**SECTION A**

**Question 1**

**Repositioning the Product and integrating the marketing communications mix**

**MEMO**

**To:** Anthony Banda, Marketing Director

**From:** Carren Jamu, Brand Manager

**Date:** 20th May, 2012

**SUBJECT:** Repositioning Malambe juice and Integrated Marketing Communications Mix

This memo outlines a plan to reposition Malambe juice from being a children’s drink to a teenager and elderly refreshment in Malawian market and beyond. Declining sales following bad PR surrounding sugar content and additives have resulted in declining sales despite positioning of the soft drink as a health drink.

It is worth noting that ‘Malambe juice’ have faced positioning problems whilst looking at the same market. I believe that by taking a well-known brand name and embracing its properties we can see sales back to their peaks. By selecting segments based on age and lifestyle we will reposition as a health and energy drink full of flavour. This will require some product reformulations.

**Age Groups 15-25**

I suggest that our company should target the age groups 15 – 25, sportspeople, and the elderly. This encompasses a wide range of individuals with disposable income likely to be very active, careless about long-term health and will purchase products rather than rely on children who have been purchasers for a long time.

**Socio/Psychographics**

Sports fans, clubbers, outdoor activity types, and those likely to be leaders, will encourage take-up by followers, therefore, providing valuable personal recommendations and the ‘cool’ factor that is no important to this age group and lifestyle types.

Repositioning will be by price and coolness through effective promotions where integrated marketing communications will be designed. The integration of the mix will include:

1. **Product:** considering multicolours, packages as now and new sports packs like Lucozade, with new flavour (after market research).
2. **Price:** reasonably high, paying for cool factor, andpositioned slightly above nearest competitor to skim at first, market penetration later when ‘coolness’ takes off.
3. **Place:** vending machines**,** sports clubs**,** bars (as a mixer)**,** clubs**,** supermarketsin addition to incentivised wholesalers.
4. **Promotion:** use of multicolours and packaging to appear in trendy magazinestoget away/dump the image of product bought by moms for their childrenandappeal to the disaffected youth and ads on selected billboards, transit, TV, radio channels and relevant consumer press.

**Moving from the Current Position**

The product’s sales/profits are currently in decline. It is worth noting that we now have gone through the experience curve and have low production costs. There will however be additional promotional spend and packaging to use this financial resource. The graph below shows where the Malambe juice product is now and where we are aiming for.

**The Product Life Cycle**

**Introduction Growth Maturity Decline**

Sales

Target Now

**Details**

We will run TV advertisements and a direct mail, e-mail campaign over a two-month period. This will be supported by on pack offers, price reductions (initially) and endorsements by leading figures relevant to each of our target markets. A web site will be created to support the rebranding/position and allow consumer feedback.

**Evaluation of plan**

To evaluate the success of the plan we have various options ranging from quantitative to qualitative. As your brand manager, I would advise the use of the PIMS database, Profit Impact on Marketing Strategy. This will give us figures that will be compared to our competitors. It will also be showed over time for further analysis. A qualitative method will include to measure brand awareness before and after the repositioning. Focus groups could be used both before and after for comparison. This will enable us to examine our profits and sales as a result of the repositioning activity.

**Summary**

This repositioning will require cross functional coordination, which, as brand manager, I am well placed to manage through internal marketing. I can ensure consistency and the overall management and development of this activity are done to the highest standards. We have an existing well-known brand name which we could reposition ‘cleverly’ to use the problems it has had to our advantage.

**MARK ALLOCATION**

**Selection of segments (5 Marks)**

**Suggestion of appropriate IMC mix in repositioning strategy in the market (10 Marks)**

**TOTAL (15 Marks)**

**Question 2**

**MARKETING STRATEGIES (Ansoff Matrix)**

**INTRODUCTION**

To portray alternative corporate growth strategies, Igor Ansoff presented a matrix that focused on the firm's present and potential products and markets (customers). By considering ways to grow via existing products and new products; and in existing markets and new markets, there are four possible product-market combinations. Igor Ansoff matrix is shown by the diagram below.

**Product-Market Growth Strategy**

These strategies are explained as follows:

1. The **market penetration** strategy is the least risky since it leverages many of the firm's existing resources and capabilities. In a growing market, simply maintaining market share will result in growth, and there may exist opportunities to increase market share if competitors reach capacity limits. However, market penetration has limits, and once the market approaches saturation another strategy must be pursued if the firm is to continue to grow.
2. **Market development** options include the pursuit of additional market segments or geographical regions. The development of new markets for the product may be a good strategy if the firm's [core competencies](http://www.QuickMBA.com/strategy/core-competencies/) are related more to the specific product than to its experience with a specific market segment. Because the firm is expanding into a new market, a market development strategy typically has more risk than a market penetration strategy.
3. A **product development** strategy may be appropriate if the firm's strengths are related to its specific customers rather than to the specific product itself. In this situation, it can leverage its strengths by developing a new product targeted to its existing customers. Similar to the case of new market development, new product development carries more risk than simply attempting to increase market share.
4. **Diversification** is the most risky of the four growth strategies since it requires both product and market development and may be outside the core competencies of the firm. In fact, this quadrant of the matrix has been referred to by some as the "suicide cell". However, diversification may be a reasonable choice if the high risk is compensated by the chance of a high rate of return. Other advantages of diversification include the potential to gain a foothold in an attractive industry and the reduction of overall business portfolio risk.

**Ansoff Matrix**

|  |  |  |
| --- | --- | --- |
|  | **Existing Products** | **New Products** |
| **Existing Markets** | **Market Penetration** | **Product Development** |
| **New Markets** | **Market Development** | **Diversification** |

**Market Penetration and Market Development Strategy at Crown Bank Limited**

The Igor Ansoff identifies four different strategies for growth that Crown Bank Limited may follow in response to the current recession. Market penetration strategy is given the lowest score of one which makes it the easiest option available to a company to achieve growth. Diversification by contrast is given a highest score which makes it the most risky and difficult growth strategy.

**1. Market Penetration Strategy.** During the recession Crown Bank Limited offering banking has been losing market share. As the marketing manager of the bank I have identified three strategies available to the company to increase market share.

1. Get current loyal account holders to serve more. This could take the form of a sales promotion. Prize offer on new accounts or referrals where customers have the ability to send an entry to win a free trip to 2014 FIFA competition and lower prices of merchandise at Super Serve stores. There would be data collection on the back of the entry form to add to and build into the database for future direct marketing.
2. Encourage those that currently use competitor banking services but do not think to switch to our services. Again sales promotions coupled with advertising to raise interest and awareness would be used.
3. Get non account holders to start serving at Crown Bank Limited. This would involve heavy use of advertising to raise awareness. Emotional features and benefits would need to be stressed via our video screens. Research into these new customers needs to be carried out to identify their likes and wants in relation to banking. The bank could potentially use a celebrity endorser who specific segment (e.g. college students) identify and associated with to promote the Crown Bank Limited brand – source credibility attractiveness and power. Target innovators and opinion leaders with messages first so they spread positive word-of-mouth to like-minded friends and colleagues.

**2. Market Development Strategy.** The two main strategies identified to target customers into Crown Bank Limited service centres by a new development strategy include:

1. **New target market.** This would involve research into different market segments, identification of possible suitable new market segments, the targeting of these chosen segments with various communications mix and the positioning of Crown Bank brand at these new target markets in line with their attitudes, beliefs and value but not to the detriment of core customers.
2. **Geographical expansion.** Again research into new segments, the identification of new segments by geographic locations – especially where business activities are heavy (e.g. in Blantyre, Lilongwe, Nzuzu Mangochi, Zomba and other possible areas where development is taking place with the current government’s initiatives like Mwanza, Chikwawa, Dedza, Salima, Dowa and many more so these are potential areas. Would need to investigate channel to market availability in terms of the use of intermediaries and potential new retail/wholesale listings to ensure our products are available in rural areas where farmers and teachers are found. We need to advertise and promote brand in these new regions not previously available.

**Conclusion**

These two different strategies involve significantly different operations and a decision would need to be taken between the two as both cannot be pursued. Ansoff matrix provides four different growth strategies: market penetration where the firm seeks to achieve growth with existing products in their current market segments, aiming to increase its [market share](http://www.QuickMBA.com/marketing/market-share/); and market development where the firm seeks growth by targeting its existing products to new market segments. The other two growth strategies are product development (the firms develops new products targeted to its existing market segments) and diversification where the firm grows by diversifying into new businesses by developing new products for new markets.

**MARK ALLOCATION**

**An understanding of Igor Ansoff’s strategies (3 Marks)**

**Illustration of the matrix (2 Marks)**

**Explanation of Market Penetration strategy at Crown Bank (5 Marks)**

**Explanation of Market Development strategy at Crown Bank (5 Marks)**

**TOTAL (15 Marks)**

**Question 3**

**REPORT**

**TO:** Michael Yona, Bank Manger

**FROM:** Mercy Alufeyo, Marketing Executive

**DATE:** 20th May, 2012

**SUBJECT:** **Internet and Information Communication Technologies and their benefits**

There is an increasing variety of options to a company regarding information and communication technologies (ICTs) and their use within the marketing mix which can be of great importance to the promotion of a bank’s service operations.

A summary of these which can be of use at WestBank is listed below:

* Internet;
* Web site;
* CD-ROM and multimedia;
* Smart cards;
* EPOS, and EFTPOS;
* Communications – WAP mobiles, networking; and
* Loyalty cards.

Most of these technologies can be implemented as part of WestBank’s marketing mix, indeed some are already in place. As WestBank is an independent commercial bank, offering a variety of service products across a number of branches and service centres, customer intelligence is vital to ensure continued success in a very competitive market environment. Use of new technologies should ensure that we retain a competitive advantage. I will now explain each of the technologies I have listed in more detail and where applicable, state how they can be adopted as part of the marketing mix.

**Internet**

The Internet is, in effect, one huge database containing information on an extremely large variety of subjects. A user connects to the Internet by a modem located inside a computer to telephone and ISP (Internet Service Provider). The user can then request information on any subject that s/he desires. The Internet can be used by WestBank for market research, communicating with suppliers, between staff or with customers, by the use of email.

**Web site**

A web site is in effect a company’s or individual’s presence on the Internet. WestBank although currently have a web site, they should improve its performance as it is a marketing tool that can offer the bank great benefits. These would be in the form of customer information, what products are available, what prices, promote brand loyalty, raise esteem of the organisation, and improve on current promotions. The web site could be used in the increasingly popular area of e-commerce, which will be described in more detail later in the report.

**CD-ROM and multimedia**

A CD-ROM (computer disk read only memory) can store a large amount of information about a company and its products. Multimedia is usually stored on a CD-ROM and is a presentation, usually on a company or products incorporating video, music, text, sound and pictures. It is mainly of benefit to B2B industries, rather than B2C, so would be more useful to our business customers to supply information about our service and benefits since we have corporate clients to serve in the market which is very competitive, as a number of financial players are entering the industry this will act as a competitive tool.

**Smart cards**

Smart cards, also known as the “electronic purse” are a development widely used, and are a definite possibility for future use by WestBank. These cards hold a specific number of credits and are used by a consumer for all types of purchases. The cards contain a computer chip, which is scanned by a computer, even if it is inside a wallet or handbag. A WestBank has been an area of development that should be monitored closely.

**EPOS and EFTPOS**

These technologies are already fully incorporated in our bank. Briefly, EPOS (electronic point of sale) technology provides WestBank with great opportunities to serve customers in their purchases, etc. EFTPOS (Electronic funds transfer point of sale) enables fast and easy payment of goods – convenient to the WestBank’s customer in their purchases.

**Communications – WAP mobiles, networking**

Again so applicable to WestBank, mobile (WAP) enables users to access the Internet and up to date information without the use of a modem. Networking could be used at WestBank between staff for them to share information and access WestBank s’ customer information. Networking basically means when computers are connected to each other, and can be used to form an Intranet – a company-wide version of the Internet.

**Loyalty cards**

Currently in use by WestBank to encourage continued loyalty to the bank. Ramsdens allocates points against bank visits and services, which can be exchanged for cash or other benefits once a specified number of points are collected.

I hope that this will help the bank to consider the issue of these new and advanced technologies in terms of Internet and Information Communication Technologies and their benefits. Management should therefore encourage all members to promote the technologies outlined so as to have a competitive advantage in the banking sector.

**MARK ALLOCATION**

**Presentation of the report (3 Marks)**

**Outline of at least four Internet and ICTs and their benefits (3 Marks each)**

**TOTAL (15 Marks)**

**Question 4**

**BRANDING IN CORPORATE PROGRAMMES**

Brands say something about what is important to customers and provide them with a means of enjoying the lifestyle they aspire to. This applies to financial services. Role of Corporate Branding cannot be forgotten in the strategic activities of any organisation. Indeed, branding should be one of the strategic decisions. With corporate branding, the company is the brand name, for example the Royal Bank of Scotland brand and the Nestle brand are both corporate brands within their respective companies. The brand reassure all stakeholders of the bank of its reputation and the fact that they can rely on the bank for a secure home for their funds, as well as excellent customer service. The corporate image and identity is part of this brand, and communicates our brand values. All staff are involved and responsible for this brand and all it stands for. Internal marketing plays an important role in ensuring that corporate values are maintained and brand reputation remains intact.

The product brand is much more the responsibility of marketing and its main focus is the consumer (or business customer). Having a strong and well respected corporate brand makes it much easier to us to launch a new product brand, as customers already know the values of the overall brand and so may be quicker to adopt the new product because of the trust that has already been developed. For example, when introducing Internet banking service it is fast to be adopted by customers. Since there is much risk associated with the security of managing funds on the Internet.

Brands help to differentiate one from the competition, and brands have become a major focus of financial services companies in recent years, and brands are now recognised as having a balance sheet value in terms of being an asset to the company. In general, branding has a number of objectives or purposes including aiding product differentiation, conveying a lot of information very quickly and concisely. This helps customers to identify the goods or services, reinforcing customer preferences and retention. It maximizes the impact of advertising for product identification and recognition, and aids recognition and identification, creating brand loyalty. By extension, this may be transferred to new products introduced to the brand range extension. Branding is a push factor, creating readier acceptance by distributors and retailers, and supports market segmentation, since different brands of similar products may be developed to meet specific categories of users.

**MARK ALLOCATION**

**A general explanation of the role of corporate branding (7 Marks)**

**The role of product branding (8 Marks)**

**(TOTAL: 15 Marks)**

**SECTION B**

**Question 5**

**ENTRY STRATEGIES**

Having assessed and researched target markets, a company must then decide on how it is to enter a given market. There is a wide range of alternative strategies for entry, from the simple and relatively inexpensive procedure of having an agent or distributor, through to the high risk and very expensive building of a manufacturing facility. A strategic manager should therefore understand first the factors that need to be considered when selecting an entry strategy and then choose the appropriate one(s).

(a) Factors to be considered in the selection of an entry strategy include:

* Size (and potential growth) and type of market.
* Speed of market entry
* Costs incurred
* Risk factors
* Level of infrastructure
* Availability of technology
* Investment payback period
* Long term profit objectives
* Level of competition

**The entry methods can include the following:**

1. **Exporting.** Exporting domestically manufactured products, as a means of gaining experience in a foreign market. Exporting has some advantages such as relatively low financial exposure, permitting gradual market entry, acquiring knowledge about local market, and avoiding restrictions of foreign investment. Exporting is in two types: direct and indirect exporting. In direct exporting, a company takes responsibility for the distribution (and implementation of other marketing functions), of products and services to overseas customers. In indirect exporting, a company uses intermediaries. These may be export houses, wholesalers, etc.
2. **Licensing.** A license to manufacture, or manufacture and market a particular product in a specified area in return for a payment from the licensee has the advantage for the licenser that no capital is required, and it retains legal control over its intellectual property. There is always a risk of the licensee making use of products designs etc in direct competition, once the license has come to an end. Licensing has advantages including low financial risks, low-cost way to assess market potential, avoiding tariffs, National Trade Barriers (NTBs), and other restrictions on foreign investment, and licensee provides knowledge of local market.
3. **Franchising.** An arrangement under which the franchiser allows the franchisee to operate an enterprise using its trademark, logo, product line and methods of operation in return for a fee and percentage of the revenue. This is good because of the low financial risks, low-cost way to assess market potential, avoiding tariffs, NTBs, restrictions on foreign investment, maintaining more control than with licensing, and franchisee provides knowledge of local market.
4. **Joint Venture.** An agreement in which two or more partners own and control an overseas business. They remain legally independent and usually operate in the home country of one of the partners. By taking advantage of the strengths of the partners they form a synergistic combination for mutual benefit. Often a new company is formed.Strategic alliances are similar but may involve alliances between competitors, where each company has specific objectives to achieve from the alliance. Joint ventures can be defined as "an enterprise in which two or more investors share ownership and control over property rights and operation". Joint ventures are a more extensive form of participation than either exporting or licensing. Joint ventures give the following advantages: sharing of risk and ability to combine the local in-depth knowledge with a foreign partner with know-how in technology or process; joint financial strength; may be only means of entry; and may be the source of supply for a third country.
5. **Foreign Direct Investments (FDI).** This is the second major form of international business activity, where capital is supplied by residents of one country to residents of another. Such investments are divided into two categories, foreign direct investments and foreign portfolio investments.

* Foreign Direct Investments (FDI) are investments made for the purpose of actively controlling property, assets, or companies located in host countries. The country in which the patent company’s headquarters is located is called the home country. An example is the purchase of all common stock of a corporation by a foreign company where after the purchase the company installs its own executives to oversee the operations and integrate them into its global procurement and marketing programs. This happened at Ford by purchasing Sweden’s Volvo Corporation.
* Foreign Portfolio Investments (FPI) are purchases of foreign financial assets (stocks, bond, and certificates of deposit) for a purpose other than control. An example of this is the purchase of shares of commercial bank’s common stock by another bank. For the same reason many investors in recent years have bought shares of mutual funds that specialise in foreign stocks and bonds.

**MARK ALLOCATION**

**(a) Five factors in selection of an entry strategy. (2 Marks each)**

**(b) Two entry strategies for a company and supporting information. (5 Marks each)**

**TOTAL (20 Marks)**

**Question 6**

**Report on The Marketing Plan and the Synergistic Planning Process**

To: J. Gunde, Managing Director

From: John Nthala, Marketing Consultant

Date: 20th May, 2012

This report outlines areas which BJ Investments Company needs to include in its marketing plan which the firm will need to write with consideration of the synergistic planning process. The report will also show role of the marketing plan in relation to the firm’s business.

1. **The Marketing Plan Components**
   1. Executive Summary
   2. Situation Analysis
   3. Marketing Strategy
   4. Numerical Forecasts
   5. Control
2. **Synergistic Planning Process**
   1. Decide Desired Outcomes
   2. Situation Analysis
   3. Decide On Possible Routes to Desired Outcomes
   4. Decide What Course of Action to Take and how to Get there
3. **The Marketing Plan Components**

The marketing plan is the framework that outlines all the marketing activities and initiatives for an organisation to take in its operations. Therefore BJ investments will need to prepare this plan in detail.

* 1. **Executive Summary**

The executive summary gives a brief overview of the whole plan with details on how the need came about to develop a plan, what the aims and targets are. It gives an overview of where the company is at now (i.e. its position in the industry) in terms of resources, markets, products and customers. It also briefly outlines any proposed actions including the timescales and funding required for fulfilling these plans.

* 1. **Situation Analysis**

The situation analysis is about the analysis to be carried out in order to understand the position of the company at present moment in time. There are various parts in this analysis such as

* **Macro environmental analysis.** This investigates the wider market in which the company operates. It can be analysed by looking at political, economical, social, technological, environmental (Green and legal factors).
* **Micro environment.** The micro environment analysis investigates the markets within which the business operates. It can be analysed by looking at Porters at five market forces.
* **Customers** – who are they, what are their perceptions and attitudes, how many are there?
* **Suppliers** – their capabilities and capacity
* **Competitors** – who are they, how successful are they
* **Threat of new entrants to the market** – who may decrease the market share
* **Threat of substitutes** – who may provide products which replace the business’s products.
* **Distributors**- who are they and ready to distribute company’s products.
* Other factors can be analysed via a SWOT analysis which identifies strengths, weaknesses, opportunities and threats to the business.
* **Internal appraisal.** This looks at the businesses’ own capabilities and can be assessed by looking at the 5Ms
* **Men** – the capabilities of the workforce
* **Money** – the financial situation of the company
* **Machinery** – the fixed assets
* **Materials** – the supply and production processes
* **Markets** – the market share, growth, trends.
  1. **Marketing Strategy**

This will outline the marketing actions needed to be taken to achieve future aims. It sets out:

* The marketing objectives – smart (specific, measurable, achievable, relevant and time-scaled).
* The target markets – who to sell to through effective segmentation approach.
* The products position – where the product is now.
* The marketing mix to achieve objective – this will focus on aspects of product, price place, promotional and event the three extended marketing mix (people, process and physical evidence) strategies to achieve objectives.
* Marketing research – for tangible information in order to carry out the strategies.
  1. **Numerical Forecasts**

These include turnover, market share, growth, trends, costs and break even analysis which are required to assess the situation and project forecasts for future.

* 1. **Control**

This ensures how the company gets to where it wants and includes, and these will includes performance measures, roles and responsibilities, implementation milestones, and contingency plans.

1. **The Synergetic Planning Process.** There are four components to this which include:

* Determine Desired Outcomes. This is the setting objectives of where the business wants to be.
* Analyse the Current Situation. This is the macro and micro environment analysis plus the internal appraisal.
* Decide On Possible Routes to the Outcome. This is the marketing strategies for how to achieve the objectives.
* Decide On Route and How to Get There. This is the selection of the best strategy and the control mechanisms to ensure the objectives are achieved.

**The marketing plan and its relationship to the overall business plans**

The marketing plan and its relationship to the overall business plans is illustrated below. The corporate business plan and mission statement outlines the direction that the whole organisation wants to take for the future. From this, corporate objectives are developed.

**CORPORATE**

**OBJECTIVES**

FINANCE

**MARKETING**

**OBJECTIVES**

OPERATIONS

HUMAN RESOURCE

Each business function will develop objectives which will contribute to the overall attainment of corporate objectives. These objectives need to be integrated across all the functions to ensure success. Therefore the marketing function has to determine sets of objectives to achieve corporate success. This allows the marketing plan to be developed to achieve the marketing objectives. From the marketing plan individual strategies can then be drawn up for the components of the marketing mix, i.e. price, products, place and promotion.

**MARK ALLOCATION**

**The components of a marketing plan (12 Marks)**

**Explain the role of the marketing plan in relation to the firm’s business. (6 Marks)**

**Diagram to illustrate the relationship (2 Marks)**

**TOTAL (20 Marks)**

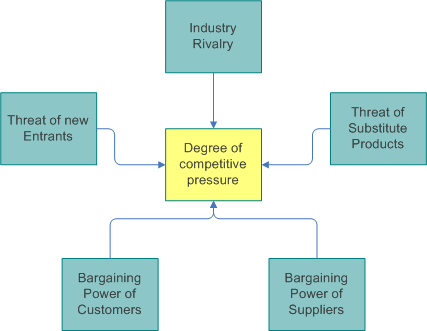
**Question 7**

# IMPLICATIONS OF AN UNDERSTANDING OF THE FIVE FORCES BY M. PORTER

Generally, strategic planning commences with an analysis phase, where you seek to refresh your understanding of your businesses three key strategic environments, these three strategic environments that you analyse during your strategic analysis are your m[acro environment,](http://www.whatmakesagoodleader.com/macro-environment-analysis.html) industry environment, (or Porter's Five Forces), and i[nternal environment](http://www.whatmakesagoodleader.com/Internal-Analysis.html). Porter’s five forces is a competitive analysis model, it helps you to understand at the nature of competition within your industry, hence it is used when completing your industry analysis. Porter’s model provides a good, simple yet powerful, framework for developing an understanding of the competitive forces in your industry. Michael Porter developed a framework, which identified 5 forces that act to either increase or reduce the competitive forces within an industry. These five forces are:

* The Bargaining Power of Your Customers
* The Threat of New Entrants into your Industry
* The Bargaining Power of Suppliers
* Threat of Substitute Products or Services
* Rivalry Amongst Existing Firms

In general terms, the greater the competitive forces in your industry the more pressure you are likely to find on your prices. Whereas, the weaker the competitive forces in your industry the less pressure you are likely to have on your prices. The five forces are illustrated by the diagram below.



Porters Five Forces will help you to analyse your industry and determine what your competitors might do next. What you do in response to your analysis is up to you and your organizations creativity.

## Porters Five Forces

By completing a competitive analysis you are becoming informed on who has the bargaining power before you commence negotiations with your customers and suppliers. Being informed ensues that your negotiations are less influenced by the skill of the negotiator and more by your commercial reality.

## The Bargaining Power of Your Customers. When analyzing the power of your customers you are really determining who needs who the most. This is driven, in part, by the number of prospective customers compared to the number of suppliers (suppliers are your competitors). A strong or powerful customer can play you off against your competitors. Your strong customers may ask for higher quality or improved service at the same price or simply, for a lower price. Where a less strong customer may simply try to bluff you. In general the greater the number of customers to your industry the less commercial power any one customer will have; and the greater the number of competitors you have the greater your customers negotiating power. However, other factors such as the significance of the customer to you or their ability to switch to your competitors also plays a part in determining who has the power.

## The Threat of New Entrants to Your Industry. A new entrant to your industry is a brand new competitor or maybe a new brand from on old competitor.  A new competitor to your industry may erode some of your customer base, your challenge is to determine if it is likely that a new competitor will come along and try to steal your customers away. New competitors are restricted by upfront capital costs, access to technology or requirements to obtain licenses then your market position is likely to be protected. However, if there are no barriers to entry your position could be weakened. Sometimes a new competitor in your area is a good thing. For example if you own a craft shop and four more craft shops open near you, the collective scale of the five craft shops may attract significantly more people to the area resulting in growth of your business. You need to determine if a new entrant is a good or a bad thing for your business.

## The Bargaining Power of Your Suppliers. The bargaining power of your suppliers is like the bargaining power of customers only in reverse, you are now the customer, where before you were the supplier. How dependant on your business is your supplier, or are you dependant on your supplier? How much power does your suppliers have? Can they raise prices or reduce service without the fear of losing your business? In general terms the fewer suppliers that you have to choose from the less power you have to negotiate. Other factors such as the cost to switch suppliers also plays a part in determine who has the power. You will find that a supplier with a unique product that contributes to the uniqueness of your product has a lot of negotiating power, unless they too are dependent on you. The more powerful the suppliers to an industry, the less profitable the industry tends to be.

## The Threat of Substitute Products or Services. A substitute product is a product that replaces the need for your product altogether. One example, Timber is the main component of house frames. However, more and more steel frames are being produced. From a timber mills perspective, steel is a substitute for timber in house frames. Are your customers likely to find an alternative product or service to use instead of your product or service?  Will substitute products or services erode your profits?

## Rivalry Amongst Existing Firms. In many industries most marketing is aimed at maintaining market share, especially when looking at fast moving consumer goods. The industry becomes stable and changes in market share tend to be slow. However, are any of your competitors thinking about growing their business? If so will you lose business? Will they steal your customers away? Some of the tactics that your competitors may use to compete for market position are reduced prices or increased price competition; increased advertising; differentiating based on customer service; and/or, many other techniques

Strategic marketers and other managers must understand the nature of their competitive environment if they are to be successful and profitable in any business sector. They must keep on assessing what is driving the competition and recognise that the collective strength of the five forces by Michael Porter will set the current and future degree of the market rivalry. This will determine the profit potential of the industry although each participating firm will seek to position itself so as to exploit maximum competitive advantage. The five – forces model will therefore, provide marketers with a framework for analysing the complexity of their own industry situation, the financial sector inclusive. One way to look at competition is by industry analysis. Competition drives down rates of return on invested capital. If the rate is "competitive" it will encourage investment, if not, it will discourage competition. Porter (1980) and (1985) looked at the forces influencing competition in an industry and the elements of industry structure.

### WHAT COMPANIES SHOULD DO

Potential entrants must therefore, carefully weigh this high risk strategy, particularly where start – up losses are high and reactions uncertain, and existing firms must reinforce entry barriers and reduce intensity of rivalry by merging. There should be a take-over by a company of an existing firm, to provide a base for future growth in market share. Barriers to entry may be strong or weak and their strength will vary from industry to industry.

# APPLICATION OF THE COMPETITIVE STRATEGIES

Competitive strategy is about devising ways on how to compete. Competitive strategies require actions to create a defendable position. They include cost leadership; differentiation, and focus strategy. Competitive advantage is anything, which gives one organisation an edge over its rivals in the products it sells; or services it offers. At first you need to identify a competitive advantage which can be achieved through some competitive strategies. Competitive strategy means taking offensive or defensive actions to create a defendable position in an industry. This is done in order to cope up successfully with competitive forces resulting in a superior return on investment for the firm. Competitive forces that have been identified by Michael Porter and competitors need to be responded to by some competitive strategies developed by the firm. In attempting to respond to competitors in a competitive environment, M. Porter suggested the following competitive strategies:

# Cost leadership. This means being the Lowest–Cost producer in the industry as a whole. A cost leadership strategy seeks to achieve the position of lowest – cost producer in the industry as a whole. By producing at the lowest cost, the manufacturer can compete on price with every other producer in the industry; and earn higher unit profits if the manufacturer so chooses. The following are some ways on how to achieve an overall cost leadership:

* Set up production facilities for economies of scale.
* Using latest technologies to reduce costs and / or enhance productivity.
* Using cheap Labour available, e.g. most Americans choose to use the Far East companies to manufacture products for cheap Labour advantage.
* Producing more items than any other competitor, which is good for a firm as it, can benefit more from the learning curve and achieve lower average costs.
* Concentrating on improving productivity.
* Minimising overhead costs.
* Getting favourable access to sources of supply.
* Relocating to cheaper areas or locations.

With more and more goods, i.e. manufactured good, cost advantage is based on cheap labour in the developing world. Such actions speed development and growth in less developed countries (like Malawi), allowing them to make use of their main source of economic advantage, and provides cheap goods to consumers in more developed countries.

# Differentiation strategy. Differentiation strategy assumes that competitive advantage can be gained through particular characteristics of a firm’s products. Products may be categorised as break through products, offering a radical performance advantage over competition, perhaps at a drastically lower price; improved products, which are not radically different from their competition, but are obviously superior in terms of better performance for a similar price; and competitive products, which derive their appeal from a particular compromise of cost and performance. The following are some differentiation methods building up a brand image; giving the product special features to make it stand out; exploiting other opportunities of the value chain. This may include identifying possible benefit, adopting environmental friendly practices, product or Service quality programmes and tracking services.

**MARK ALLOCATION**

**Explanation of the five forces (10 marks)**

**Discussion of the implications (8 Marks)**

**Presentation of an illustration (diagram) (2 Marks)**

**TOTAL (20 Marks)**

**Question 8**

**Innovation as the ‘lifeblood’ of an organisation**

The words "creativity" and "innovation" are often used interchangeably but we should not. Creativity is about coming up with ideas while innovation is about "bringing ideas to life." While individuals may display creativity, innovation occurs in the organizational context only, by bringing creative ideas to life. Innovation is linked to performance and growth through improvements in efficiency, productivity, quality, competitive positioning and market share. It typically adds value by changing old organizational forms and practices. Organizations that do not innovate effectively may be destroyed by those who do. The one key characteristic of successful innovators is that they had a rigorous process for managing innovation including "a disciplined, stage-by-stage approval process combined with regular measurements of every critical factor, from time and money spent to the success of new products and services in the market."

Innovation by businesses is achieved in many ways; through formal research and development for "breakthrough innovations" as well as through less formal on-the-job modifications of practice-such as through exchange, personal experience and by many other routes. Regardless, innovations do not just happen-they are a team effort. Most successful innovation occurs at the boundaries of organizations and industries where the problems and needs of users and the potential of technologies are linked together in a creative and collaborative process that challenges both.

Innovation is essential for a number of reasons. When markets shift, technologies proliferate, competitors multiply, and products become obsolete almost overnight, successful companies are those that consistently create new knowledge, disseminate it widely throughout the organisation and quickly embody it in new technologies and products. This is innovation and it should therefore, be a continuous thing. Where quality, technology and variety all are becoming widely available at relatively low cost, the only sustainable competitive advantage that a company can create, may be the ability to learn faster than its rivals and to anticipate changes in the business environment.

Constant innovation requires a constant flow of ideas from innovators, and management and anyone including employees. But the successful creation of ideas depends on a number of organizational factors. No one individual or group of individuals can be the source of all knowledge about a firm’s activities. There must be a way whereby all individuals can communicate their insights to other members of the organisation, so that these insights flow into a pool of knowledge from which the whole company can draw. Furthermore, there is the idea that a company is a living organism. This means that it can learn. In the organisation, there is need to combine ideas in creating knowledge to ensure continuous innovation as a day-to-day activity. Therefore, it can be said that organisations have to learn. Learning is a source of innovation. The learning organization therefore:

* + - Encourages continuous learning and knowledge generation at all levels.
    - Has the process to move knowledge around the organization.
    - Can transform knowledge into actual behaviour.

The chief objective of being innovative is to ensure organisational success in a changing world, hence innovation is referred as the ‘lifeblood’ of any organisation. It also has the following advantages:

1. Improvements in quality of products and services
2. A leaner structure – layers of management or administration may be done away with
3. Prompt and imaginative solutions to problems
4. Less formality in structure and style, leading to better communication
5. Greater confidence inside and outside the organisation in its ability to cope with change.

Innovation and new product development (NPD) is therefore essential for many firms to survive and prosper. It is an increasingly important area. Therefore innovation audit must be part of the organisation’s audit too. Innovation audit: a critical assessment of the firm’s innovation record, the internal obstacles to innovation and how performance can be enhanced. A firm needs to assess how well it is able to deliver the level and type o innovation necessary to continue to meet customer needs and expectations. Drummond and Ensor (1999) identify four key areas for the innovation audit. The current organisational climate; measures of the organisation’s current performance with regard to innovation; review of policies and practices supporting innovation and facilitating it; and the balance of styles of the management team.

**ORGANISATIONAL CLIMATE AND BARRIERS TO INNOVATION**

1. **Resistance** **to** **change**. Any new method of management thinking can experience some resistance from established managers. This resistance may be due to concern to protect status quo, or because managers are ignorant f the new thinking. Integrating marketing communications seems so obvious that it may be overlooked or seem as a superficial approach.
2. **Old planning systems**. Old planning systems have sometimes downgraded marketing decisions to the tactical level. Advertising expenditure is decided on the basis of what the company can afford rather than what is strategically required. Promotion is seen as a series of short-term actions rather than as a long-term investment.
3. **Old structures/functional specialists**. Complementing traditional planning systems are traditional organisation structures. These structures freeze out new thinking on integrated marketing strategy. Individuals have limited specific responsibilities – just for advertising, say, or just for public relations – and this inhibits new thinking on integration.
4. **Centralised control**. If the chief executive keeps tight control of the organisation and of its planning and is unconvinced of the benefits of innovation then it will not happen.
5. **Cost considerations**. Innovation usually requires investment.

**OVERCOMING BARRIERS TO INNOVATION**

1. **Top management commitment**. The most effective way of overcoming these barriers to change is through the commitment of top management. The chief executive in particular needs to be convinced of the appropriateness of the new thinking and be enthusiastic about its implementation throughout the organisation.
2. **Marketing reorganisation**. One way in which the chief executive can take advice is through a reorganisation of the marketing function in the organisation.
3. **Training and development.** It is one thing to change attitudes. It is another thing to be in a position to know exactly what to do. It needs the services of the individuals trained in strategic thinking. The individuals chosen to implement ant new programme must be enthusiasts capable of overcoming resistance to change.
4. **Marketing as a competitive advantage**. Those with responsibility for implementing an integrated marketing programme must do with the objective of developing it as a sustainable, long-term competitive advantage.
5. **Producing the results**. Nothing succeeds like success. Producing the business results as a consequence of effective marketing communications will boost confidence and gain management converts to the new thinking on an integrated approach.

**improvING ORGANISATION’s ability to innovate**

To encourage innovation the objective for management should be to create a more outward-looking organisation where people should be encouraged to look for new products, markets, processes and designs; and seek ways to improve productivity. An innovation strategy calls for a management policy of giving encouragement to innovative ideas. The following are ways by which an organisation can improve its ability to innovate:

1. Give financial backing to innovation, by spending on R & D and market research and risk capital on new ideas.
2. Giving employees the opportunity to work in an environment where the exchange of ideas for innovation can take place. Management style and organisation structure can help here.
3. Management can actively encourage employees and customers to put forward new ideas.
4. Development team can be set up and an organisation built up on project team-work.
5. Quality circles and brainstorming groups can be used to encourage creative thinking about work issues.
6. Where appropriate, recruitment policy should be directed towards appointing employees with the necessary skills for doing innovative work. Employees should be trained and kept up-to-date.
7. Certain managers should be made responsible for obtaining information from outside the organisation about innovative ideas, and for communicating this information throughout the organisation.
8. Strategic planning should result in targets being set for innovation, and successful achievements by employees should if possible be rewarded.

In conclusion as the products goes through their lifecycles, and become obsolete, there is a need for organisations to keep on innovating so that new products or services are developed to replace those withdrawn from the portfolio.

**MARK ALLOCATION**

**Explanation of innovation and critical evaluation of the statement (10 Marks)**

**Identification of potential barriers to innovation (5 Marks)**

**Suggesting ways of improving organisation’s ability to innovate (5 Marks)**

**TOTAL (20 Marks)**