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PROPOSAL OF A MARKETING STRATEGY

Návrh marketingové strategie

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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 ciritical evaluation of current situation. The proposal of a marketing strategy is thereinafter 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 occuring 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 assesed 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 betweed 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 departement.“[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 therefore 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 Jaworski[3] or the definition of the American Marketing Association[4] 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 definiton of strategic planning Solomon, Marshall and Stuart[5] 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)

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[1] Personal Development for the Book Smart – FAQs on Marketing

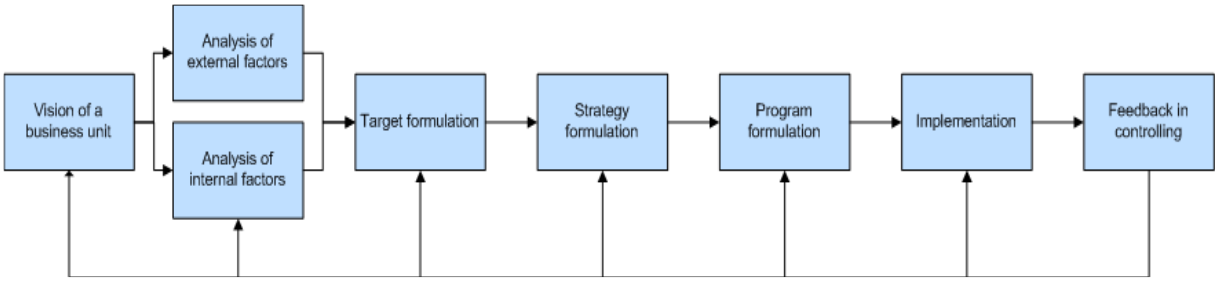
[2] Great quotes about life, business, and motivation by topic and subject

[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 Strategical 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

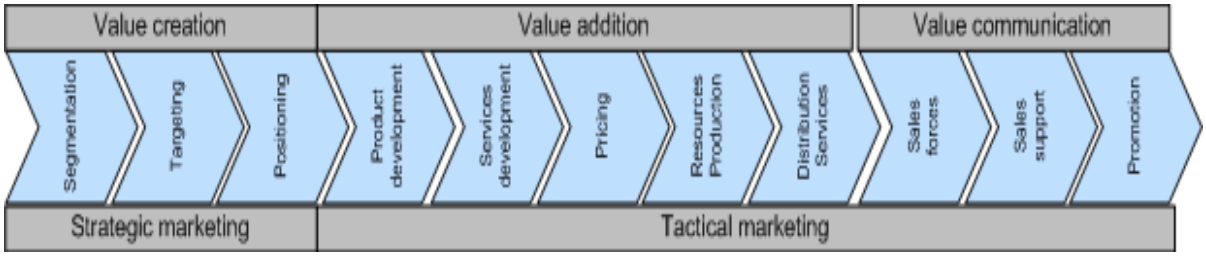
Along with other disciplines and research or practice fields, marketing also changes throughout time. It is important for a company to know how the whole economic environment is understood by its customers and competitors. This chapter aims to show which marketing concept has proved to be the best for 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 recources fluctuating, but so are customers needs and wishes, not to mention competitors. As expressed by Harrell, „In the decades that have passed since the begining 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 companies[9] 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, Jaworksi, 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 aggresive selling and promotional approach is required, otherwise customers would buy a lot less.
Marketing	...customer needs are to be reveiled by the company and satisfied in a better way than by the competitor.
Societal	...customers will require products which impact the whole society positively.

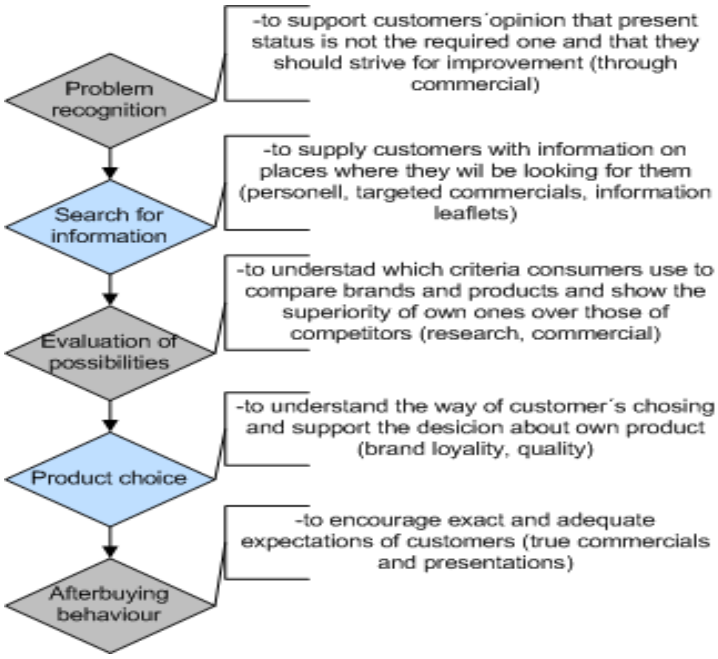
Resource: addapted from Kotler, P. Marketing Management, p. 34-44

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: addapted 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 he 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 coordinators[11], 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: addapted 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 mora 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 thereinafter 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 practicioners 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-kadi[16]). 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 situtation, 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 *strenghts* and *weaknesses* and the main *opportunities* and *threats* 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 apporach that will be used to achieve the plan´s objectives.
Action programmes	Specifies *what* will be done, *who* will do it, *when* it will be done and *what* 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,

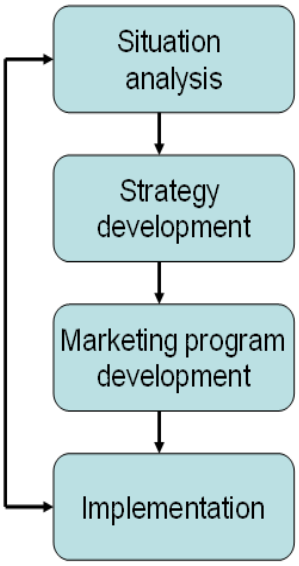
[17] e.g. Abell suggested that the definition should cover three dimensions: customer groups to be served, customer needs to be served, and technologies to be utilized. Cited from 12-manage – E-learning community on management: Defining the business of a company

	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: addapted 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



- Understand the environment and the market
- Identify threats and opportunities
- Assess the competitive position

- Define the business scope and served market segments
- Establish competitive advantages
- Set performance objectives

- Product and channel decisions
- Communication decisions
- Pricing
- Personal selling decisions

- Performance monitoring
- Refining stretegies and program

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 programme[20], 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 he 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 available[23]. 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 enviroment, 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´strenghts 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-environmnent. 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 an 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: • Production quality • Technology • Distribution channels • Customer loyalty/ relationship • Management • Leading brands	Weaknesses: • Absence of important skills • Weak brands • Poor access to distribution • Low custsomer retention • Unreliable product/ service • Sub-scale • Management

External factors	Opportunities: • 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: • 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

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 ans 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

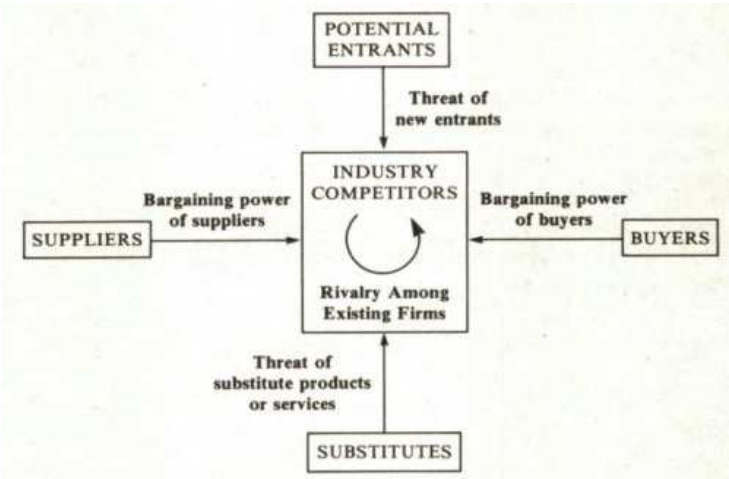
Environmental force	Fields of threats
New entrants	- Economies of scale - Product differentiation - Capital requirements - Switching costs - Access to Distribution Channels - Cost Disadvantages Independent of Scale - Government Policy
Suppliers	- Supplier industry is dominated by a few firms - Suppliers´products 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	- Buyers are concentrated

	- 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	- No or only small difference between competing products
Competing firms	- 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 cathegories 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



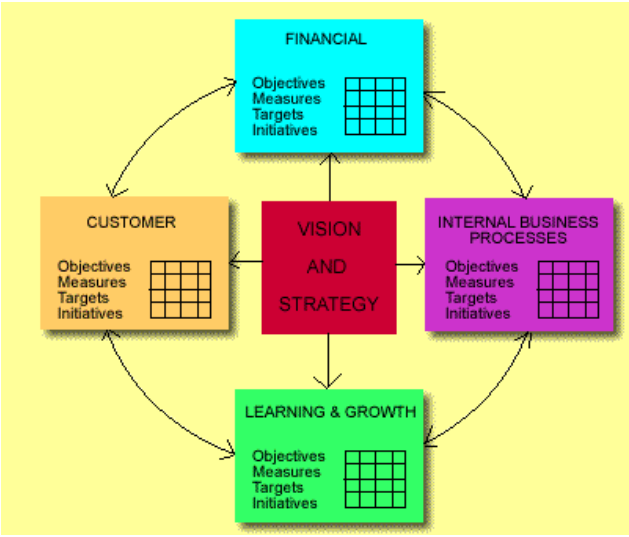
Resource: Porter, M.E. *Competitive strategy: techniques for analysing industries and competitors with a new introduction*, p. 4

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 allright, 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 Compatitive 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 intented 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 companty 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 frequence 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 • Age, gender, lifestyle • Standard Industrial Classification (SIC), size location Produce word-profiles Compute sizes of segments Assess company/segment fit Make targeting decision • One/several/all segments	Obtain customer data • Internal and external Analyse customer data Identify high/medium/low-value customer segments Profile customers withing segments • Age, gender, lifestyle • Standard Industrial Classification (SIC), size location Assess company/segment fit Make targeting decision • 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 serve[27]

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 practicioners. 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 generall 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 chosing 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	• High cost • Low sales volume • High necessity of promotion • No/little competition	To create and support customer´s awarness on the product, make customers wish to try the product
Growth	• Lower cost thanks to economies of scale • Increased sales volume • Customers awarness • Profitability • Market share maximization (through price) • Increased competition	To win maximum of market share
Maturity	• 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	• Ratio cost x profit unfavourable • Decrease in sales volume • Production and distribution efficiency necessary	To decrease cost and harvest the brand

Resource: addapted 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 differenciating itself from competitors.

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

Market Leader	Expanding the Total Market	• New users • New uses • More uses
	Protecting Market Share	• Position defense • Flanking defense • Preemptive defense • Counteroffensive defense • Mobile defense • Contraction defense
Market Challenger	• Frontal Attack • Flanking Attack • Encirclement Attack • Bypass • Guerrilla Attack	
Market Follower	• Cloner • Imitator • Adapter	
Market Nicher	Low Volume, High Margin	
	Specialization and Differentiation	

Resource: addapted 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 chosing 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