

# Objective and strategy setting

## Contents

|  |    |
|--|----|
| Market Equity introduction             | 1  |
| Objective and strategy setting summary | 3  |
| Marketing objectives                   | 4  |
| Marketing strategies                   | 7  |
| Supporting software                    | 9  |
| Contact details                        | 11 |

## Market Equity introduction

Market Equity works alongside senior management teams identifying improvements in value that have resided untapped in their markets and then embedded them in their companies. We utilize a unique suite of tools and techniques developed by the company's principals and provide our clients with:

- Real insights into what they need to do in order to attract and retain the customers they wish to serve.
- The means to set achievable marketing and financial objectives and the strategies required to deliver them.
- The structure and content of a powerful strategic document.

Our tried and tested approach ensures companies achieve:

- Long-term sustainable improvements in value for their shareholders.
- The essential market understanding and evaluation demanded by potential investors.

In addition, our method of working means that the skills we bring to our assignments are transferred to the team we partner in the business.

The services we provide to businesses fall under three headings:

- Consultancy in market segmentation and market-led strategy.
- Consultancy in raising capital from VCs/investors.
- Training programmes in market segmentation and market-led strategy.

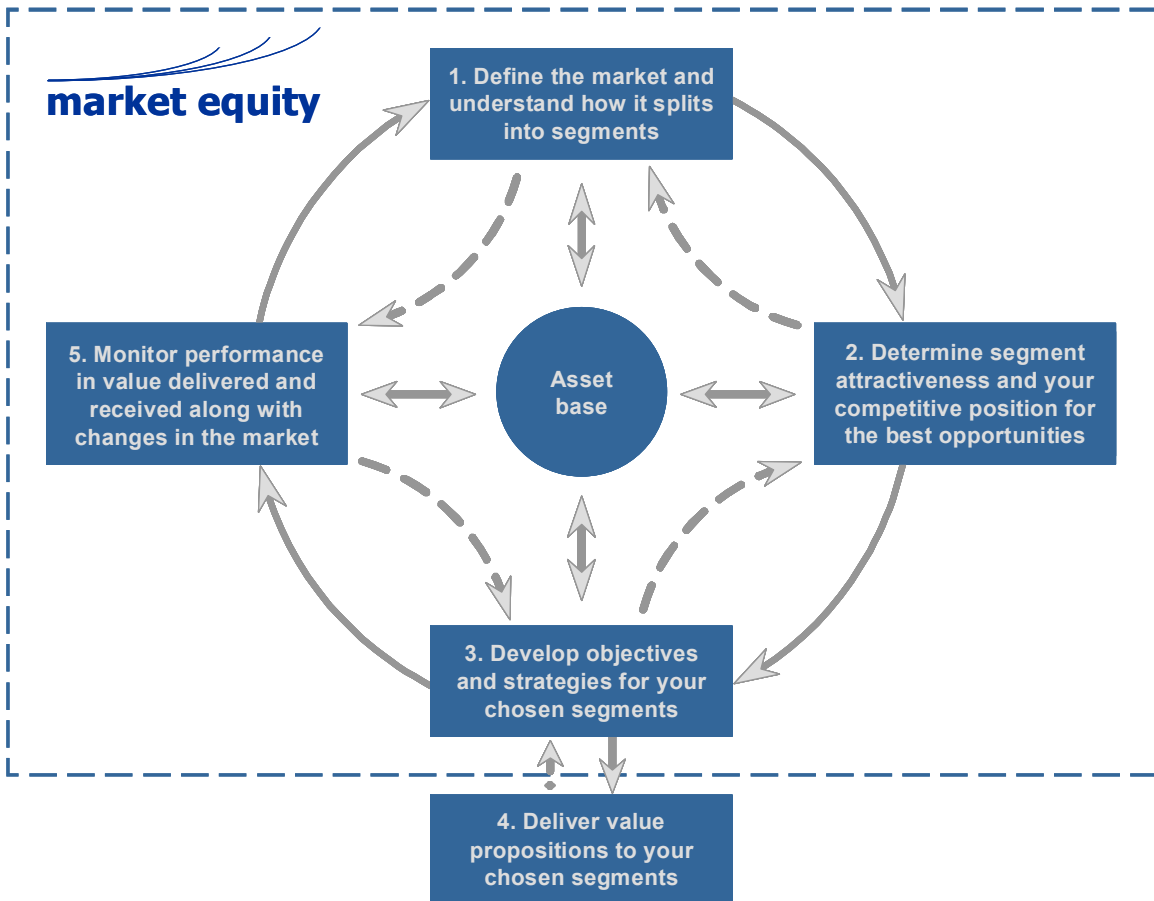
For VCs/investors we provide consultancy in determining the realizable value of a business using our tools and techniques to provide the commercial due diligence analysis required.

And for all our clients, the services we deliver are tailored to fit their particular needs.

To find out how we can help you realize the full value of your business either e-mail your enquiry to us at [info@market-equity.com](mailto:info@market-equity.com) or complete the enquiry form on the website <http://www.market-equity.com/contact.htm>.

## Objective and strategy setting summary

Our strategic marketing process provides the ideal structure for setting your marketing objectives and strategies as it enables you to develop them from insights obtained earlier in the process as well as determine their financial impact on the business. This process, a process which has been adopted by the forward thinking companies of today, is summarised in the following flow chart.



So that the distinction is clear, we see a marketing objective as being the quantification of what your business sells (its products and services) and to whom (its selected segments), whereas the marketing strategies are the means by which the company achieves its marketing objectives. Once your objectives and strategies have been agreed, those responsible for your programmes of marketing activity can then proceed to the detailed planning and implementation stage.

Clearly, therefore, unless the setting of marketing objectives and strategies is carried out extremely well, utilising the detailed insights obtained through our approach to market

mapping and to market segmentation along with a careful assessment of where the company's best opportunities lie, everything that follows will lack focus and cohesion. This will have a major and visible impact on both your company's financial performance and your company's hard won position with its customers in the market.

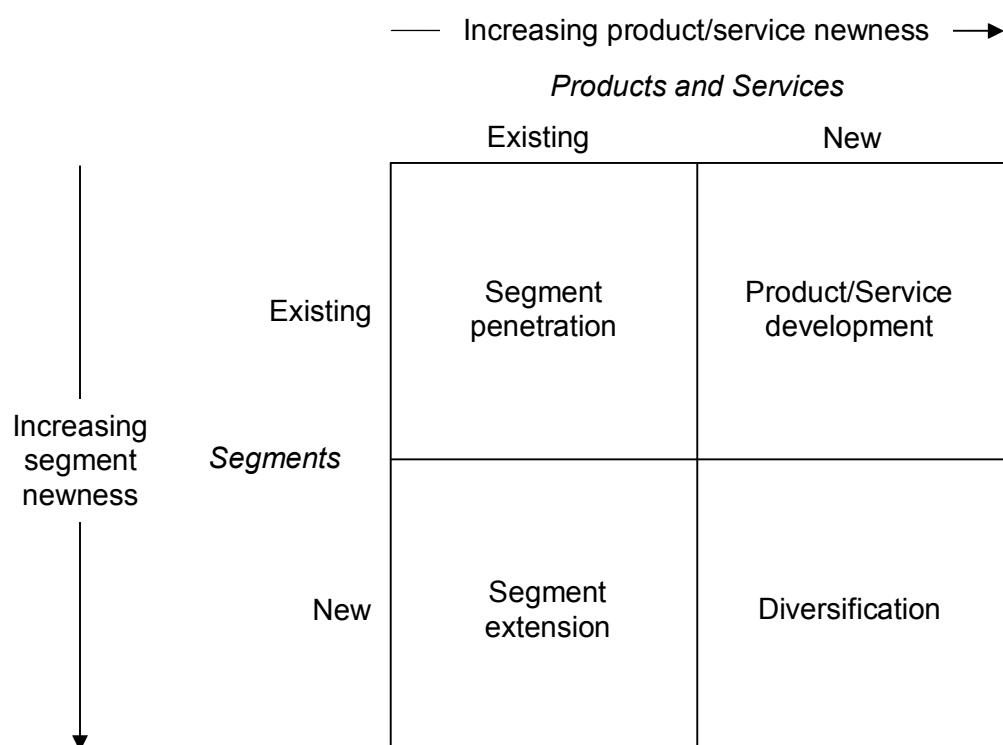
## Marketing objectives

Two particularly useful tools for developing marketing objectives are the Ansoff Matrix and the Directional Policy Matrix. Both of these tools are integrated into our powerful desktop software tool EXMAR<sup>®</sup> Strategic Planner (EXMAR<sup>®</sup> SP).

The Ansoff Matrix provides a framework for thinking about what is sold and to whom it is sold. Within this framework are four possible courses of action for the business:

- 1 Selling existing products and services to existing market segments.
- 2 Extending existing products and services to new market segments.
- 3 Developing new products and services for existing market segments.
- 4 Developing new products and services for new market segments.

The matrix below depicts these concepts.



EXMAR® SP automatically constructs the Ansoff Matrix from the data that is input into the model. An example of how this looks using EXMAR® SP appears below.

| Define Ansoff Matrix |          |          |            |         |
|----------------------|----------|----------|------------|---------|
|                      | Bearings | HighPerf | Assemblies | Systems |
| Auto                 |          | Y        |            |         |
| Chemical             |          |          |            | Y       |
| Food                 | Y        |          | H          |         |
| Electrical           | Y        |          |            | Y       |

*Note:* Green corresponds to 'Segment penetration', yellow corresponds to 'Segment extension', blue corresponds to 'Product/Service development' and red corresponds to 'Diversification'.  
'Y' indicates the product-market segments on which the business will focus.

Marketing objectives can be developed under each of the four main headings above, all four of them being about what your business sells (its products and services) and to whom (its selected segments).

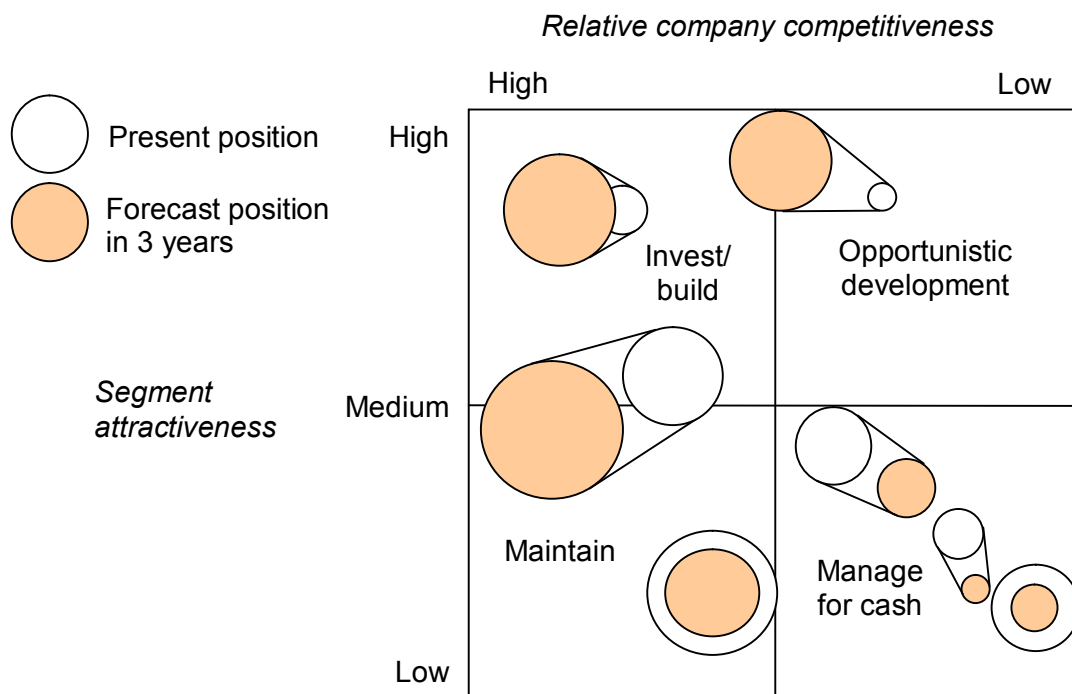
Because marketing objectives represent a commitment to a future direction for the business it is essential that the selected marketing directions flow from an analysis of which segments represent the best opportunities for your business along with an analysis of which products and services represent the best opportunities for your business in each of its chosen segments. This is determined by a life cycle and portfolio analysis which is captured in a Directional Policy Matrix.

A Directional Policy Matrix for a portfolio of segments balances each segment's attractiveness, using criteria appropriate to your company, with your company's relative competitive position in each segment, based on the criteria customer's use when deciding which competing product or service to purchase.

Factors for attractiveness generally fall under the headings of 'growth', 'accessible segment size' and 'profit potential', each of which is determined for the end of your company's planning period, being the time period in which the objectives are to be achieved, and weighted according to their relative importance to each other for your company. The criteria for competitiveness are the customer-facing needs identified for

each segment through our approach to market segmentation, an approach which also identifies the relative importance of these criteria to each other. It is the performance of your company compared to the performance of your main competitors in respect of these customer-facing needs which determines your relative competitive position, with performance as perceived by the segment. This is calculated both for today and for the end of the planning period.

The following is an example of a completed Directional Policy Matrix.

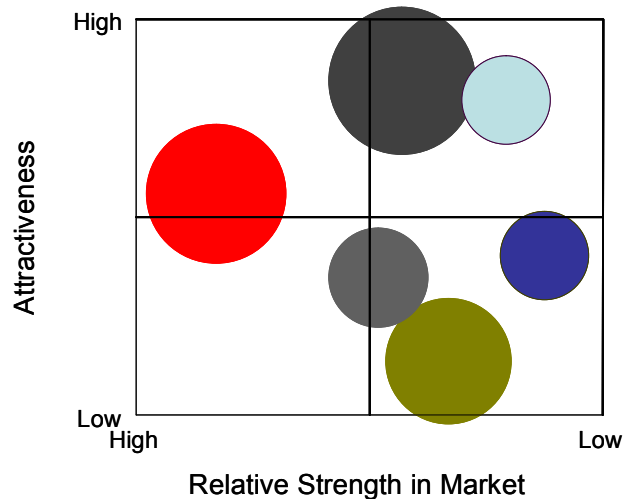


Included in each quadrant above is the suggested main thrust of the marketing objective for the segment that falls within it. Very briefly, for each quadrant these are:

- Invest/build – ensure your sales/volume growth rates are at least at the segment growth rate, thus maintaining share, or grow faster than the segment, thus increasing segment share.
- Maintain – keep your competitive position, especially in those segments in which you are profitable, and consider cutting back in those that are less profitable.
- Manage for cash – carefully relinquished competitive position in favour of short-term profits and cash flow, though in those cases where the competitive position is very weak with little or no opportunity to generate some cash with minimal marketing spend it may be better to exit completely.

- Opportunistic development – grow your sales/volume in the most promising at a higher rate than the segment growth rate, thus increasing share for future product/segment leadership.

The Directional Policy Matrix is automatically constructed by EXMAR<sup>®</sup> SP from the data that is input into the model. An example of how this looks using EXMAR<sup>®</sup> SP appears below.



*Note:* Each circle represents a specific market segment and the product or service they purchase.

As well as being quantitative commitments, marketing objectives should be specific enough for staff within the company to understand from them the general character of action required and the yardstick by which performance is to be judged. Vague objectives such as 'decrease', 'optimise' or 'minimise' do not serve any useful purpose as they have no yardstick against which to measure a sense of movement towards achieving them.

## Marketing strategies

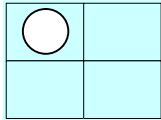
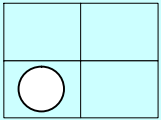
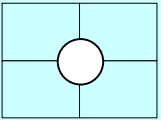
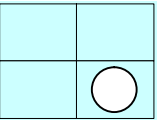
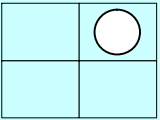
Marketing strategies are about how the company intends to go about achieving its objectives, but in addition to describing the means by which the objectives are to be achieved they should also define the time programme and the allocation of resources.

The following headings indicate the general content of marketing strategy statements:

- 1 Policies and procedures relating to the products to be offered, such as number, quality, design, branding, packaging, positioning, labelling, and so on.
- 2 Pricing levels to be adopted, margins and discount policies for product groups in particular segments.
- 3 Advertising, sales promotion, direct mail, call centres and the internet, along with the creative approach, the type of media, type of displays, the amount to spend, and so on.
- 4 What emphasis is to be placed on personal selling, the sales approach, sales training, and so on.
- 5 The distribution channels to be used and the relative importance of each.
- 6 Service levels, and so on, in relation to different segments.

Because strategies consume finite company resources it is essential to understand which strategies are appropriate for your business in each of its chosen segments. This comes from an understanding of customer-facing needs and their relative importance to each other, insights which are identified for each segment through our approach to market segmentation, along with an analysis of relative company competitiveness, an analysis which takes place when constructing the Directional Policy Matrix. For example, in a segment in which you wish to grow your share but in which you perform weakly on one of the segment's main decision-making criteria it would be appropriate to expend resources improving your competitive performance on this particular criteria. Not forgetting, of course, to maintain your competitive performance in those criteria on which you already perform well. Inevitably it is not as straight forward as implied by this example and an analysis of costs and benefits for alternative strategies may direct activity towards other areas for the best returns, but the example serves to illustrate some of the important linkages found in our strategic marketing process.

Not unexpectedly, the extent of the strategies appropriate for achieving particular objectives goes beyond marketing and into other functions. This is illustrated in the following list of guidelines suggested for both objectives and strategies for different positions on the Directional Policy Matrix. However, rather than being followed unquestioningly, they should be regarded more as a checklist of questions that should be asked before setting marketing objectives and strategies.

|                        |  |  |  |  |  |
|------------------------|---|---|---|---|---|
| <i>Main thrust</i>     | Invest for growth   | Maintain segment position, manage for earnings                                    | Maintain selectively  | Manage for cash   | Opportunistic development   |
| <i>Segment share</i>   | Maintain or increase dominance  | Maintain or slightly milk for earnings  | Maintain selectively  | Forgo share for profit  | Invest selectively in share   |
| <i>Products</i>        | Differentiation - line expansion  | Prune less successful. Differentiate for key segments                             | Emphasise product quality. Differentiate  | Aggressively prune  | Differentiation - line expansion  |
| <i>Price</i>           | Lead - aggressive pricing for share   | Stabilise prices/raise  | Maintain or raise   | Raise   | Aggressive - price for share  |
| <i>Promotion</i>       | Aggressive promotion  | Limit   | Maintain selectively  | Very limited  | Aggressive promotion  |
| <i>Distribution</i>    | Broaden distribution  | Hold wide distribution pattern  | Maintain selectively  | Gradually withdraw distribution   | Limited coverage  |
| <i>Cost control</i>    | Tight control - go for scale economies  | Emphasise cost reduction, viz. variable costs                                     | Tight control   | Aggressively reduce both fixed and variable   | Tight, but not at expense of entrepreneurship                                       |
| <i>Production</i>      | Expand, invest (organic, acquisition, joint venture)                              | Maximise capacity utilisation   | Increase productivity, for example, specialisation/ automation                    | Free up capacity  | Invest  |
| <i>R &amp; D</i>       | Expand - invest   | Focus on specific projects  | Invest selectively  | None  | Invest  |
| <i>Personnel</i>       | Upgrade management in key functional areas  | Maintain. Reward efficiency, tighten organisation                                 | Allocate key managers   | Cut back organisation   | Invest  |
| <i>Investment</i>      | Fund growth   | Limit fixed investment  | Invest selectively  | Very limited and divest opportunistically   | Fund growth   |
| <i>Working capital</i> | Reduce in process - extend credit   | Tighten credit - reduce accounts receivable, increase inventory turn              | Reduce  | Aggressively reduce   | Invest  |

## Supporting software

Our powerful desktop software tool EXMAR® Strategic Planner (EXMAR® SP) provides invaluable help in the strategic marketing process. It not only guides you through the

process and provides help files for all the key stages but also releases users from any concerns over data management. EXMAR<sup>®</sup> SP users find that they are able to manage their marketing more effectively and so identify value-creating opportunities more readily. This enables the senior management team to make better investment decisions, be they about money, people or other resources, thus ensuring that the business fully realizes its opportunities for sustainable improvements in value.

A selection of EXMAR<sup>®</sup> SP endorsements:

Cable & Wireless      'By using EXMAR SP, we have cut back significantly on labour-intensive analysis work, allowing our marketing staff to spend more time doing what they are paid for – increasing sales and profit.'

Dave Johnstone, Regional Manager Commercial, Meridian Region.

Halifax                'EXMAR SP adds real value by focusing on what is really important in the business – the customer.'

John Foggo, Mortgage Planning and Analysis Manager.

Xerox                    'It is beginning to change the quality of our thinking about the markets we operate in. The EXMAR SP process has been very thorough and has produced a solid result.'

Malcolm Irwin, Marketing Systems Manager, UK.

BT                        We have used EXMAR SP this year in our Innovative Planning Process to deliver a plan from a market and customer perspective. It provided a structured approach and detailed analytical tools for our marketing plans. EXMAR SP's inherent flexibility also enables us to interpret and present complex data easily'

Paul Bahia, Head of Marketing Planning.

EXMAR<sup>®</sup> SP is currently used in 40 countries around the world.

## Contact details

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