory policy would probably need reviewing.⁶³ Capital structure shows good results supporting this way the general knowledge on company being financed from own resources, therefore more or less independent.

In this chapter we analysed financial situation of the company and can summarize that profit, one of the most important indicators, needs stabilize and be supported in order to start rising. We have also found out that there are problems with inventory turnover as well as current assets turnover which a marketing strategy could improve or at least help improve. Last but not least, important assumption taken from analysis says that the period of account receivable turnover is very high because of bad payment policy set towards customers. Here also a good marketing strategy can be the remedy.

In conclusion we would like to summarize the impacts on further work progress, evaluation and marketing strategy proposal.

TAB. 33 Summary of Financial Analysis - Impact on Choice of a Strategy

Financial factor	Result/s	Impact on the choice of a strategy
Negative operational profit (in 2 out of 4 last years)	Poses higher risk to the existence of the company	Increase profit and make it balanced through a convenient strategy
Unbalanced economic outcomes	Poses higher risk to the existence of the company	Needs to be stabilised, focus on rather conservative strategies with lower cost demands
Low ROA	Higher indebtness, threat to flexible fulfilling of customer's needs	Increase ratio of services, decrease cost connected to assets
Low ROI	Poor base for further development	Does not allow extensive rise, i.e. increase in market share, should concentrate on other strategies
Problems with covering accounts receivable + quick ratio (acid test)	Increase in cost (administrative, financial and operational)	Needs to clearly show customers the rules, orientation on win-win strategy, better choice of customers
High period of inventory turnover	Increased cost, liability of financial assests	Reduce items in product portfolio, increase ratio of services

Resource: own consideration based on financial analysis (internal documentation)

⁶³ http://www.bdc.ca/en/my_project/Projects/articles/working_capital_ratios.htm?cookie%5Ftest=1

The TAB. 33 summarizes the most important financial factors whose results will impact the choice of a strategy. Most of them show the necessity of concentration on increase of profit and decrease in cost together with revision of product portfolio and pricing policy of the company. In contrary we should not try to employ strategy aiming at increase in market share or at extensive growth, be it through market price skimming.

7.6 Marketing Mix Tools

7.6.1 Product

Product portfolio analysis showed that company Styl 2000 is mainly specialized in only one field of construction work – it offers to its customers finishings of walls and floors and concentrates on pensile facades. The other before presented products like mosaics or support construction modules are complementary materials to which is not much attention paid. Product portfolio is mainly taken over from given suppliers. This historical remaining inhibits company in setting up the portfolio according to own needs or better needs of its customers.

We have conducted GE/McKinsey analysis for the four above mentioned product groups. The results can be seen below in TAB. 34 - TAB. 37. For each factor (as mentioned above we count on size of market, demand variability, industry profitability, industry rivalry and global opportunities for market attractiveness and on market share, growth in market share, brand equity, production capacity and profit margins relative to competitors for competitive position) we decided factor value and weighting. A simple multiplication has then been applied and partial score gave a sum between 0 and 1 in order to place analysed product into the nine-square field of GE/McKinsey Matrix.

Some factor values and factor weightings are based on expert opinion of business director of the company who has the experience also from business representant's practice. Some of them can be supported by above gained results. Factor weightings say how important the factor is for the company, in other words how big is the impact on well-being of the company in the sector. We maintained the same weightings since in all four items the importance may differ only slightly. What differs is always the factor value.

Market size depends on the number of customers. In the building industry mosaics and ceramics can find the less customers since there exist many substitutes, as it can be seen in chapter 6.3, in contrary to supporting constructions and pensile facades. The demand variability is based upon the number of inclinations from basic offer (these can be represented e.g. through additional services or special wishes or number of needed tailored solutions). According to experience of business departement the most profitable are those with higher perceived value added through services (as also confirmed in the theroretical part), in our case pensile facades and supporting constructions. Industry rivalry was set according to a number of competitors in this field (in this work only competitors for pensile facades are stated in TAB. 30 because otherwise this work would be too extensive). Global opportunities show in how far the company can get with this item beyond the limits of a region.

Talking of competitive position market share was accounted from square meters or pieces sold in comparison to the competitors (some data are to be found in TAB. 30), while growth in market share on financial measurements of growth rate in this segment. Production capacity shows where the company is mostly oriented and brand equity says simply how well-known the company in this field is. The most difficult was to set the profit margins relative to competitors where we had scarce information (none of competitors publishes the actual profit

margin, only square meters and pieces sold – sometimes – and price lists – sometimes. The calculations were therefor assumed by the business director.

TAB. 34 GE/McKinsey Matrix – Supporting constructions

Supporting constructions	factor value	factor weighting	partial score	
market size	0,6	0,25	0,15	Market attractiveness
demand variability	0,3	0,05	0,015	
industry profitability	0,5	0,4	0,2	
industry rivalry	0,3	0,15	0,045	
global opportunities	0,1	0,15	0,015	
			0,425	
market share	0,02	0,4	0,008	Competitive position
growth in market share	0,2	0,05	0,01	
brand equity	0,4	0,15	0,06	
production capacity	0,5	0,15	0,075	
profit margins relative to competitors	0,4	0,25	0,1	
			0,253	

Resource: own calculations based on internal documents

For supporting constructions the market is relatively high, together with low global opportunities and low demand variability it gives surprisingly interesting number for industry profitability, but this is caused mainly by low rivalry. For Styl 2000 the margins are lower compared to others since the company buys more expensive, but qualitatively high products from an austrian company (quite a high brand equity shows that the company is well-known for these products). The question is, why the company was not able to gain more profit from higher quality of offered products. We see the reason in missing marketing strategy.

TAB. 35 GE/McKinsey Matrix - Ceramics

Ceramics	factor value	factor weighting	partial score	
market size	0,4	0,25	0,1	Market attractiveness
demand variability	0,2	0,05	0,01	
industry profitability	0,3	0,4	0,12	
industry rivalry	0,4	0,15	0,06	
global opportunities	0,02	0,15	0,003	
			0,293	
market share	0,01	0,4	0,004	Competitive position
growth in market share	0,1	0,05	0,005	
brand equity	0,3	0,15	0,045	
production capacity	0,4	0,15	0,06	
profit margins relative to competitors	0,3	0,25	0,075	
			0,189	

Resource: own calculations based on internal documents

Ceramics is widely spread material and so both industry profitability and global opportunities are low and market size as well. With low demand variability, this product portfolio item is rather convenient for market penetration through lower prices in comparison to competition. We do not expect high growth in market share or in profit margins. The brand equity is also low due to many brands operating on this market.

TAB. 36 GE/McKinsey Matrix - Mosaics

Mosaics	factor value	factor weighting	partial score	
market size	0,1	0,25	0,025	Market attractiveness
demand variability	0,4	0,05	0,02	
industry profitability	0,2	0,4	0,08	
industry rivalry	0,2	0,15	0,03	
global opportunities	0,1	0,15	0,015	
			0,17	
market share	0,01	0,4	0,004	Competitive position
growth in market share	0,1	0,05	0,005	
brand equity	0,1	0,15	0,015	
production capacity	0,1	0,15	0,015	
profit margins relative to competitors	0,1	0,25	0,025	
			0,064	

Resource: own calculations based on internal documents

Mosaics is highly specific product, it is more of a trendy thing which shows higher instability of market size and profitability, that's why also not many companies want to compete in this field, the industry rivalry is quite low. Out of above mentioned table it can be assumed that mosaics is more or less an additional product and represents neither high growth, nor high brand equity, nor profit margins.

TAB. 37 GE/McKinsey Matrix - Pensile Facades

Pensile Facades	factor value	factor weighting	partial score	
market size	0,8	0,25	0,2	Market attractiveness
demand variability	0,55	0,05	0,0275	
industry profitability	0,75	0,4	0,3	
industry rivalry	0,6	0,15	0,09	
global opportunities	0,25	0,15	0,0375	
			0,655	
market share	0,25	0,4	0,1	Competitive position
growth in market share	0,1	0,05	0,005	
brand equity	0,9	0,15	0,135	
production capacity	0,6	0,15	0,09	
profit margins relative to competitors	0,7	0,25	0,175	
			0,505	

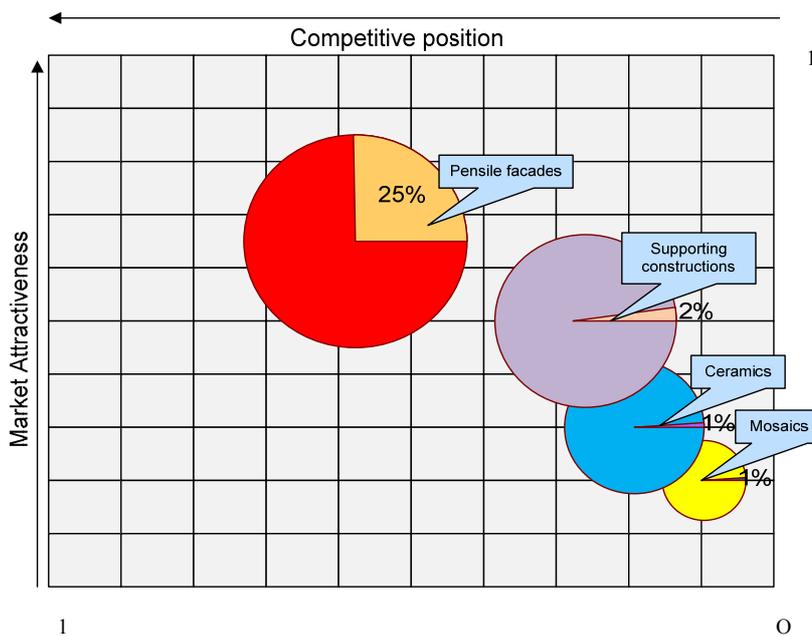
Resource: own calculations based on internal documents

Pensile facades have high score in most fields except for global opportunities. To extend beyond regional limits is difficult because there is high industry rivalry not only within the

Czech Republic, but also in the countries around. However, based on internal calculations Styl 2000 posses high level of brand equity, market share and profit margin which however can be increased as we can see the factor value 0,75 as for the whole industry profitability and 0,7 for Styl 2000. This shows the direction which the company should go in marketing strategy proposal.

Through Balanced Scorecard analysis the starting position can be set. Lifecycle of a product would be difficult to state because of large variety of offered products but also because of not sufficient information from supplier. The same is true for product series since there are always series new to the business and series which slowly disappear from product offer.

FIG. 11 GE/McKinsey Matrix for Product Portfolio of Styl 2000



Resource: own calculations based on internal materials

The size of the circles represents the Market Size and the size of the pies represents the Market Share of the SBU. As we can see the best position with highest market share of Styl 2000 has the realisation unit Pensile Facades. According to the above suggested reasons for the numbers representing the size of the market we can see that mosaics are the smallest with value of only 0,1, ceramics with 0,4, supporting constructions with 0,6 and pensile facades with 0,8. The pie charts representing different items show that Styl 2000 has 1% share in the market of mosaics and ceramics, 2% in supporting constructions and full 25% in pensile facades. The higher the pie chart in the table and the more to the left, the better is its position as for market attractiveness or competitive position. The results then show that the worst position has business product mosaics, while pensile facades are far the best. According to my opinion it is best to concentrate attention and whole marketing strategy for the following three years onto this product of business portfolio and use both potential and good position.

7.6.2 Price

Pricing strategy being used in Styl 2000 has sofar been counted on the cost-plus pricing basis. Price list is modified every year following pricelists launched by suppliers. This way is rather inconvenient since every single item is given the same margin not taking into account customer preferences, wishes and needs. It however enables reduce administrative cost since there is one price list being used by all. The company probably does not have any substitute to

keep the administrative cost low, but enable pricing strategy based on differentiation. An interesting solution for this problem could be the CRM software, since it offers high variability when maintaining low cost.

Also not respecting employed price strategy of suppliers (in the terms of seasonal or exclusion sales prices) contributes to the weakness mentioned above – the famous expensiveness. Price discounts are also an inconsistent tool for retaining or also winning new customers. During each order process company starts dealing with customer from the very beginning not respecting customer's history. Based on price lists the discounts are adjusted according to not very clear rules so that the customer does not know which aspects caused that the goods was discounted cannot adjust his strategy. That is probably also the reason why no consistent height of operational profit is to be expected with this way of pricing.

7.6.3 Place

Products of Styl 2000 are offered through three main channels. As it is a small company it ensures placement of products itself – through business representants. Second channel are showrooms in the headquarter of company and in Prague's office. However, the rooms are rather insufficient because statistically too few customers visit them (see TAB. 42). Brno's showroom is in a good place (Koliště, 10 minutes from the downtown), but somehow not attractive for customers (see TAB. 43).

Third place the company promotes itself is in webpages. They serve not only the purpose of letting customers know who company is, but they also offer the possibility of ordering per internet or choosing the right product and services. Their usefulness is supported by English localisation as many customers (multinational companies or also architects and planning studios) do not speak Czech yet and welcome this opportunity to learn more about offered product portfolio.

Styl 2000 cannot (because of its size and type of products sold) use intermediaries – the intermediaries are usually too expensive and product portfolio is easily substitutable since floor tiles or wall cladding can be bought at any hobby-market, construction materials shops or directly from producer. The only thing which cannot be substituted are pensile facade, these however are impossible to be sold through more-step channels since no such distribution net exists.

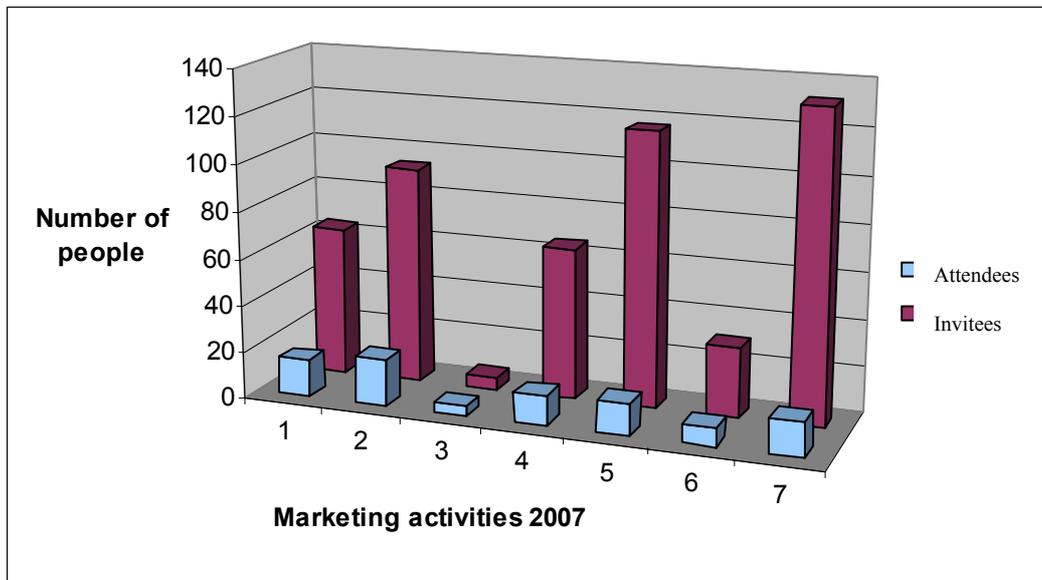
7.6.4 Promotion

Promotion as well as the whole marketing strategy has been dependent on decisions of top management only – without their present there would no promotional activity become true. This way of not having clear rules for promotion has set the company into a strictly conservative position with sudden activities without beforehand planning. Financial analysis shows significant problems in the area of increasing cost and instable profit (see TAB. 32 and TAB. 33) and further we will also prove how financially intensive the promotional activities are (TAB. 38). In such a situation the company cannot afford to spent high amount irreasonably and a strategy supporting this must be applied

There are four main ways of promotion. Advertising is proceeded through magazines adverts mainly in connection with specific events in building industry (such as tradefairs or special issues aimed at facades). Company is very strong in awarding sponzorship means – these activities do not influence business achievement of Styl 2000 since their receipient recruit mostly from sports activities (obviously those done by top management) and in some cases also from architectonical area (such as sponzorship of books).

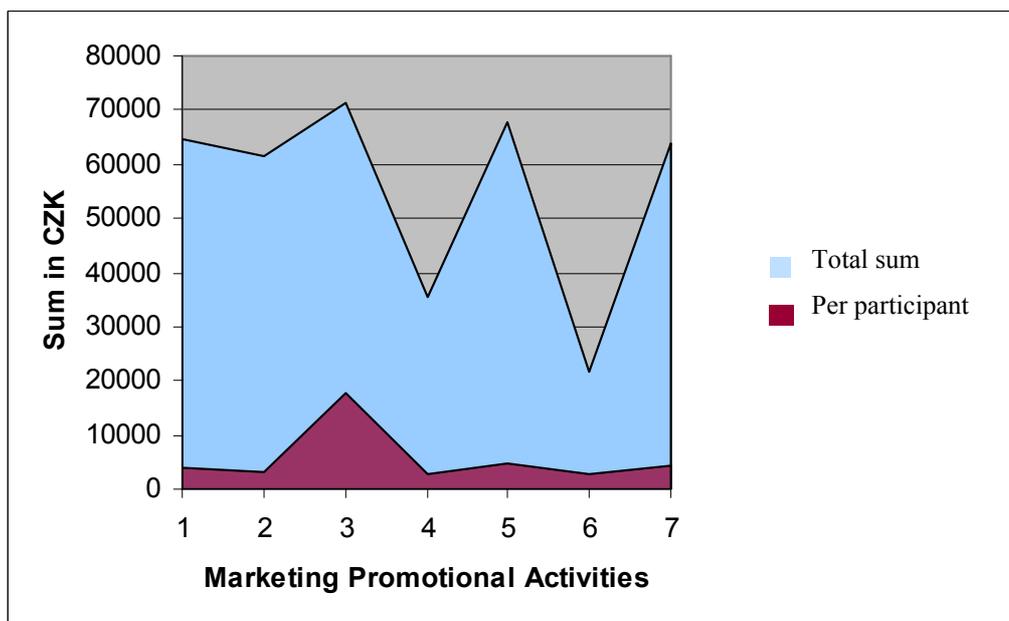
Third ones are promo activities such as clients experience meetings (with go-carts, wine degustation or trips abroad) which are very popular. There is however no plan to meet and also customer are usually invited without following a scheme or pattern ensuring broad influence on those 20 percent of customers bringing 80 percent of income. The idea of strenghtening interpersonal relationship between company's representatives, be it top management or business representatives, and customer's representatives is though very good.

FIG. 12 General Overview of Marketing Promotion Activites in 2007



Resource: internal documents

FIG. 13 Financial Intensity of Marketing Promotion Activities



Resource: internal documents

Research on last year's activities has however shown that successfulness, i.e. the ratio of attendees to invitees, is lower than 20 percent in average, with one exception of Promo 3

which was a trip to Spain for together 4 architects and investors with their partners where the successfulness at addressing was at 80 percent.

TAB. 38 Cost of Marketing Promotional Activities 2007

	Total	Per Participant	Divergence Total	Divergence Per Participant
Promo 1	64 801,00 CZK	4 050,06 CZK	12 298,50 CZK	440,78 CZK
Promo 2	61 563,00 CZK	3 078,15 CZK	9 060,50 CZK	-531,13 CZK
Promo 3	71 220,00 CZK	17 805,00 CZK		
Promo 4	35 465,00 CZK	2 728,08 CZK	-17 037,50 CZK	-881,20 CZK
Promo 5	67 811,00 CZK	4 843,64 CZK	15 308,50 CZK	1 234,36 CZK
Promo 6	21 670,00 CZK	2 708,75 CZK	-30 832,50 CZK	-900,53 CZK
Promo 7	63 705,00 CZK	4 247,00 CZK	11 202,50 CZK	637,72 CZK
Average	52 502,50 CZK	3 609,28 CZK		

Resource: Internal documentation

Individual promotional activities are titled as Promo 1-7. They took place during the whole year 2007 and brought with them different cost and different outcomes as it will be discussed later. Financial intensity of these actions is rather high as it can be observed in TAB. 39 and TAB. 38, in average it is CZK 52.502,50. We have excluded Promo 3 since it is high above the average and would wipe the clarity off. This activity was oriented at people who were at that moment designing facades with materials being produced in Spain so company expected high investment return, but finally only 2 projects were executed. Return on investment of 50 percent is however far more the best result of all marketing activities. In TAB. 39 we displayed the ratios of companies attending promotional activities (once, twice or three times), number of facades which can be attributed to a company belonging to tripple, double or single attendance group and therefore cost to 1 facade in this group. We got the cost as total cost in CZK divided by total attendance of companies (e.g. five companies being present three times are counted as 15 etc.) and possibly divided by number of facades gained in this group. Cost to profit ratio is in this table included to show that repeated invitations and repeatedly spent cost do not bring directly proportional growth of facades sold. The case of Promo 3 activity should further show that correctly chosen invitees (80 percent of them became attendees and full 50 percent of these brought profit) are for increase of profit far more important. Quality of choice wins over quantity.

TAB. 39 Responsiveness and Effectivity of Promotional Activities 2007

	Attendance of firms	Repeated attendance	Total cost (in CZK)	No. of sold facades	Cost to 1 facade (in CZK)	Profit of 1 facade (in CZK) ⁶⁴	Cost/profit ratio
Tripple attendance	5	3	315015	1	75004	227 500	33%
Double attendance	12	2		1	120006	227 500	53%
Single attendance	24	1		4	30001	227 500	13%
Promo 3	4	1	71220	2	35610	227 500	16%

⁶⁴ Profit of one facade is average profit calculated from 1 820 000 CZK operational profit divided by 8 sold pensile facade for the same time period. We are of course aware of the fact that some sold facades might have been result of previous promotional activities, however there are no records available for the previous years and according to proclamation of company's responsables, the same activities repeat every year in a more or less same extent.

Totals (except for Promo 3)	63	1	315015	6	52503	227 500	23%
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Resource: own calculations based on internal materials

In conclusion to marketing promotion activities can be asserted following: Despite high financial intensity and low successfulness in effected invitations and disputable effectivity there has not been employed any research yet on the actual profits or incomes of individual activities except for Promo 1. This is partly caused by not existing marketing strategy and no marketing planning, partly by lack of information on which this strategy could be based and created. We will therefore in our new marketing strategy proposal insist on having more extensive research enabled by CRM software and higher concentration on these data.

Last but not least promotional way is personal selling. This is the promotional part company should be interested in most. Good business representatives are able to bring profit enough, but being charismatic and being let with customers without clearly stated rules does not at first offer enough means for controlling and then does not support consistency of behaviour should the previous business representant be substituted. High threat is therefore posed on company's management because of possible leaving of business representants. This is not the only reason increasing both cost and risk. Presents given to customers at different occasions are identically planlessly distributed. Without documentation who has been given what and when can the customer get the same things which in the best case increases only cost, but in the worst makes customer believe there are no records being kept well, which could further lead to departure of customer expecting high quality not only in the outcome but also in processes.

7.7 Marketing Processes

There is no marketing department in the company and all marketing activity is spread over half of the employees. There are three business representants and a business assistant getting in touch with customers, except for these also business director takes care of his former clients. The logistician ensures the first contact with customers calling or coming to showroom and assistant manager's competency and duty is to prepare marketing promotion activities like information brochures, meetings with customers, sending wishcards for Christmas and keeping agenda concerning marketing.

Processes that could ensure the consistency of marketing activities have not been set up yet. Information on important customers and on business success of individual business representatives is in fact well preserved with them, but does not allow others to share it unless the representatives really want to.

Information on customers who are not searched for but call from themselves is not recorded except for the invoices which have been issued for them. There is no chance to learn better their needs and/or prepare an interesting offer tailored for them.

Last process which should surely be defined is keeping records on already done activities with clients (meetings and trips) in order not only to avoid possible misunderstandings from both sides but also to reduce cost not bringing any profit (doubling or tripling of invitations without a plan both of order being brought by the invitee and of his/her reaction).

7.8 Conclusion

In this chapter we have confirmed partial hypothesis number 2 „Marketing analysis will help company set up criteria important for decision on look of the new strategy and on expected economical results“.

The most important for us in this view is the decision to take into account rather negative forecast for future, so to be conservative (chapter 7.1.2) also in the view of financial situation of the company (chapter 7.5) and to profit as much as the company can on population growth (chapter 7.1.3). In the marketing strategy proposal we will go out of strenghts, weaknesses, opportunities and threats as stated in chapter 7.3. Therefore we will concentrate only on one product group – pensile facades (results from chapter 7.2.3 , 7.2.4, and further from 7.6.1) sold to B2B customers. All factors in the marketing analysis also show that marketing plan creation is very neccessary (see chapter 7.6.4) and that it would not make sense to try to increase market share (chapters 7.6 and 7.2).

All calculations which have been done will later on result in suggesting new marketing strategy with the aim to improve overall situation of the company, mainly in term of higher profitability through cut in cost, increase in sales and opportunity loss.

8 PROPOSAL OF THE MARKETING STRATEGY

8.1 Segmentation

In this chapter we will choose from all above researched information and set the basic image of a market and customer which we are going to serve. First we have to design what are the key characteristics of a segment we are going to serve.

TAB. 40 Key Characteristics of Chosen Customer Segment

Factor	Characteristics	Specification
Characteristics of customer	Industry	Construction industry, Services like architectural and planning studios, Investors
	Place	Czech Republic
	Size	For construction industry medium and big companies, for planning studios does not matter
	Technology	Need and/or want pensile facades
	Profitability	Required financial stability with profitable history
Purchase/ Use	Application	Direct use or arrangement for third parties
	Importance of the purchase	Either a well known customer with high return in orders or order more than 2000 m2 or partial order smaller with expectation of total of 2000 m2 and more
	Purchasing frequence	At least once a two years, depends on amount of m2 in the order
	Purchasing procedure	Selection procedure, direct adressng, generally not longer than 1 year
	Selection criteria	High added value, good services, experience
User's preferences of product characteristics	Distributional channel	Direct sales
	Effectivity requirements	Highly demanding customer able to use best quality for a good price
	Suppliers Assistance	Assistance required during planning but also after assembly
	Brand advantage	Well known company, experience, history
	Quality	Certificates on materials, supporting construction and assembly procedure
Service requirements	Technical drawing, facade dimensional and spacial proposal required, environment analysis and suggestion of best convenient facade material etc.	

Resource: own considerations

In TAB. 40 there are characteristics mentioned according to which the company will choose its key customers. They must be segmented according to their characteristics, furthermore according to their intended purchase and preferences. The company, so that it can succeed, has to build a database through the use of CRM software and adjust its activities to the above described segment. Thanks to company's history we can use information on previous business operations and feed them into CRM database. This database will use not only specification of facts as TAB. 40 shows, but also others like payment history, specific requirements, needs, wishes or personal data of decision makers in the purchasing process.

8.2 Targeting

In this chapter we will use theoretical part as an offer on strategies in general we could use in any company. We assume that no strategy is applicable everywhere, in any company, and will therefore highly probably not mention all strategies listed and described above. We would like to suggest new goals and overall marketing strategy direction in this chapter. Going out of segmentation which has been done above we will be able to outline the most convenient approach to areas described in SWOT analysis as the most important. One of the main goals is to overcome or at lease minimize the above mentioned weaknesses and use the strengths as

much as possible. In order to be proactive company should respond to the threats and take advantage of some new opportunities.

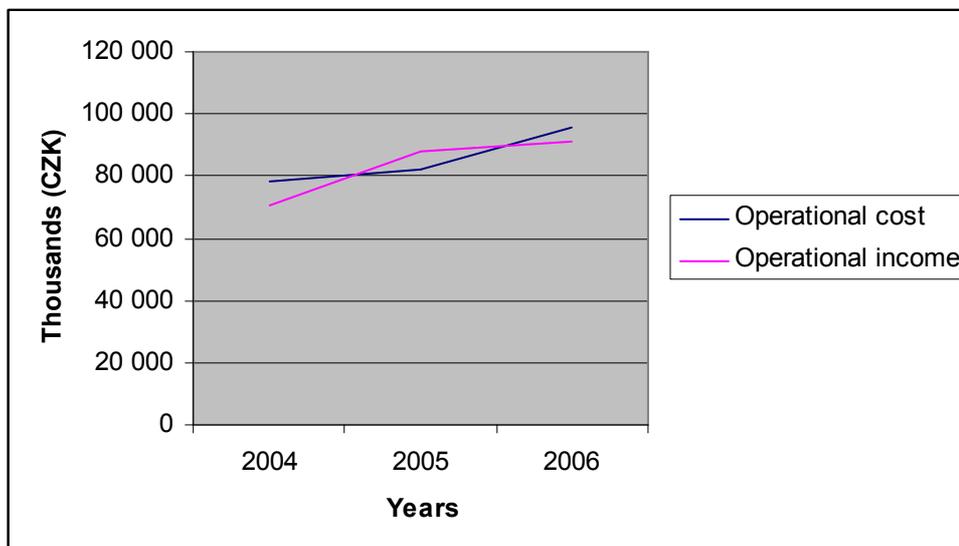
As mentioned previously, company's chief goal is to earn profit high enough to ensure not only basic functioning, but also further development and improvement of company's key functions. We would therefore see the main and long-term target as higher profitability accompanied by partial targets as costs saving, increase in sales and elimination of opportunity loss.

One thing should also be mentioned. In today's business environment, no more only high profit for any price counts. Customers and mainly those in B2B sector slowly start discerning ways their suppliers approach them. It is therefore necessary to mention also the most important attitude of any company that wants to succeed and it is **win-win strategy** saying "we will misuse neither your information nor advantage you provide to us and will coordinate our behavior so that we both achieve the positive goals we wanted to and so that after together cooperation both of us are better off than before".

8.2.1 Strategy According to Product Lifecycle

This chapter will suggest strategy based on information of Product Lifecycle (PLC). In order to get insight into the stage of PLC we took the confrontation of operational cost and operational income for the last three years. As it can be observed in FIG. 14 both rising operational cost and falling income demonstrate the stage of late maturity.

FIG. 14 Operational Cost and Income



Resource: internal documentation

As a company Styl 2000 is rather in the position after its maturity heading towards decline, however the company does not want to clear out the market field and will therefore apply not only **decline strategy** according to Kotler, i.e. to decrease cost and harvest brand, but also **new introduction strategy** – to create and support customer's awareness of the product, make customers wish to try the product. We can connect the product lifecycle with company since we decided to omit other items of product portfolio except for pensile facades. Both strategies do only generally suggest how to beat negative characteristics of two product life stages. In further comments decrease of cost will be reached thanks to more strategies and harvesting of brand will be enabled through increased awareness of current and potential customers through

web pages and more marketing and sales activities, e.g. addressing more customers. This way the imperative of new introduction strategy to make customers wish to try product will be fulfilled.

8.2.2 Differentiation strategies

In the four-position model according to Kotler would Styl 2000 belong among the Market Nichers, companies operating in a big market with special features as in our case pensile facades are. We would suggest keeping on the **differentiation** from other competitors through specialisation. Also according to Hamel and Prahalad the best way for this company is to conform company's resources with market possibilities and to rely on differentiation. Styl 2000 should find and occupy a gap through offering better services and concentrating on high value added products in business portfolio. Bowman would that is to say in terms of his Strategic Clock assert that is the perceived added value high and price high as well, the company must choose **focused differentiation** in order to survive.

We have decided to employ differentiation strategy also because of results of competitors' portfolio analysis. Most of the serious competitors for company do not exactly define pensile facades as the main activity of theirs. In comparison to them we will therefore point this activity of Styl 2000 as the main one. In contrary to those who claim pensile facades to be their main delivery (FASTEC and TRIANGEL) we will employ differentiation in terms of services.

- ***Brands differentiation (line filling)***

Since there are five main suppliers company is highly dependent on them and on their policy. Unfortunately there are always two and two suppliers delivering almost the same goods differing only in name. Company should start using more and different materials. That is to say that the same ratio as mentioned later in TAB. 46 is to be found also in the storage of the company and since we plan to introduce cut in product line (see chapt. 8.3 Positioning) there will be space for introducing chosen materials and leveraging them on the same level as ceramics are. We do not either assume higher demands in administrative since the newly acquired pricelists and warehouse lists will firstly replace the cancelled ceramics etc. lists and secondly there already will be CRM system implemented to ensure cut in work with any data and information.

The only cost expected to arise through this strategy are suppliers look-up and verify-cost. We will probably need at least five new suppliers the process might take one week and need two responsible people – technical support assistant and business director. Whole process of acquiring new supplier (out of nine who should be dealt with we expect to reach five real suppliers of new materials) is described in

TAB. 41 below.

TAB. 41 New Supplier Acquiring Process Cost

Tasks in manhours	Tech.support assistant	Business director	Extra cost	
Inform. on materials	80	0	0 CZK	
Setting-up criteria	16	16	0 CZK	
Look-up for suppliers	24	0	0 CZK	
Addressing suppliers	0	0,5	9,60 CZK	Phone call
No. of addressed suppliers		20	192 CZK	
Evaluation of criteria	4	8	0 CZK	
Business meeting	4	4	400 CZK	Travel costs
No. of dealt suppliers		9		
Final decision	0	8	0 CZK	
Total manhrs	160	78		
Pers. cost (in CZK)	197,8	329,3		
Total (in CZK)	31648	25685	61125	

Resource: own calculations

- **Increased quality of services**

Services are the only field where company can act independently from suppliers and also represent value added activities, therefore most attractive for customers. Services come only when asked for, there is no proactivity and self-improving approach. Introducing CRM system could help in addressing needs at specific customers and keeping records would keep the level of consistency in an acceptable high.

TAB. 42 Differentiation through Services

Characteristics of services	Current value	Expected value	Can be achieved through	Cost
Order process 1. time	1 to 10 weeks	1 to 5 weeks	Sharing of information, use of templates	CRM introduction
Order process 2. reaction time	2 to 3 days	1 to 2 days	Use of new channels – web pages	Web pages driver cost
Order process 3. no. of visits	4 to 5 (7)	2 to 4	Better knowing customer from the very beginning	CRM introduction Training
No.of complaints	5-10	1-5	Avoid misunderstandings through sharing information, use more reliable channels, use mistakes eliminating processes	CRM introduction New channels
Pro-activity (in suggested solutions)	1 to 3	3 to 5	Information from database to address needs	CRM introduction
Better access to materials (use of showroom)	2 to 3 customers per month	8 to 12 customers per month	Reorganize showroom, modernize, let customers know	Reorganisation cost

Resource: internal documentation, own calculations

As we can see from TAB. 42 ordering process takes a lot of time also due to required proposal of facade layout. In this case we count only how long the process takes on company's side with subtracted time of awaiting necessary information from customer. Through CRM introduction we could not only achieve shorter order process, lower number of visits at the customer or number of complaints, but also increase fame of company for its proactivity and flexibility.

Based on survey at current customers we can introduce in this chapter also list of characteristics of services customers suppose to be key. The percentage of responses to individual items gives factor weighting as in TAB. 43, while the second percentage expresses feelings of customers about conditions existing in services at Styl 2000.

TAB. 43 Key factors in Company's Services

	Importance (factor weighting)	Appearance at Styl 2000
Zero slippage time in execution	100%	65%
Fair behaviour	95%	90%
Receiving information on progress of order process, or possible delays	92%	25%
A can-do attitude	84%	82%
Short time of both order process and execution	84%	52%
Communication possible through more channels	82%	45%
Opportunity to let draw facade plan	82%	100%
Quick response to enquiry	79%	65%
Regular information from supplier about news in technology, introduction of new materials and price	65%	12%
Delivery of additional materials	62%	85%
Communication through web forms	58%	12%
Low or no price of additional services	52%	25%
Possibility to use showroom (create own facade on place, touch and try materials and constructions)	48%	25%
Information on new realisations	48%	65%
Electronical Data Interchange	18%	0%
Certification of services	12%	0%

Resource: customer survey (2007) – internal materials

Some of the results of a survey displayed in TAB. 43 were surprising as e.g. low level of interest on Electronical Data Interchange or certification of services. In the B2B sector there are clearly no delay in execution as well as fair approach very important, surprisingly high is also necessity of communication through more channels. Opportunity to let additional materials for construction deliver achieve rather lower score since the company deals mainly with big building companies that are able to obtain all components for lower price from different sources. Results of Styl 2000 were not really bad since it is know for a good knowledge of facades and therefore the fame for feasibility is high as well as high added value service of drawing facade plans. In improving services we should therefore concentrate on avoiding delays in execution and on providing customers with information be it about the process of ordering or any other inquiries. Customers would also expect shorter time of procedures which can be reached through implementation of CRM system.

8.2.3 CRM

A strategy generally based on CRM should increase the expected level of outcomes. Even though our suggested marketing strategy aims to support business sales in such a measure so

that profit rises and the company keeps its position and protects its market share, having implemented a CRM software is also a good starting point for strategy of expansion in market share.

For the purpose of suggesting marketing strategy we will use solely two of four above mentioned dimensions of CRM – key customer focus and knowledge management. A company can however benefit also from the remaining two dimensions. CRM organisation can help improve internal business processes and technology-based CRM will be useful in accountancy or inventory planning. Both key customer focus and knowledge management comply with the objective of keeping a group of key customers who are supposed to bring higher profits when offered better service. They are also closely connected with the idea of differentiation and specialisation strategy.

In the table below we have summarized the benefits after implementation of CRM software. The main goals of **CRM strategy** are to support all other suggested strategies. The cost and efficiency matters are clearly stated further on (e.g. TAB. 49 or TAB. 50). As for other three quadrants we found out in the survey (TAB. 43) that the satisfaction of a customer is based mainly in quick delivery of requested information. CRM is and will be storage of data from which important information can be extracted, be it manually or per computer on request. CRM also enables any employee provide the same information (eliminating misunderstanding leading to increased cost on both sides, complaints etc.) to the customers in a quicker time that the usual looking in ordinary files is, with less misunderstandings. These benefits are quantifiable (shorter time, more provided information), but not financial. We also have financial benefits which are not quantifiable, such as addressing customers directly or better use of time for various marketing processes). The last square of this table are Strategic and Intangible benefits with no possibility of being quantified or assessed financially. Due to better information spread (more information will be distributed to more customers in shorter time) the awareness of company will increase and the opportunity loss will be eliminated. Thanks to information streaming into the company and being stored in CRM database, early signs showing that the customer tends to leave soon (less contacts, low response rate, fewer enquiries etc.) will be caught and contra provisions taken so that the company does not lose its customer. This will lead to higher customer retention.

TAB. 44 CRM Benefits in Marketing of Styl 2000

	Yes	Quantifiable	No
Financial	Cost Reduction and Efficiency Savings <ul style="list-style-type: none"> • More cost-effective use of channels (less use of more expensive channels and switch to cheaper channels) • Improved use of resources <ol style="list-style-type: none"> 1. lower marketing cost - thanks to exact targeting – less wasted promotion materials and activities, 2. less manhours spent on accomplishing processes) <ul style="list-style-type: none"> • Lower number of repeated enquiries (savings in time needed for creation of already existing documents like plans, orders, offers, etc.) 		Service Improvement/Added Value <ul style="list-style-type: none"> • Better use of time in marketing processes • Higher effectivity of marketing (thanks to exact targeting – addressing customers needs directly)
No	Service Improvement/Added Value <ul style="list-style-type: none"> • Increase in customers satisfaction (because of time savings and elimination of misunderstandings and dissonance) • Quick customer response (database available to 		Strategic and Intangible Benefits <ul style="list-style-type: none"> • Improved spread of information among customers and employees • Increased awareness on company's product portfolio

	any customer contact point at any time)	<ul style="list-style-type: none"> Higher customer retention (thanks to early recognizing of signs for leaving)
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Resource: based on internal documentation

To introduce CRM software does not nowadays represent any problem, neither for bigger companies who have bigger budget and can afford solution of well-known companies, e.g. SAP or Oracle, nor for a small or middle one since there are many suppliers offering both low-cost and installment provision.

TAB. 45 CRM Software Provision Cost

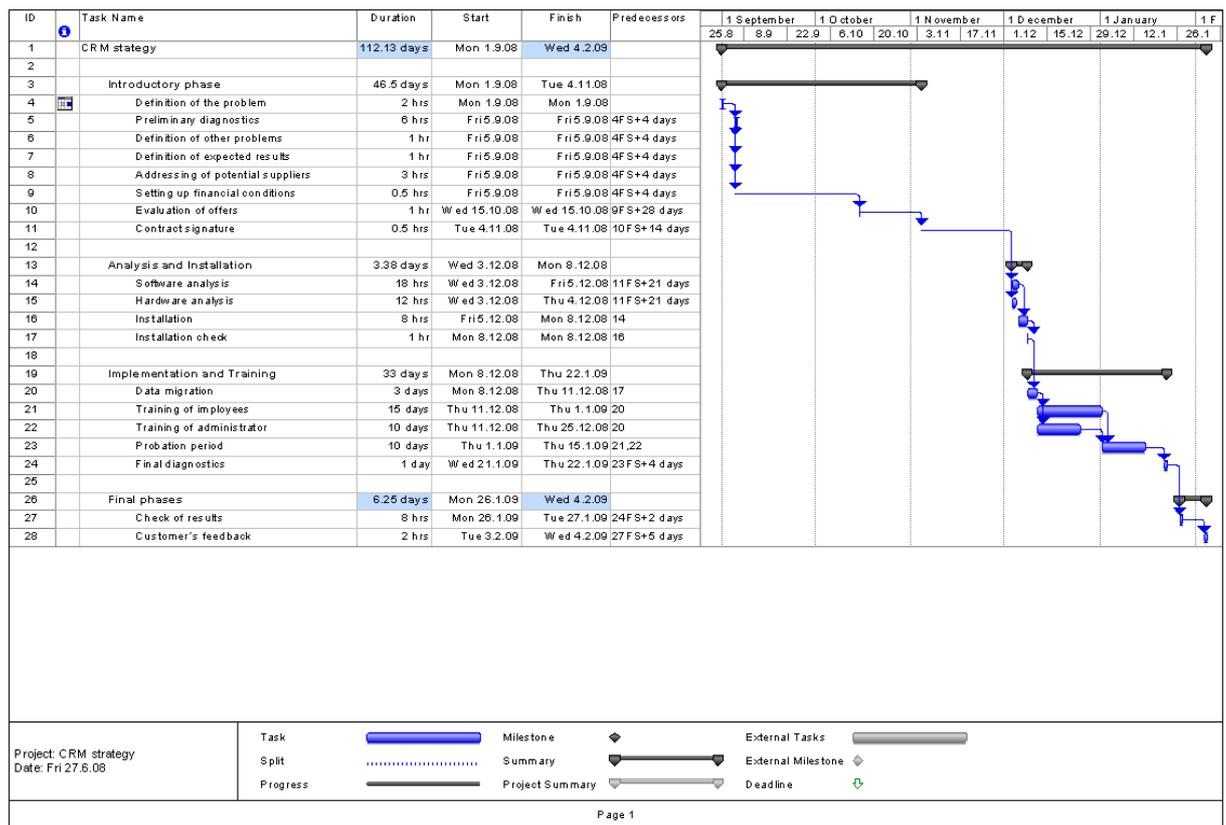
Supplier	Nonrecurring expense (in CZK)				Monthly payments (in CZK)			Total (in CZK)	
	Analysis	Installation	Training	Data migration	Application administration	Hotline	Web space	Nonrec.	Monthly
ACMARK	10450	16300	9500	12000	500	500	500	48250	1500
EXACT SOFTWARE	120000							120000	
RKA SW Systems	29500	100700			6320			130200	6320
KTK systém		22000	88400					110400	
RAYNET		20700	6900					27600	
Average								65690	3910

Resource: internal documentation – offers from above mentioned companies

In TAB. 45 there is a choice of five suppliers with completely different approach. Before a company decides to implement a CRM software it should count well and think what modules or which services it needs. For the purpose of this work we will count the average cost of the system as stated in the last line. Economic consideration if this supporting strategy can be applied and in how long it pays off will be done in chapt. 9 Evaluation.

Below we have introduced also the project of CRM strategy implementation from its very beginning to the completely functioning end. As stated below, the introductory phase contains definition of the problem and financial criteria as well as the process of addressing suppliers and receiving offers from them to the final decision. This phases takes about 46,5 days. In Analysis and Installation the chosen supplier will prove current situation in company’s IT environment and install CRM. This should not take longer than 5 days. The implementation on itself will take approx 33 days due to expected training of employees and final checks. In the final phase we will expect check of the results and company’s feedback on the CRM system functions. Altogether this should not take longer than 4 months from the first idea of implementing CRM software.

FIG. 15 Gantt’s Chart for CRM Strategy



Resource: offers of CRM software suppliers

In this chapter we defined the main goal of a CRM software based strategy and can summarize that the most support will be provided to improvement of services as for those with financial impact on marketing processes but also those which cannot be directly expressed economically, only qualitatively. In the Gantt Chart we showed that the whole strategy would easily fit into our plan for three years. Through implementation of this strategy we will meet the hypothesis on that the CRM implementation will support other suggested marketing strategies by increase in satisfaction of customers.

8.3 Positioning

8.3.1 Product

Coming out of the GE matrix we have chosen to concentrate on one product, the realisation product of pensile facades. It has got the highest potential and also highest market share entitles us to believe that taking care of it will bring the expected profit which is our main goal.

- **Decrease in number of product lines (product bundling)**

Through cut off in number of product lines company will be able to decrease uncertainty of customers. General assumption is closeness of individual lines which is directly here fulfilled. There will be just one main line – pensile facades and other products usually at offer will slowly free space for extension in materials for pensile facades. TAB. 46 below shows the disproportion of current status among all four offered portfolio products. In order to improve profitability we will have to concentrate on qualitative and quantitative increase of space assigned to pensile facades as well as number of information materials.

TAB. 46 Comparison of Product Portfolio Items

	Pensile facades	Ceramics	Supporting constructions	Mosaics
Total no. of product portfolio items	25	322	3	160
Total oper.profit 2007 (in ths.CZK)	1820	1020	305	24
Space assigned (of showroom)	1/5	1/2	1/10	2/10
No. of information materials (leaflets)	2	17	0	2
Own file in webpages	Yes	Yes	No	Yes

Resource: own calculations

Through this strategy we will reduce cost originated from impropotional attention paid to different projects. As suggested above in the Balanced Scorecard analysis, pensile facades are the most convenient for further development, the others in contrary. Cost savings will lead into higher profit of the company.

8.3.2 Price

After taking into account possible external and internal factors influencing the price of products offered we would suggest following:

- ***Value-based pricing***

Prices should be created according to expectations of customers. We suggest employing value-based pricing together with creating rules for price setting. Offered solutions of pensile facades should not only copy the price line as in suppliers price lists, but also the demand of customers. Every material is known for its specifics and these are differently felt in comparison with existing needs. Materials for pensile facades with known purchase of larger quantities will then have lower margins than those assigned as exclusive.

- ***Market penetration with a good-value strategy***

Since the company is already known for high prices (due to historically imposed business portfolio with high quality products, but also high price) there is no chance of employing price skimming. Even newest trends which would excuse higher prices would be only felt as confirmation of expensiveness. Because the main target of company is to reach higher profit, we suggest penetrating market with well balanced prices (build as said above) and increasing the attractivity of products with additional services. Services can serve as attracting tool for new customers as well as perceived added value for current customers.

- ***Strategy of equal approach to every customer***

This strategy is a step towards completing the requirement of fair behaviour. CRM software enables business representants to keep records on price discounts history for individual customers which helps improve not only argumentation when dealing on a new business order but also to prepare price exactly tailored for customers. This system ensures more flexibility when creating price offer since more examples will lead the business representant when doing so. This is closely connected with invoicing records. Should the customer have a good payment moral, business representant can consider larger discount. This way no internal rules of equal approach would be disturbed.

8.3.3 Place

We think that channels used for transferring product to customer are well chosen and even correspond with our new marketing strategy. Since Styl 2000 wants to orientate mainly on more demanding customers selling very expensive product it needs to keep in personal

contact with its customers and keep this channel in own hands. There is however possibility and also opportunity to broaden the net of channels through following strategies.

- **Readaptation of showrooms**

Showrooms are display-windows of company and should serve the purpose of attracting accidental passers-by or supporting word-of-mouth fame. Architects already value highly the possibility of getting free samples, but the environment of showrooms is rather customer-unfriendly – with dark colours, few display pannels, difficult accessibility to some parts of showroom. Also there is no division in logical parts which makes customers orientation more difficult and does not correspond to modern demands. That’s also thing decreasing chances of Styl 2000 to be understood as a modern company. It also does not correspond with our conclusion that we want showroom become a modern place for many customers with main focus on pensile facades. Also many customers (48%) confirmed in the survey (TAB. 43) that having the possibility of using showroom is very attractive for them. We should also take into account the fact that nowadays 30 customers visit showroom in average per year, but for the future we would like to see there 120 customer per year. Then the factor weighting expressed in above mentioned table gets more importance than before.

TAB. 47 Showroom Reorganisation Cost

Needs to be changed	Cost (+)/ revenue (-) approx. (in CZK)
Build new crossbars, cancel old ones, paint the room	12.000
Complete offer on materials for pensile facades	0
Outsell redundant ceramics	- 13.000
Install 2 consoles with options showing different kinds of facades	30.000
Install TV showing realisations of facades in neverending trail	21.000
Total	50.000

Resource: own calculations

- **Switch from traditional channels to cheaper and more efficient ones**

This point in positioning strategy of place will lead company to cost reduction and efficiency savings. The aim is to use less the channels which are more expensive and increase use of or introduce newly use of cheaper channels.

TAB. 48 Cost Breakdown - Current Situation

Item	no.of manhrs	no.of units	Total manhrs	no.of repetition	personal cost (in CZK)	extra cost (in CZK)	personal total (in CZK)	extra total (in CZK)	total (in CZK)
Addressing - new customers (ph)	0,5	1200	600	1	230,40	9,60	138240	11520	149760
Addressing - current customers(ph)	0,5	450	225	1	230,40	9,60	51840	4320	56160
Visit – new customers	3	300	900	2,5	230,40	400,00	518400	300000	818400
Visit - current customers	2	150	300	2,5	230,40	400,00	173146	150300	323446
Sending materials - new customers	0,33	120	39,6	1	230,40	30,00	9124	3600	12724
Sending materials - current customers	0,33	45	14,9	1	230,40	30,00	3421	1350	4771
Offer - business representant	198	8	1584	1	230,40	0,00	364954	0	364954
Offer - business technical support	154	8	1232	1	197,80	0,00	243690	0	243690
Total									1973904
Total manhours - business representant			5463,5						

Resource: own calculations based on internal statistics

In TAB. 48 are displayed different channels through which the product of pensile facades goes to the customers. The usual procedure starts with addressing new customers per phone and continues with visit at the customer. The response rate (regarding number of addressed customers to actually arranged visit) has so far been approximately 25% for new customers and 33% for current customers. Every preparation for this takes about half an hour (looking for details, preparing history of business relation etc.). In the table the number of units is served by always three business representants. Price of their work has been stated through simple division of average cost/man/month at the amount of 35.000,-CZK, i.e. 420.000,- CZK per annum, by 1882 hours per working year and man. Same calculation was used for business technical support whose task is to prepare technical part of the offer. In TAB. 42 we assumed the time necessary for preparation of one order is in average 5,5 week, here the ratio of business representant work/business technical support work is 3/10 to 7/10.

Addressing customers consists not only of manhours cost, but also extra cost like phone call fees. There were approx. 2,5 visits done to the same customer – less for the new ones since the outcome did not lead to cooperation, more for current in order to discuss details on business in preparation. Visiting customers is burdened by 400 CZK extra cost covering travel expenses and is the most expensive of all channels (besides from creating an offer). In 2007 120 information materials containing leaflets and brochures were sent to new customers, 45 pcs to current customers. Extra cost cover postage and price of information materials.

We believe that using cheaper channels like email or web sites and paying more attention to strict choice of addressed people thanks to CRM software will not only lead to shorter time of preparation thanks to having all information in one place and available for all competent people, but also will save money. Calculations confirming this are in TAB. 49.

TAB. 49 Cost Breakdown - Strategy proposal

Item	no. of manhrs	no. of units	Total manhrs	no. of repetition	personal cost (in CZK)	extra cost (in CZK)	personal total (in CZK)	extra total (in CZK)	total (in CZK)
Addressing - new customers (phone)	0,5	1200	600	1	230,40	9,60	138240	11520	149760
Addressing - current customers (phone)	0,4	120	48	1	230,40	9,60	11059	1152	12211
Addressing - new customers (email)	0,25	600	150	1	230,40	0,83	34560	495	35055
Addressing - current customers (email)	0,25	330	82,5	1	230,40	0,83	19008	272	19280
Visit - new customers	3	348	1044	1,5	230,40	400,00	360800	208800	569606
Visit - current customers	2	202,5	405	1,5	230,40	400,00	139968	121500	261468
Sending materials - new customers	0,33	120	39,6	1	230,40	30,00	9124	3600	12724
Sending materials - current customers	0,33	45	14,9	1	230,40	30,00	3421	1350	4771
Offer - business representants	108	10	1080	1	230,40	0,00	248832	0	248832
Offer - business technical support	120	10	1200	1	197,80	0,00	237360	0	237360
Web support	0,5	450	225	1	230,40	0,30	51840	135	51975
Total									1603043
Total manhrs - business representants			4413,5						

Resource: own calculations based on internal statistics

Since we aim to increase profit and not market share, we kept number of addressed customers (potential or current) and only split this number into two channels – traditional phone and new email. Because company does not have any statistics on how high the response rate from new customers to emails is (for purpose of this work we assume 8%), we will suggest using emails extra for the first year (address 600 extra new customers) to pick the statistic numbers and to decide how many addressing activities can be in future done by phone and/or email in order to either keep or increase response rate. For current customers we first of all decrease amount of time needed for preparation of addressing a customer and also expect to get higher response rate since business representatives already have information on past activities of this customer as well as on needs and wishes. We assume that for 450 addressed customers there will be response rate of 45% namely because of possibility to tailor an offer based on data from CRM system and for this purpose email is more convenient than phone because a customer can see all details in print. On the other hand we respect habits of some customers who may prefer being called to being emailed (sometimes also for security reasons since the spam filters nowadays are very powerful). We can see that number of visits has increased. We also expect higher effectivity of these visits that's why necessity of 1,5 repetition in average.

We also kept number of pcs of information material sent to customers since we do not have any data on the response rate for this channel and would in the next year concentrate also on achieving them. However we believe that this cheap channel could be used in future. An important change happened in the ordering process. Due to introduction of templates for both technical and economical part of order creation and thanks to use of CRM where all data and information can be found with one mouseclick time for order process has been pushed down to average of only three weeks. Thanks to this change there are less manhours needed and therefore cost sink.

Very important number in terms of increase of profit is amount of 11 facades which can be expected as a result of all above mentioned changes. This increase of 25% in sales has to be attributed to higher number of visited customers. We kept the same ratio of 56,25 customers visit to one sold facade and did not for security reasons take into account all web operations whose calculation is also included in the table but influenced the result only with cost, not directly with benefits. This will more deeply be discussed in the next strategy description.

We can also observe a substantial decrease in manhours of business representatives by 20% which even though does not lead to decrease in cost (simply because it is fixed salary together with other fees) still enables business representatives to devote their time to service improvement and personal training.

- ***Use of CRM software in web pages***

Company has got good web pages. Their connection with CRM software will increase usability of both WWW and CRM – feeding from and feeding into each other. In the next stage of implementing CRM also access for long-term and loyal customers through web gate will be ensured – thus entrusting customers with responsibility for orders placed, at the same moment also ensuring the most flexible way of interaction only possible. In TAB. 49 we can see that 450 units, under which we understand updates in webpages, reactions to customers contacting company through web pages forms or processing orders per web gate, are not highly cost demanding and increase customer's satisfaction through higher flexibility of business representatives. We believe that this way we will be able to shorten up time of reaction to maximum of 2 days as expected in TAB. 42.

8.3.4 Promotion

Promotion seems to be the most neglected area, however the only one and simple solution is to create a marketing plan and change the structure of promotional activities as suggested in chapt. 7.6.

- **Create a marketing plan**

This is the most important part of suggestions. To plan well advanced in order to be aware of all possible reasons and outcomes, budget and risk. As we showed in FIG. 13 financial intensity of current marketing promotion projects is very high. We could also see the description of effectivity of promotional activities during 2007. All these numbers show that such a strategy is more than important. The only thing we want to illustrate through TAB. 39 is inconsistency in sofar planning and necessity to introduce a marketing strategy based on thoughtful planning at all. Since our aim is to increase profit we will suggest reducing activities not directly connected with pensile facades (as we can see Promo 3 which contained a visit at Spanish producer of facades and tour of his realisations was though cost demanding but brought as a success two sold realisation of a facade) and introduce a plan of companies to be invited during the year.

With the help of CRM software the company will be able to define and segment into groups all of its customers according to profit brought and cost caused. It really is pity that from 450 current customers were to 2007 promotional activities invited on 149 and only 45 of them took part on them. Because in Promo 3 whose invitees we believe to have been chosen more carefully than others (because of expected high cost) the response rate was 80 % and in other activities the response rate was only 30% we will keep the middle rate of 50% for future response rate based on CRM. The software should namely ensure enough information to choose invitees carefully.

TAB. 50 Strategies for Promotion

	No. of invitees	No. of attendees	No. of facades sold	Attendees /sales ratio	Total cost (in CZK)	Cost per attendee (in CZK)	Profit of 1 facade (in CZK)	Total profit (in CZK)	Cost/profit ratio
Current situation	149	67	8	5,625	386235	5 765	227 500	1820000	21%
Strategy 1 (lower total cost)	90	45	8	5,625	259425	5 765	227 500	1820000	14%
Strategy 2 (increase in sales)	150	75	13	5,625	432375	5 765	227 500	2957500	15%

Resource: Own calculations based on internal documentation

In TAB. 50 we have suggested two ways of fulfilling this strategy – either based on lower total cost or on increased sales. Both will lead to our objective to increase overall profit. Strategy 1 goes out from current situation when having invited certain amount of companies 45 of them became also attendees⁶⁵. The outcome were 8 facades. If we want to decrease cost we will keep the same amount of attendees who represent 50% of invitees. The first saving lies in lower administrative cost. The second then in total cost because even if we assume that financial intensity of promotional activities is the same, total costs will be lower thanks to lower number of attendees. The cost/profit ratio then falls down to 14%.

Strategy 2 is based in keeping the same number of invitees, but thanks to CRM having increased response rate. Relying upon the fact that if the company’s representative meet 5.625

⁶⁵ As mentioned above we count on 45 companies as attendees, however some of them must be counted twice or even three times since being present this way at promotional activities.

company at a promotional activity they will ensure one facade we would expect 13 facades as a result of increased number of both invitees and attendees. Cost/profit ratio is very similar in strategy 2 to strategy 1 but still there is 1 percentage point of difference and we would rather prefer strategy 1.⁶⁶

When creating plan business representatives will have to think and plan their business visits ahead but on the other hand they also will be able to give clear information on activities planned.

- ***Introduce new activities***

As we mentioned above promotional activities are a very important mean of communication with customers. In TAB. 39 we showed that promotional activity somehow corresponding with the main business function of Styl 2000 had better results than others. We are well aware of the fact that not having more information this could mislead you to wrong conclusion but knowing the customers personally and also taking into account their main interest in key company's characteristics (TAB. 43) we believe that promotional activities with higher level of concentration on constructions and realisations of facades will bring good results. We suggest coming up with new activities more closely connected with building industry, such as promo articles in magazines or others with construction industry connected leaflets and information brochures, further starting with supporting universities and other schools oriented at construction industry – giving lessons and offering trainings on and with materials provided for free by Styl 2000, teaching architects-to-be to use materials offered by company and encouraging preferring them to others. Except for schools and universities continue in above mentioned promo activities (wine cellars etc.) and complete the range with experience trip to see constructions done by Styl 2000, be it on bicycle or by car.

This chapter aimed to show a general strategy. In our case it was differentiation focused on product portfolio item, strategy of decline aiming at harvesting brand and decreasing cost together with introduction strategy with increasing awareness of company, and CRM strategy as a supporting mean to all above mentioned. How to reach objectives stated in targeting was described in partial strategies divided according to which part of marketing mix they influence mostly. All of them will be once again enlightened in the following chapter in order to find out if the suggested marketing strategy is feasible and if it pays off.

⁶⁶ In the same manner we could also discuss sponsorship which according to our quick calculations is also not well planned, but this way we would increase the extent of this work which already exceeds limits of a diploma work.

9 EVALUATION OF THE MARKETING STRATEGY PROPOSAL

In this chapter our aim is to evaluate suggested marketing strategy as for benefits and cost and furthermore as for four key characteristics of a good strategy. In order to be able to do so we decided to put together all above mentioned partial strategies and organize their outcomes according to if they are to be evaluated quantitatively or rather qualitatively or both.

TAB. 51 List of Strategies

Strategy	Characteristics
Win-win strategy (p.68)	Qualitative
Decline strategy (p.68)	Quantitative
New introduction strategy (p.68)	Quantitative
Brands differentiation (p.69)	Quantitative
Increased quality of services (p.70)	Qualitative
CRM strategy (p.72)	Both qualitative and quantitative
Decrease in number of product lines (p.74)	Quantitative
Value-based pricing (p.75)	Qualitative
Market penetration with a good-value strategy (p.75)	Both qualitative and quantitative
Strategy of equal approach (p.75)	Qualitative
Readaptation of showrooms (p.76)	Both qualitative and quantitative
Switch from traditional to cheaper channels (p.76)	Both qualitative and quantitative
Use of CRM software in web pages (p.78)	Both qualitative and quantitative
Marketing plan creation (p.79)	Quantitative
Introduce new activities (p.80)	Qualitative

Resource: review of this diploma thesis

In the following subchapters the strategies will be evaluated so that the final result on successfulness of this work can be expressed.

9.1 Qualitative Analysis

All strategies to be evaluated qualitatively cannot be supported by any hard data except for theoretical quotations expressed in chapt. 4 on CRM. Win-win strategy will bring with itself orientation on fair behaviour mainly in form of partial value-based pricing strategy and strategy of equal approach. As TAB. 43 shows fair behaviour stays in a very high level of customers interest and low or no price would positively estimate not much above 50% of current company's customers the satisfaction there surely increases if we apply this strategy.

Increased quality of services will show in percentage of appearance at Styl 2000 to the required level (see TAB. 43). We can mention e.g. communication through more channels including webpages, short time of order process or quick response to enquire. All of these will be brought in by CRM.

CRM strategy can be evaluated according to consonance as TAB. 52 below shows. As mentioned above – if we receive positive answers in four of the mentioned variables and one negative (stated as the last), we can consider relationship marketing as the highly convenient method for building such a strategy. In our case we can see that this is the right case for using CRM software based strategy.

TAB. 52 Key Variables for Introduction of Relationship Management

	Company	Customer – generally B2B
Relationship Termination Cost	High – see calculations	High – new selection procedure
Relationship Benefits	High – see revenue + stability	High – facades and services of high quality
Shared Values	Medium -slightly different interests	Medium -slightly different interests
Communication	High level – depends on personal contacts	Medium – High - with bigger companies worse
Opportunistic Behaviour	Low – does not comply with wish to achieve win-win strategy	Low – if the same as for Company is valid, Medium - otherwise

Resource: own calculations

Use of CRM software in web pages is good strategy for improving satisfaction of customers as well. We believe that increase in accessibility to information concerning company as a whole, its activities, realisations and plans will lead to higher percentage of perceived appearance of key factors in company’s services as for TAB. 43. In this context one thing is worthy mentioning – competitors’ webpages do not show high quality and level of informativeness, we therefore this way increase the differentiation in quality of services as well.

Introduction of new activities will bring better approach to customers, or more exactly expressed – approach on professional level, be it increase awarness through articles in magazines or lectures at high schools.

9.2 Quantitative Analysis

In this chapter we will evaluate expected economic results in terms of cost and profit. Objective of these strategies contained in the new marketing strategy proposal was to reach decrease in cost and increase in profit as much as possible.

In TAB. 53 we can observe the planned increase in profit thanks to A) cost savings in the amount of almost 500 000 CZK which in comparison to total cost of three strategies where we expect increase in cost overweights these cost of almost 317 000, or thanks to B) cost savings enriched with profit increase due to increased number of facades sold as in TAB. 49. This solution would bring even higher difference in comparison to current status since benefit side can be evaluated as more than 1 500 000 units of benefit (expressed in money) to cost side expressed in almost 227 000 units. The final result is therefore 1 281 496 of difference in comparison to current status.

TAB. 53 Cost Benefit Analysis

A)	in CZK	B)	in CZK
switch from traditional channels	370 861	switch from traditional channels	370 861
marketing plan creation - strategy 1	126 810	marketing plan creation - strategy 2	1 137 500
Subtotal - cost savings	497 671	Subtotal - cost savings + profit increase	1 508 361
Brands differentiation	61 125	Brands differentiation	61 125
CRM strategy	69 600	CRM strategy	69 600
Adaptation of showroom	50 000	Adaptation of showroom	50 000
		Marketing plan creation - strategy 2	46 140
Subtotal - cost	180 725	Subtotal - cost	226 865
Total	316 946	Total	1 281 496

Resource: own calculations

Even though the second number seems as a better solution we would advice to be rather careful with employing strategy number two in marketing plan creation mainly regarding description of economical environment and future expectations in demand for construction works. The expected response rate as well as 5.625 attendee/1 facade ratio could fail in the view of these circumstances. On the other hand we were not able to express all qualitative advantages in monetary units and therefore believe that above mentioned assumption will increase the total of at least 10% even though if we took for valid what literature says (that the 58 percent of companies had a payback on their CRM projects within a year and another 35 percent received payback in a timeperiod of one to three years (see chapt. 4.3)) we would receive increase of 20% (by decreasing cost of CRM cost).

9.3 Overall Evaluation

In this chapter we would like to gain overall evaluation of a strategy as for the four in theoretical part mentioned key points a strategy must fulfill in order to be pronounced healthy and useful.

Consistency of marketing strategy can be observed above all in two kinds. First if they comply together in hierarchical order, i.e. if the partial objectives support the main objective. In our case the main objective was analysed in order to reach partial goals which can not only be easily reach, but mainly easily evaluated. We proved in many cases that partial objectives are in consistency with the main objective and support it.

The second kind of evaluation of consistency is on the interdisciplinary level. How the set marketing objectives support objectives from other company's functional areas and how they are supported by them, that is the question we need to answer. Here we have a really difficult tasks since we did not research all objectives in all company's functions deeply, but one can be said. The objective of increasing profit is set throughout the whole company as well as the cost decrease is. We therefore believe that also in this field our strategy is consistent.

Consonance should assess how the strategy will beat so far existing problems and how it is going to respond to threads. If we compare weaknesses with suggested solutions – we surely cover the points of introduction of new materials, problem of decreasing quality of offered services or not existing conception of marketing. Also old equipment of showrooms should be solved through showroom readaptation and usage of IT through CRM implementation.

Economical effectivity has been shown through cost-benefit analysis together with profitability for the company in subchapt.9.2. To estimate feasibility we will have to reach to economical result of the company again. Since we know that operational profit for 2007 was 1 820 000 CZK and the cost of suggested strategies range from 180 000 to 230 000 CZK (which is approximately the cost of one facade) we believe that both strategies are perfectly feasible economically. As for other resources – there is no extra equipment needed which the company had to have for use, when we considered personell we though in terms of existing employees as well and as for timeframe we believe that all activities planned are well feasible within one year since implementation of CRM takes approximately 4 months, readaptation of showroom approx. 1 month and creation of marketing plan for sure not longer than 1 month.

In this chapter we evaluated the whole marketing strategy proposal in both quantitative and qualitative levels and found out that it complies with all four key points as mentioned above. We therefore not only confirmed that the strategy is feasible in all above mentioned points but

also complies with hypotheses set in introduction of this work. We would like to give more space to evaluation of the whole work in the summary.

10 SUMMARY

In our work we set out to suggest a new marketing strategy for the purpose of ensuring increased profit for the company Styl 2000. Two partial hypotheses included also the way which this should be achieved – per costs savings, increase in sales and through elimination of opportunity loss.

First we had to define the current strategy of the company. This task was fulfilled through collected knowledge of methods and practices generally being used in the company's situation analysis. We had to go from the current marketing concept which states that the company should tailor its products and services to customers' needs and apply this approach specifically to B2B environment which we aimed to concentrate on knowing well the company for which this marketing strategy proposal had been prepared. For analysis many of the currently used methods were applied – SWOT, Porter's analysis of Five forces, Balanced Scorecard and GE/McKinsey matrix analysis.

In the chapters on targeting and positioning different strategies were described and organized in a way so that they could be applied to the practical part of this work. A individual chapter was devoted to the presentation of CRM software both as an approach to be reverted into a strategy as well as a useful method supporting other strategies outlined in chapters dealing with targeting and positioning. To evaluate the quality of our strategy we inserted a chapter concerned with qualitative and quantitative analysis, both of which were practically applied in chapter nine.

The company Styl 2000 was introduced as a small company which lacked a marketing strategy. First the description of the current status of the company was placed, followed by the company's situation analysis. The company is operating in a stable political environment which inhibits its activities just through the time-consuming process of issuing building permits and a slow-down in the once generous policy towards construction of new buildings in both residential and non residential spheres. The marketing strategy proposed for the following three years had to carefully observe also the economical environment since a slow-down in demand for constructions is expected, which is why the company cannot count on an increase its market share, but rather increasing profit through decreasing cost.

SWOT analysis as well as Five forces analysis and Balanced Score Card provided us with information on areas which the new strategy should impact, whether through beating weaknesses or potential threats, or maximising the strengths and fields to the highest competitive advantage. In chapter 7.6, Marketing Mix Tools, we started with internal calculations on the effectiveness of currently employed marketing activities concerning all four items in marketing mix – price, product, place and promotion. This way we prepared the field for the new proposal of a marketing strategy.

Objectives posed in the first part of the proposal follow our intention to increase profit. We want to eliminate opportunity loss, reduce cost and increase sales and all these matters make background for strategies suggested later on. Brands differentiation and differentiation through increased quality of services are both based on recognition that the main competitors offer the same products and services as company Styl 2000. Quality of services can be reached through implementation of CRM, as theoretical knowledge confirms. Strategy of CRM software use and overall CRM approach is vitally important because it has a supportive function. Directly can only costs be expressed because the indirect impact of CRM will show

as benefit in calculations of other strategies. We have however identified many areas including increase in customer satisfaction, added value of offered products and services and other non quantifiable and non financial benefits (customer retention thanks to early recognizing of signs for leaving, or improved information sharing).

The most important strategies are however included in 8.3 Positioning. We assert there decrease in the number of product lines, value based pricing together with good value strategy and implementation of keeping pricing and invoicing records in order to maintain fair approach to customers. All of these should improve perceived added value from the customer and increase customer retention. Opportunity loss is going to be eliminated through better fulfillment of wishes expressed in the survey on company's key factors in services. We therefore suggest readapting the showroom and a change in the use of channels. Not surprisingly, this provision will also lead to a decrease in cost and a higher number of sales.

Finally, the chapter on Strategies in Promotion brings up the question of using promotional activities to the extent the company used to. A simple table in previous chapter 7.6 confirms that the funds for promotional activities are not carefully used and that this is the result of a missing marketing plan. To create a detailed marketing plan is therefore our main aim supported by the introduction of new activities which however will be more connected with the company's chief activity – creating, selling and assembling pensile facades.

In the evaluation part of this work we have dealt with both qualitative and quantitative characteristics of our marketing strategy proposal. The overall assumption was that CRM strategy would support other strategies aiming at an increase in the quality of services and on improvement in key characteristics of services as with the interview directed at current customers. In order to evaluate the quantitative part of the strategy proposal we have put together all financial and nonfinancial benefits mentioned before in connection with suggested strategies and compared them with their expected cost. In both suggestions (i.e. the more conservative and more profitable one) we succeeded in proving that the strategy is successful in cutting costs and increasing sales – or in other words increasing profit.

One of the very important parts of our work was also to evaluate the marketing strategy proposal in terms of its consistency, consonance, advantage and feasibility. In view of all the above mentioned facts we dare say that this marketing strategy proposal has successfully met all expectations.

We would like to mention one important thing which did not yet feature in our work. Introduction of CRM could also help other areas of the company. When talking of financial characteristics of the company in the past we mentioned some bad habits, e.g. keeping inventory for a long time and therefore losing money. Implementation of CRM software would definitely help the company's management improve buying and inventory policy since the just-in-time policy could be employed. Therefore, CRM software cost will bring benefits also in other departements, but to prove it could be a topic for another diploma thesis.

As for the overall evaluation of the results of this work: We have proved the main hypothesis saying that marketing analysis together with proposal of a new marketing strategy using mainly CRM software and methodology will increase company's profitability. Also two partial hypotheses – usefulness of marketing analysis and increase in company's profitability were confirmed and without any doubts led to further confirmation of the above mentioned main hypothesis.

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14 APPENDICES

Marketing Audit Questions

Questions to Include in a Marketing Audit

<p>Products: the Reason for Existence</p> <ol style="list-style-type: none"> 1. Is the product free from deadwood? 2. What is the life-cycle stage? 3. How will user demands or trends affect you? 4. Are you a leader in new product innovation? 5. Are inexpensive methods used to estimate new product potential before considerable amounts are spent on RaD and market introduction? 6. Do you have different quality levels for different markets? 7. Are packages/brochures effective salespeople for the products they present? 8. Do you present products in the most appealing colours (formats) for markets being served? 9. Are there features or benefits to exploit? 10. Is the level of customer service adequate? 11. How are quality and reliability viewed by customers?
<p>Customer: User Profiles</p> <ol style="list-style-type: none"> 1. Who is the current and potential customer? 2. Are there geographic aspects of use: regional, rural, urban? 3. Why do people buy the product, what motivates their preferences? 4. Who makes buying decisions, when, where? 5. What is the frequency and quantity of use? 6. Are intermediaries making money from the line? 7. Can the product support marketing communications programs? 8. Will the manufacturing process require more volume?
<p>Distribution Channels: Selling Paths</p> <ol style="list-style-type: none"> 1. Does the system offer the best access to all target markets? 2. Do product characteristics require specials? 3. What is the most profitable type of presentation for each market: direct vs. reps, master distributors or dealers, etc.? 4. What are the trends in distribution methods?
<p>Sales Administration: Selling Efficiency</p> <ol style="list-style-type: none"> 1. Are customers getting coverage in proportion to their potential? 2. Are sales costs planned and controlled? 3. Does the compensation plan provide optimum incentive and security for reasonable cost? 4. Is performance measured against potential? 5. Are selling expenses proportionate to results and potentials within markets or territories? 6. Are there deficiencies in recruitment, selection, training, motivation, supervision, performance, promotion, or compensation? 7. Are effective selling aids and sales tools provided?
<p>Markets: Where Products are Sold</p> <ol style="list-style-type: none"> 1. Have you identified and measure major segments? 2. Are small, potential market segments overlooked in trying to satisfy the majority?

<ol style="list-style-type: none"> Are the markets for the products expanding or declining? Should different segments be developed, are there gaps in penetration?
<p>Competitors: Their Influence</p> <ol style="list-style-type: none"> Who are the principal competitors, how are they positioned, and where are they headed? What are their market shares? What features of competitors' products stand out? Is the market easily entered or dominated?
<p>Pricing: Profitability Planning</p> <ol style="list-style-type: none"> What are the objectives of current pricing policy: acquiring, defencing, or expanding? Are price policies set to produce volume or profit? How does pricing compare with competition in similar levels of quality? Does cost information show profitability of each item? What is the history of price deals, discounts, and promotions?
<p>Advertising: Media Program</p> <ol style="list-style-type: none"> Are media objectives and strategies linked to the marketing plan? What are the objectives of the advertising program? How is media effectiveness measured? Is advertising integrated with promotion and sales activity? Is the ad agency's effectiveness periodically evaluated? Do you dictate copy theme and content to the agency? Are you spending realistically, in relation to budget?
<p>Sales Promotion: Sales Inducement</p> <ol style="list-style-type: none"> Does the sales promotion support a marketing objective? Is it integrated with advertising and selling activities? How is it measured for results? Are slogans, trademarks, logos, and brands being used effectively? Is point-of-sale material cost effective? Are you effectively using couponing, tie-ins, incentives, sampling, stuffers, combination effects? How do you evaluate trade shows for effectiveness?

Resource: Kotler, P. Principles of Marketing , p.69

Financial analysis of the company

(all information based on Balance-Sheet and Profit-And-Loss-Report provided by the company, all calculation made by the author's self).

Structure of Assets

Item	Row	2004		2005		2006	
		Abs.	%	Abs.	%	Abs.	%
ASSETS TOTAL	1	32 862	100,0%	30 092	100,0%	65 605	100,0%
Fixed Assets	3	1 326	4,0%	1 188	3,9%	980	1,5%
Long-term Intangible Assets	4	53	4,0%	57	4,8%	15	1,5%
Long-term Tangible Assets	13	1 273	96,0%	1 131	95,2%	965	98,5%
<i>Land</i>	14	598	47,0%	0	0,0%	0	0,0%
<i>Buildings</i>	15	473	37,2%	451	39,9%	0	0,0%
<i>Individual Tangible Assets and Their Sets</i>	16	202	15,9%	680	60,1%	965	100,0%
Current Assets	31	31 074	94,6%	28 660	95,2%	63 821	97,3%
Inventory	32	5 671	18,2%	4 094	14,3%	26 185	41,0%
Long-term Outstandings	39	8 985	28,9%	10 669	37,2%	11 531	18,1%

Proposal of a Marketing Strategy

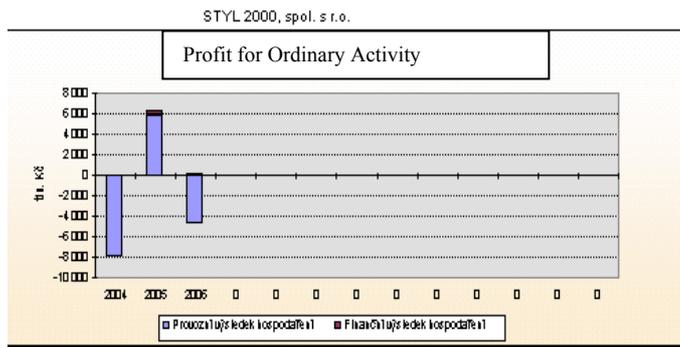
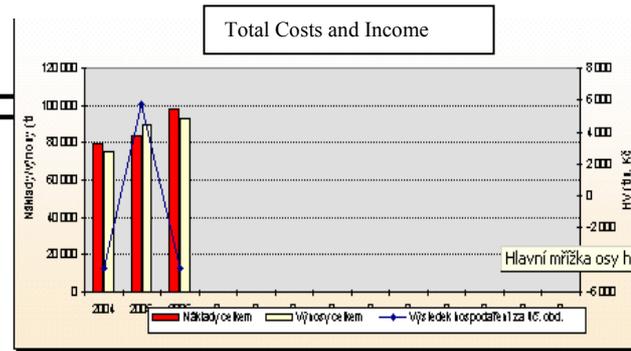
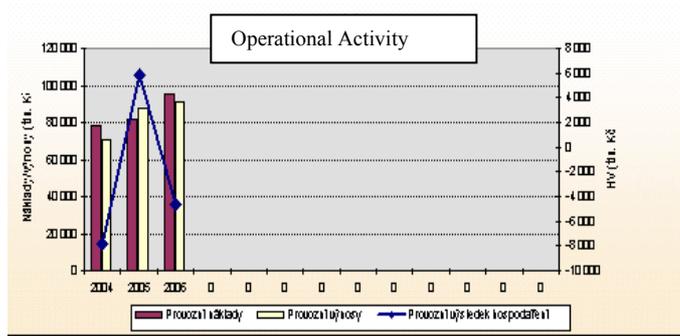
Shortterm Outstandings	48	16 204	52,1%	11 489	40,1%	23 596	37,0%
Shortterm Financial Assets	58	214	0,7%	2 408	8,4%	2 509	3,9%
Other Assets	0	462	1,4%	244	0,8%	804	1,2%

Structure of Liabilities

Till 31. 12.							
Item	Row	2004		2005		2006	
		Abs.	%	Abs.	%	Abs.	%
LIABILITIES TOTAL	67	32 862	100%	30 092	100%	65 605	100%
Equity	68	1 795	5%	2 250	7%	2 816	4%
Basic Capital	69	134	7%	134	6%	134	5%
Capital Funds	73	0	0%	0	0%	0	0%
Profit Funds	78	999	56%	999	44%	999	35%
Past Years Profit	81	772	43%	662	29%	1 118	40%
Current Year's Profit(+/-)	84	-110	-6%	455	20%	565	20%
Loan Capital	85	31 067	95%	27 842	93%	30 175	46%
Reserves	86	0	0%	0	0%	0	0%
Long-term Loan Capital	87+104	11 101	36%	3 592	13%	1 886	6%
Shortterm Loan Capital	94+105+106	19 966	64%	24 250	87%	28 289	94%
Other Debts	0	0	0%	0	0%	32 614	50%

Structure of Income and Costs

Analysis of Structure	Row	Term		
		2004	2005	2006
a	b	1	2	3
Operational Costs		78 516	81 837	95 729
Operational Income		70 730	87 647	91 121
Operational Profit	29	-7 786	5 810	-4 608
Financial Costs		1 040	301	656
Financial Income		839	812	864
Financial Profit	50	-201	511	208
Tax for Ordinary Activity	49	0	1 241	686
Profit for Ordinary Activity	52	-3 625	-234	24
Extra Costs	54	53	149	536
Extra Income	53	3 602	838	1 248
Tax for Extraordinary Activity	55	34	0	171
Extraordinary Profit	58	3 515	689	541
Costs total		79 643	83 528	97 778
Income total		75 171	89 297	93 233
Profit for Current Term	63	-4 472	5 769	-4 545
<i>Profit before Taxes</i>	<i>61</i>	<i>-76</i>	<i>1 696</i>	<i>-1 422</i>



Ratio Indicators Analysis

No.	Indicator	2004	2005	2006
1. Profitability				
1.1.	Return on assets (ROA)	-0,33%	1,51%	0,86%
1.2.	Return on equity (ROE)	-6,13%	20,22%	20,06%
1.3.	Return on income	-0,14%	0,57%	0,80%
1.4.	Return on long-term capital	-0,85%	7,79%	12,02%
1.5.	Return on costs	-0,14%	0,54%	0,58%
1.6.	Net profit margin	-5,95%	6,46%	-4,87%
1.7.	Overall Costability	0,98	1,04	1,39
2. Liquidity				
2.1.	Current	1,56	1,18	2,26
2.2.	Quick	0,01	0,10	0,09
3. Efficiency				
3.1.	Assets turnover	2,47	2,66	1,08
3.2.	Current assets turnover	2,61	2,79	1,11
3.3.	Inventory turnover	14,29	19,5	2,7
3.4.	Period of current assets turnover (in days)	140	131	330
3.5.	Period of inventory turnover (in days)	26	19	135
3.6.	Period of outstandings turnover (in days)	113	101	182
3.7.	Period of debts turnover (in days)	98	94	85
4. Capital Structure				
4.1.	Debt-to-equity ratio	17,3	12,4	10,7
4.2.	Equity ratio	5%	7%	54%
4.3.	Debt-to-asset-ratio	95%	93%	46%
4.4.	Equity-to-asset-ratio	5,5%	7,5%	4,3%