MARKETING MANAGEMENT:
APPLYING THE CONCEPT OF
THE MIX.

VOL. 2.

Claudio Vignali

PhD by Publication

A thesis submitted to the University of Glamorgan in partial fulfilment of
the requirements for the award of Doctor of Philosophy.

Declaration
No portion of the work referred to in this thesis has been submitted in support
of an application for another award.

Dec 2002

[Signature]
INTRODUCTION

Vol. II is the compilation of published works for the PhD by publication by C. Vignali “Marketing Management: Applying the concept of the Marketing Mix”.

Section A includes eleven published articles and cases studies presented at registration.

Section B includes two published articles that were a requirement for the completion of the examination process.
SECTION A
CONTENTS


“Branding and the Marketing Mix Examined in a Benetton Franchise”,
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C. Vignali
BRANDING AND THE MARKETING MIX EXAMINED IN A BENETTON FRANCHISE

ABSTRACT

The Retail Marketing Mix elements highlighted by McGoldrick (1990):

Merchandise
Service
Price
Quality
Fashion
Branding
Store Atmospheres
Location

These are the key areas for investigation and various research techniques have been used to highlight their operational position within the franchisee’s offer to the consumer, especially within a Benetton franchise.

INTRODUCTION

The need to establish the existence of the Benetton Brand vis a vis non-branded products sold within the confines of a Benetton retail outlet is paramount for Benetton and an essential factor which further extends the essence of consumers perceptions. The fortuitous position of being able to examine all retail sales within such a franchise added value to the exercise. The company was C.S.V Trading Ltd., 8 Fleet Walk, Burnley, Lancashire, an exclusive Benetton franchise situated in a retail precinct, with an exclusive agreement for a geographic area comprising 300,000 people. Burnley is also the central town of the Colne Valley, which is disconnected by distance and topography from the surrounding areas, whilst surrounding hills ensure a fairly self-sufficient insular position.
RESEARCH BACKGROUND

Background to Consumer Sales Research within the Benetton Franchise

Product sales for an 18 month period were reviewed to assess the performance of branded and non-branded merchandise. One 6 month period within the 18 months was examined in depth and analysed.

Each individual band of sales tags was sorted numerically in ascending order by code. (The total number of vouchers was over 15,000). A specific 6 month period was analysed in depth. The period examined in depth was between May and August 1992.

It was necessary to divide each individual group of sales tags into an array to allow accurate comparison of data; the sales tags were thus sorted into numerically ascending order. To evaluate which product code to utilise in sorting the data, consultation was made with the collaborating institution to ascertain the meanings of the codes on each ticket. The response was that the large code at the top left hand side of each ticket was product specific and linked to a stock list that could be cross-referenced with a photograph of the product. It was therefore possible to visualise the various product types by analysing the sales tags.

The data was therefore sorted according to the product code as on the above example.
To analyse large amounts of data using a manual system is both time consuming and tedious, it is also prone to human error. Manual systems are also inflexible and require careful preplanning, as data cannot be continuously manipulated without altering the overall format. The most suitable and appropriate system to use is a computerised spreadsheet as this overcomes all of these problems, it is extremely flexible and dependent upon the system used, is user-friendly. The user friendliness is particularly relevant when all users are not adept with computers. The choice of spreadsheet was relative to two separate variables. Data had to be transferred across sheets, combined and recalculations made, and necessary to produce suitable graphs, which could then be incorporated into a word processing package.

The other key variable was product type. There are two distinctive types: Branded and Non-Branded. It became apparent that branded stock could be split into two distinctive areas; the Benetton name and logo could be considered a brand, the various company names and sayings related to the Benetton advertising campaigns could also be classified as a brand. Any differences in sales patterns in these areas could then be used to justify purchasing of specific names and logos, or alternately suggest whether the whole Benetton "aura" promotes the purchase.

The product lines are differentiated by a code that represented Branded, Non-Branded and Other. It was possible to break down the Branded Section further, into logos and names but this was deemed unnecessary as the collaborating institution confirmed, historically that the consumer recognises them as being one and the same (Rice, 1992).

A series of initial graphs were produced of the variables already mentioned i.e. sales patterns for Branded, Non-Branded and Other; these could also be cross-referenced by looking at the contribution of regular and discounted sales. It was necessary to undertake the correct mathematical codes of practice to carry out accurate analysis. This involved ensuring that graphs were of a similar type and on identical axes to allow comparisons. If these rules were not followed distorted graphs would produce inaccurate observations and assumptions. Graphical analysis provides a clear picture for analysis rather than a set of columns of figures.
Background to the Consumer Questionnaire of the Benetton Brand

A quantitative questionnaire was used to investigate the Benetton consumer’s perceptions of the Benetton brand. The primary research was carried out by conducting instructed interviews with approximately 220 Benetton customers in Manchester and 200 in the Burnley area. The questionnaire was divided into three sections:

- Consumer buyer behaviour
- Perceptions of the Benetton brand
- Socio-demographic profile

After analysing 420 questionnaires, certain themes emerged which were used as a basis to structure the focus group activity.

1) What is the main thing you consider when you think about a Benetton product?
2) What factors do you consider when purchasing Benetton products?
3) What retail store do you think this product was purchased from?
4) What is the first thing that comes into your mind when you see this picture?

Facilitating the focus group was difficult due to the nature of the research and the facilitator’s biased personal perceptions of the Benetton brand.

All questions were to be structured in an unbiased open manner, so as not to influence the reactions of the focus group members. The responses were systematically controlled so as not to restrict discussion or conversely provoke an argument, both of which would inhibit analysis.

After conducting a pilot focus group, five exercises were designed incorporating strategic key issues, in order to explore and gain insight into the Benetton consumers’ perceptions of the brand. The discussions were recorded on audio-visual tapes so that
a full analysis of the verbal and non-verbal reactions and behaviour could be carried out.

The exercises intended to maintain interest and attention by generating discussion in a semi-instructed and informal manner, whilst eliminating possible leading questions from the interviewer. It was anticipated that the group exercises would last approximately an hour to gain maximum participation. Group members were Benetton consumers currently residing in the Burnley and Manchester area, and were selected by telephone after completion of the questionnaire.

In total four individual exercises were conducted. The first exercise consisted of a sixteen and a seventeen year old, the second of a seventeen and an eighteen year old, the third focus group comprised two eighteen, two nineteen and two twenty year olds and the fourth focus group comprised of one twenty-one year old, two twenty-two year olds and one twenty-five year old.

The subjects covered included:

- Why individuals shopped in Benetton
- What they thought of the Benetton branded clothing
- Which of the logos they liked/disliked the most
- If they would wear a Benetton branded item of clothing: if not, why not?
- Whom they thought the typical Benetton customer was
- What image they had of Benetton
- How this image was influenced e.g. advertising, peer group influence, other shoppers, past experience

**SUMMARY**

Both quantitative and qualitative techniques were used to investigate the Retail Marketing Mix, which is the basis of the message used to transfer both the
organisation's attributes and indicate suitable target consumer's attributes to a proposed market.

A quantitative analysis of product sales indicated key variables that the Benetton franchise adopted to transfer the message to the target market. A further quantitative analysis of those key variables of a consumer base further highlighted the consumers' perceptions and consumers' attributes but indicated key issues that the target consumers would react to. A qualitative analysis in the form of focus groups further strengthened the position of the consumers' attributes in the development of the message in Nicosia's Field 1.
RESEARCH RESULTS

The key outcomes of the analysis are indicated in the following text. We looked at the relevance of the sales during a specific period, examined the relevance of specific product type, brand and total volumes as the basis for the development of a consumer questionnaire.

ANALYSIS OF 6 MONTHS SALES MAY – SEPTEMBER

Total Weekly Sales

The total weekly sales graph illustrates overall sales by volume of both regular and discounted products. The graph shows that steady sales of 50 – 100 units per week were attained until the third week in May, when there was a significant sales uplift.
Total Weekly Sales

The total weekly sales line graph depicts sales by the three specified product types, namely Branded, Non-Branded and Other. Other products, which comprise a small part of the range, are distinguished by a low volume of sales throughout the period. Branded products are the next highest sales. Sales are consistent at a level of thirty to forty units a week, with peaks in mid May and early August. The May peak resulted from increased sales of regular price garments and occasional 10% discounts, the August peak can be attributed to the 30% - 50% discounts that were on offer during this period. Non-Branded lines maintained a steady sales volume of forty to fifty garments a week, slightly higher than branded products; the major peaks were the beginning of July and throughout August. The July peak was as a result of a rise in sales at regular prices, the August rises can be attributed to the discounts available in this period. The higher the discount the greater the sales volume. Brand is an obvious variable that has to be considered in any future developments.
The line graph shows total weekly sales of Branded Products divided into regular and discounted price bands. Discounted sales saw an initial increase in May, however the discounts available during this period were low value, the major increase in major sales began in Mid-July, as the sales discounts increased. Regular sales saw a steady rate of sales volume of 20-40 units, with a growth in sales in Mid May, which may have been due to good weather; they then returned to a steady sales pattern.

Sales of Non-Branded Products
The Line Graph shows weekly sales of Non-Branded broken down into regular and discounted sales. March to May sales at discounted prices are minimal. Sales for this period can be credited to staff sales and valued customers. The major upturn in regular sales from May to June is a result of an external variable such as promotion and advertising campaign, which will be highlighted later in the paper. During the same period discounted sales also show a rise suggesting that some form of price promotion has taken place, possibly of individual product groups or regular customers being given discount. This variable must also be examined.

Sales of Other Products

The above follows a similar pattern to the two previous product areas. Discounted sales did not take place for these small numbers of lines (4) until June when ten were sold in one week. The most significant rise was at the end of August with heavy discounts available.
SUMMARY

The six months analysis of sales depicts various trends for Branded, Non-Branded and Other Benetton products. The most salient factor however is the clear identification of various variables attributed to specific elements of the Retail Marketing Mix.

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<th>Variables</th>
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The closer examination of these variables would greater depict both the organisation and the consumers attributes in determining the message sent and received.

INTRODUCTION TO THE QUALITATIVE EXERCISES

To investigate the franchisee’s attributes within the organisation’s perspective and the consumers’ perception of those attributes, qualitative research was carried out. This research took the form of focus group exercises.

Exercise One – Structure

Exercise one required the participants to rank ten words in order of importance. The words related to the Benetton ‘concept’. This exercise aimed to relax the individuals and conjure up thoughts and ideas about Benetton.

The words and themes used had emerged from the previous questionnaire analysis and aimed to encourage open-ended discussion and to highlight individual thought processes and opinions behind initial perceptions. The exercise also aimed to obtain a consensus decision in order to allow full consideration of each individual’s viewpoints. So that this exercise could be quantified a score was allocated to each response.
Jankowicz (1994) indicates the relevance of attitude scaling and the importance of using one's own precise scale. With this in mind, twenty points were awarded for the strongest association with Benetton, each association decreasing by two points down to two points for the weakest association. Where participants ranked two words equally, an average of two scores was awarded. For example, where colours and sweaters took joint first place, each was awarded nineteen points as an average.

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</table>

Colours and Sweaters

Focus group members unanimously ranked colours and sweaters higher than the other themes.

“Benetton to me is sweaters”. (20 years)

“The most striking thing about Benetton is their colours, when you say Benetton you think of a colourful sweatshirt”. (38 years)

“When I think of Benetton, colours appeal to me because they are bright and outstanding”. (16 years)

Quality and Expensive
It is interesting to note that quality and expensive were ranked equally, yet contradicting themes arise from the individual perceptions.

"I don’t think it is really expensive, it’s good because they last a long time". (16 years)

"I think that Benetton prices are in line with other good clothes shops, the jumpers are more or less standard price". (25 years)

"I find Benetton excessively expensive, even though the clothes are good quality, they are still disproportionate to the high prices". (48 years)

It appears that the younger Benetton consumer perceives herself to be buying “value for money” clothes yet the older consumer does not feel that the quality justifies the price.

Adverts

Adverts are ranked in fifth place. An interesting point arising from this exercise was that the 30 year old colour-blind respondent ranked adverts first, as she disregarded the colour element, which was a strong association for most other people. Exercise five deals specifically with Benetton’s advertising.

"Everyone knows about Benetton, because of their adverts". (18 years)

Style and Fashion

Style and fashion were ranked lower down in the table and individuals’ perceptions provided the group with the following responses:

"There is not much style and it’s not fashionable". (20 years)

"I wouldn’t say it was mega stylish or fashionable". (25 years – male)

"They do surprise me sometimes, like when you think of the psychedelic flowers they sold last year". (22 years)
The overriding theme from this discussion was that Benetton is not seen to be particularly fashionable but it does appear to have a unique "classical" style of its own. The consumers felt that whilst the style remained consistent, year after year, the colours represent the current season trends.

"You can tell each season that they take the same styles and dye them in the latest colours". (20 years)

Green Logo

The sixteen to twenty-two year old participants did not perceive the green logo to be important with respect to Benetton.

"I don't think of that at all". (17 years)

However, the older participants associated the logo with Benetton, but only as an underlying theme.

"To me, the green logo is a thing of the past". (25 years)
"The adverts are recent, but the logo has been there all the time". (25 years)

The older respondents tended to recognise the significance of the logo, possibly because they have been shopping at Benetton longer.

"You always think of the green logo when you think of Benetton, it's on every shop frontage, on tickets, bags and stickers". (48 years)

International Friendship

There was a very weak association with international friendship, possibly due to individuals associating this with the multi-national nature of the company.

"When I've been abroad I've always found a Benetton shop". (16 years)
Others could not see the relevance of international friendship when buying clothes.

“**Benetton is not about promoting international friendship, you don’t buy clothes to enhance international friendship**”. (34 years)

Those that could associate international friendship with Benetton did so in relation to former adverts promoting inter-racial harmony.

“**It springs to mind maybe because of the different nationalities in advertising**”. (38 years)

From the research it has become apparent that Benetton consumers now see the adverts as, “all very distinctive and controversial at the moment”.

The group did not feel that Benetton promoted international friendship, which explains why it was ranked lower than the adverts.

**Racing Cars**

The focus groups tended not to associate racing cars with Benetton, with some individuals not understanding the relevance at all.

“I don’t know what racing cars have to do with Benetton”. (19 years)
“I don’t think of racing cars in any way”. (26 years)
“Racing cars is the least of my thoughts”. (34 years)

When individuals have an association with the sport, they are able to recognise the connection between the Benetton name and the corporate sponsorship.

“I never associate them with that really, apart from my dad and my brother are fanatics”. (16 years)

This exercise proved to be highly successful, thoughts and themes emerged which provided a greater insight into the consumer perceptions of the Benetton brand. This
exercise also identified the differing variables that could be associated with the mix element product.

**EXERCISE TWO – STRUCTURE**

Exercise two required the participants to determine where certain items of clothing were purchased. This exercise dealt with individual perceptions, rather than a group decision. The participants were able to feel the texture of the clothing to aid their decision-making process. Clothes were used not only from Benetton; but other high-street stores. The clothes chosen were seen to be similar in either colour, style or texture to Benetton products. A couple of Benetton items were specifically taken from their secondary range, to see whether they could be identified. The exercise determined whether individuals recognised Benetton products, especially those outside of the core ranges, e.g. bright sweaters. It examined individuals’ preconceived ideas with regards to clothing/style/quality/colour and a stores particular image. The exercise achieved an understanding of Benetton consumers’ knowledge and perception of not only Benetton, but also other high street retailers’ products. Products from GAP, Benetton, Marks and Spencer, Next, Inwear and French Connection were presented blind to the focus group and the focus group had to indicate whether it was a Benetton product or where they thought the product came from.

**Gap Shirt**

This item was included because of its strong and bright colours, which could be associated with Benetton.

*Suggestions other than Benetton:*

BHS, Debenhams, Sisley, Top Shop, Marks and Spencer.

**Result**

Only one in four focus groups identified the item as being from GAP.

*“That’s Benetton’s kind of colours”. (19 years)*

According to the respondents the shirt typified Benetton’s colours but texture was not in line with Benetton’s quality.
**Benetton Sweater**

The groups believed that this item, though part of the “core range” was not truly typical in style and colour, although it was in quality and texture.

**Suggestions other than Benetton**

Top Shop, Warehouse, Oasis, Jigsaw.

**Results**

Only one of the four groups correctly identified the sweater.

*“It doesn’t look like Benetton because of the colour – I’d say the quality but not the style”. (16 years)*

*“When you think of a sweater from Benetton you think of a top with a pattern on the front”. (17 years)*

**Marks and Spencer Sweater**

A navy woollen cricket style sweater with a white V-neck was chosen because it was seen to be a “typical” Marks and Spencer sweater.

**Results**

Only two focus groups guessed correctly.

*“You can definitely tell that the sweater is from Marks and Spencer – you can tell by the texture and the material”. (16 years)*

**Next Shirt**

The shirt was 100% cotton with a logo embroidered on the front pocket. This was included in the range to see whether individuals recognised the Next Logo.

**Suggestions other than Benetton**

Top Shop, C&A

**Results**

Only one out of the four focus groups identified the garment correctly, although interestingly no-one recognised the logo.

*“It’s not heavy enough cotton for Benetton, Benetton uses a lot of natural fibres”. (25 years)*
**Benetton Skirt**

The skirt was selected, as it is part of the secondary range and for the neutrality of its colour.

*Suggestions other than Benetton*

C&A, The GAP, BHS, Dorothy Perkins, Top Shop, Marks and Spencer, Next.

*Results*

No group identified this skirt with Benetton and several themes emerged from this.

"*I don’t associate the colour or the style with Benetton*. (19 years)"

"*You don’t get many skirts in Benetton. You expect dead bright colours, not dark colours*. (17 years)"

**Inwear Shirt**

This was a substitute for the Next white shirt and appeared in one focus group.

*Suggestions other than Benetton*

Principles and Richards.

*Results*

The focus groups could not correctly identify the product.

**Marks and Spencer Sweatshirt**

This was chosen, as it is similar to basic sweatshirts found in Benetton and other major high street retailers.

*Suggestions other than Benetton*


*Results*

None of the focus groups guessed correctly.
Benetton Coat

This item was selected in the researchers opinion as a high-profile distinctive Benetton garment.

Suggestions other than Benetton
Oui-Set.

Results
In two focus groups one person correctly identified the garment.

"It's as neat on the inside as it is on the outside – that proves it's Benetton". (21 years)
This enhances the perception that Benetton items are a quality product.

French Connection Waistcoat

This was seen to be a high fashion item and the questioning was aimed to discover consumer's perceptions in relation to the other more classical products.

Suggestions other than Benetton
Afflecks Palace, Snob, Oui-Set, Warehouse.

Results
No-one recognised the garment.
Benetton was not mentioned which highlights the fact that the style, colour and texture of the garment are incongruent with the store’s core range.

Benetton Trousers

Although a Benetton product, the trousers are not representative of the core product range.

Suggestions other than Benetton
Snob.

Results
Two out of the four focus groups correctly identified the garment.

"They are Benetton jeans ... they are neutral but they are a strong colour ... not a wishy washy colour. They went into earthy colours in quite a big way". (25 years)
This was a substitute product for the Marks and Spencer sweatshirt and was analysed in two of the focus groups.

**Suggestions other than Benetton**
BHS, Clockhouse, Benetton.

**Results**
No focus groups identified the item correctly.

As an overview the research recognises that Benetton does have a strong brand identity, although it was not reflected in these exercises, due to the use of secondary products and thus perhaps confusing the Benetton consumer.

*"You know it's there, you know it's Benetton, that's the strength of brand buying".*
(21 year old)

**EXERCISE THREE – PRICE**

**Aim**

To establish whether Benetton is more expensive than other retailers – in real terms.  
To establish whether Benetton is perceived to be more expensive in comparison to other retailers.  
To establish whether the consumer perceives Benetton products to be more or less expensive than they actually are.  
To determine the consumer’s understanding of high street clothes prices.
## Results

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<th>Actual Price</th>
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<th>F.G.2</th>
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<td>68.35</td>
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<td><strong>NEXT</strong></td>
<td>£</td>
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<td>£</td>
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<tr>
<td>Skirt</td>
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<td>35.00</td>
<td>40.00</td>
<td>31.88</td>
<td>101.97</td>
</tr>
<tr>
<td>Sweater</td>
<td>39.99</td>
<td>42.50</td>
<td>45.00</td>
<td>45.00</td>
<td>40.00</td>
<td>43.12</td>
<td></td>
</tr>
<tr>
<td>Shirt</td>
<td>24.99</td>
<td>25.00</td>
<td>35.00</td>
<td>35.00</td>
<td>35.00</td>
<td>32.50</td>
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</tr>
<tr>
<td><strong>TOTAL COST</strong></td>
<td>101.97</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>107.47</td>
</tr>
<tr>
<td><strong>FRENCH CONNECTION</strong></td>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£</td>
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<tr>
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<td>25.00</td>
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<td>45.00</td>
<td>45.00</td>
<td>40.00</td>
<td>149.97</td>
</tr>
<tr>
<td>Sweater</td>
<td>54.99</td>
<td>30.00</td>
<td>60.00</td>
<td>50.00</td>
<td>60.00</td>
<td>50.00</td>
<td></td>
</tr>
<tr>
<td>Shirt</td>
<td>39.99</td>
<td>15.00</td>
<td>35.00</td>
<td>35.00</td>
<td>40.00</td>
<td>28.75</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL COST</strong></td>
<td>149.97</td>
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<td></td>
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<td>118.75</td>
</tr>
</tbody>
</table>

In reality Benetton was found to be exactly equal in price to Nest at £100.00 as a combined sale for all three items; yet considerably more expensive than Marks and Spencer, where the three items retail at £65.00. The most expensive was found to be French Connection, where the three items totalled £150.00.

"People probably think that Benetton is more expensive than it really is. Their image is high priced, which is justifiable for jumpers, but not really other items". (26 years)

In this exercise Benetton was perceived to be just as expensive as French Connection, where a total of £118.00 on average was ‘guestimated’. On average products from nest were guestimated at £107 and from Marks and Spencer at £68.00.

Benetton, Next and Marks and Spencer were perceived to be more expensive than they actually are:

"French Connection is more expensive than Benetton, but not as good quality". (22 years)
One could perhaps assume that Benetton and Marks and Spencer are perceived as providing quality merchandise. This reinforces the results from exercise one where, "quality" and "expensive" went hand in hand.

Several participants admitted to purchasing items from Benetton in their sales.

"I tend to buy more in Benetton sales". (38 years)
"Sales are quite good and I'll go in especially when there is a Benetton sale". (26 years)
"I usually buy in their sales ... then I get my money's worth". (38 years)

It has become evident from the research that consumers have a clear understanding of high street retailers' prices.

EXERCISE FOUR – SOURCE

Pictures of clothes from seven different high street stores were shown to four focus groups' members so that individuals could make a consensus decision as to where the products came from. Members were prompted with a list of ten store names to aid their choice.

The pictures of the clothes were selected from last season's ranges. They had been used in each store's advertising or promotional material.

To see whether Benetton products are distinctive in comparison to other retailer's products.
Results

The table below summarises each group’s consensus decision.

<table>
<thead>
<tr>
<th>PHOTO</th>
<th>ACTUAL STORES</th>
<th>GROUP 1</th>
<th>GROUP 2</th>
<th>GROUP 3</th>
<th>GROUP 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>BHS</td>
<td>MARKS AND SPENCER</td>
<td>BHS</td>
<td>MARKS AND SPENCER</td>
<td>MARKS AND SPENCER</td>
</tr>
<tr>
<td>B</td>
<td>OUI-SET</td>
<td>OUI-SET</td>
<td>LITTLEWOODS</td>
<td>OUI-SET</td>
<td>BENETTON</td>
</tr>
<tr>
<td>C</td>
<td>DEBENHAMS</td>
<td>NEXT</td>
<td>PRINCIPLES</td>
<td>DEBENHAMS</td>
<td>OUI-SET</td>
</tr>
<tr>
<td>D</td>
<td>BENETTON</td>
<td>DEBENHAMS</td>
<td>BENETTON</td>
<td>BHS</td>
<td>BHS</td>
</tr>
<tr>
<td>E</td>
<td>NEXT</td>
<td>MISS SELFRIDGE</td>
<td>OUI-SET</td>
<td>PRINCIPLES</td>
<td>MISS SELFRIDGE</td>
</tr>
<tr>
<td>F</td>
<td>FRENCH CONNECTION</td>
<td>FRENCH CONNECTION</td>
<td>FRENCH CONNECTION</td>
<td>MISS SELFRIDGE</td>
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<td>G</td>
<td>MISS SELFRIDGE</td>
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<td>MISS SELFRIDGE</td>
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</tr>
</tbody>
</table>

Benetton merchandise was confused with Oui-Set and (surprisingly) Debenhams and BHS. Only one focus group of Benetton consumers recognised the Benetton pictures.

This reinforces the fact that the Benetton consumer has a fixed perception of the store’s range and is easily confused when shown other, secondary products, which do not correlate with their preconceptions.

EXERCISE FIVE – ADVERTISING

Exercise five illustrated nine of Benetton’s advertising campaigns, ranging from the original international friendship adverts to the more recent controversial adverts highlighting topical social issues.

Aim

To provoke thought and provide discussion around Benetton’s advertisements.
To determine consumers association of the advertising with Benetton shops and clothes.
To determine whether the advertising positively or negatively affects buyer behaviour.
To explore further areas not covered in the questionnaires.
Results

This particular exercise provoked a diverse range of emotional responses, ranging from very positive feelings to negative reactions.

Positive Feeling

"The adverts do take people to the shops". (38 years)
"What's the advertising got to do with Benetton, let's go in and find out". (18 years)
"The adverts make me aware of the name". (21 years)
"I love the wonderful adverts with children of different nationalities". (48 years)

Negative Feeling

"None of them say anything about Benetton. They take things too far to attract attention, there's nothing attractive about them whatsoever". (18 years)
"Totally pointless - they are just trying to get their names in the papers". (30 years)
"They come across as being racist - they are not doing themselves any favours. If an advert was personal towards me I would boycott Benetton". (30 years)

These quotes illustrate some individual reasoning behind negative feelings.

Arising from the questionnaire results, 83% of respondents showed their purchasing habits would remain unaffected by Benetton's advertising campaign, whether they approved or not. The quotes below show that certain individuals do not connect the advertising to the stores.

"A condom to match my sweater - what's the relevance". (30 years)
"I would consider signing a petition against the adverts, but it would not stop me buying the clothes". (18 years)
"Even if I see adverts and I don't like it, it won't affect my purchase of Benetton products". (26 years)

One of the twenty-one year old focus group members draws all the themes together, by simply stating:-
“It wouldn’t stop my buying at Benetton, but might stop some, it wouldn’t stop children buying at Benetton … but it would stop parents”. (21 years)

These findings illustrate the controversy surrounding Benetton’s advertising. Through the campaigns, Benetton’s brand name is kept alive in peoples’ minds and is a talking point for all. However contentious the advertising appears to be, it does not seem to stop people from shopping at Benetton … fortunately for the Benetton family.

SUMMARY

To conclude the focus groups the research attempted to extract further information concerning individuals’ shopping behaviour with particular reference to Benetton.

Sizing

Several participants had views upon the size and cut of Benetton merchandise.

“Benetton clothes do not cater for a large enough size … they would not suit a size 20, but they could get up to size 18”. (21 years)

“They are not cut large enough … they are not long in the leg”. (25 years)

“I find it frustrating to go to Benetton … seeing something I like and then it doesn’t fit”. (22 years)

Convenience

Certain respondents find Benetton to be a convenient store to shop at, selling a wide range of merchandise.

“I hate shopping for anything, so I go into Benetton, it’s easy”. (21 years)

“You can get everything from Benetton, except knickers”. (22 years)

A unanimous theme drawn from the discussions were that Benetton clothes are primarily bought and used for casual day wear.

“If I wanted something really special, I wouldn’t go to Benetton”. (22 years)

“I never think of Benetton for smart clothes … if I buy a suit I’ll go somewhere smarter”. (20 years)

Many people saw Benetton as being a place to find a special treat for themselves or as a present for someone else.
"I've shopped before for presents". (25 years – male)

"I treat my daughters about once a year to something nice and warm". (48 years)

"I only get stuff from Benetton when it's my birthday or Christmas. My mum takes me to Benetton and I'm allowed what I want". (16 years)

**Service**

Respondents see Benetton as a store for their age group, proving that it caters for all ages.

"Something for older people, something for younger people, something for everyone". (38 years)

"When I think of Benetton, I don't think of people over the age of 25-30". (21 years)

Both the questionnaire and the focus group discussions highlighted an inadequacy in the level of service provided by Benetton.

"If you want help you have to ask for it ... the staff are not very obliging". (48 years)

One 26 year old brought up the difficulty she faced when trying to return a Benetton product. The staff were unable to issue a refund immediately, even though the sweater was faulty.

**Schools**

School children perceived Benetton accessories to be "trendy", or the "norm" at school.

"Everyone's got bags and purses at school". (16 years)

"If I needed a college bag, I'd go to Benetton". (22 years)

**Brand Name**

"If I buy Benetton clothes it's got to have Benetton written on it". (17 years)

"I like the style, but I don't like the name across the sweaters, that's a deterring factor". (38 years)

From these results, it appears that wanting the Benetton name on products could possibly be age related but is ultimately influenced by personal preference. Benetton
attracts a wide customer base and each individual consumer recognises the store as providing for their own age group.

The research findings highlight the fact that "colours" is perceived to be the most important aspect of the Benetton brand and consumers have a strong association with the core range of sweaters but tended to have a weaker recognition of the secondary range of skirts and trousers. The consumer identifies the Benetton range as providing a more casual range as opposed to evening wear and that the overall cut of the garment is not as generous as other high street retailers. Consumers perceive the brand to be of good quality and consumers from both the focus groups and in-depth interviews felt that the products wore well, washed well and lasted a long time.

Benetton was not considered to be "stylish", but consumers perceived it to have a timeless, "classical" style of its own. Consumers see the Benetton range of colours as fashionable as opposed to the style of the garment. They perceive Benetton prices to be more expensive than they really are. They regard Benetton to be "good quality", which may explain why they associate high prices with the products. From the research, consumers perceived sale items to be good value for money, offering high quality products at lower prices.

In the main, perceptions of Benetton’s customer service were found to be inadequate.

Corporate advertising does not affect individual purchasing habits, but does maintain awareness of the Benetton brand name.

It was further found that further development in sizing and service and convenience is a must.

Each retail marketing mix element has various synonymous variable characteristics. The number of variables may differ depending on the product and the companies and consumers’ attributes. However in our Benetton research it was found that the above variables by marketing mix elements were predominant to the situation. It is also apparent from the research that from both the company and consumer’s perspective, correct matching of variables to their needs and requirements in the macro environment will achieve a successful outcome.
The article is proposed against a background of considerable change in the retail environment. As has been extensively argued elsewhere, the power of the manufacturer to dictate terms of the retail offer has almost disappeared.
This particular element began to differ after the abolition of Retail Price Maintenance and has come full circle with the growth of retailers “Own Brands”. The ranges of both merchandise and accessible stores has with branded goods been increasingly steady. This has meant that affluent consumers are able to exercise greater discretion of choice amongst a wider range of offers. Most of these changes have occurred in the period since the predominant models of consumer behaviour were first promulgated. In consequence, the model selected as a basis for the research was ripe for revision, especially in a retail context, and particularly with respect to goods such as fashion merchandise, where consumer driven product selection is paramount.

The Nicosia Model (especially Field 1) was used as the basis for the research and the question as to whether the Retail Marketing Mix is instrumental in determining the message from the company – the “organisational” attributes to the consumers. The research analysis confirms that in Field 1 of the Nicosia Model, the company’s attributes (in this case both the franchisor and the franchisee’s attributes) are the basis for the message they wish to deliver to the consumer. In the context of this study, their attributes can be further divided into the merchandise and the store and thus both branding and franchising are clear ‘vehicles’ in transmitting their message to the consumer, that is, branding in clarifying the merchandise message and franchising in clarifying the store message. A correct matching to the consumers’ attributes to the ‘vehicle’ as selected could be viewed as a necessary condition for success.

In conclusion, this work supports an extended framework for the Retail Marketing Mix elements to be included as attributes in Field 1.
CONSUMER BEHAVIOUR REVISITED BY BENETTON

Nicosia Field 1

Company Attributes → Message → Consumers Attributes

VARIABLES

- Type
  - Sweaters
  - Long sleeve etc.

- International range

- Level

- Competition

- Adverts

- International Logo

- Type of purchaser

- Frequency of visit

Mix

Product (Merchandise) → Service → Price

- Colours

- Stocks

- Discount

- Quality

- Competition produce

- Fashion

- Style

- Branding

- Individual brand

- Store Atmosphere

- Availability of product

- Location

- Frequency of purchase
The validity of the framework lives in a more precise operationalization of the elements and variables, and could be the base for future research. Even though there seems to be a basic understanding of the Marketing Mix and the relationship of both the company’s and consumer’s attributes within the literature, practitioners and scholars alike appear to find it difficult to translate academic frameworks into practical tactics.

In this research ‘consumer attributes’ have been treated as those elements selected or identified (or behaviours exhibited) by consumers that relate to elements under the control of the organisation. That is, they are the salient features or attributes associated by consumers themselves – features such as social class, for example. This is because the ‘message’ is actively constructed by consumers using these salient features of particular elements of the mix. The saliency of any feature here is a result of the particular nature of Benetton’s mix. Further research would be required for other specific retail organisations, but the present work suggests a framework within which retailers might be enabled to commence effective mapping of their mix to achieve the communication of the desired message.
“Benetton’s Brand Position Explored and Developed through Nicosia’s Consumer Behaviour Model”,

The Journal of Textile Institute,

Vol.89, Iss.2, Pgs. 48-60

ISBN: 0400-5000

C.Vignali
BENETTON’S BRAND POSITION EXPLORED AND DEVELOPED
THROUGH NICOSIA’S CONSUMER BEHAVIOUR MODEL

ABSTRACT

This article focuses upon the Macro Environment of retailing of the selected area for research “Branding and the Female Consumer – Examined in a Benetton Franchise”. It then examines the Micro Environment, the store, which is explained by Consumer Buyer Behaviour models.

Throughout the body of the article, the information relates to Benetton and consumer behaviour and has been drawn from primary research. The work aims to relate the findings concerning the consumer’s perception of the brand to academic theories and the decision making process associated with consumer buying behaviour models. The subsequent analysis of the research findings can be directly applied to the academic models of consumer buyer behaviour, the results of which have an important implication for the retail services provided.

The chief research questions asked will be based around the elements that are not present in Field 1 of the Nicosia Model and how this model can be extended to take into account the various variables in the Retail Marketing Mix.

INTRODUCTION

The Franchising Concept

In order to examine the franchising concept, it is necessary to investigate what is meant by the term franchising and how this method of doing business came about, the variations that exist, and the advantages and disadvantages to both the franchiser and the franchisee.

Baron, Davies & Swindley (1991) define the term “franchise” as:
"An authorisation granted to one person (the franchisee) to use the franchiser’s trade name, trade marks and business system in return for an initial payment and further regular payments".

Many variations exist today. Some franchisers sell their product and techniques as a combination whereas other franchisers supply only the *modus operandi* and ancillary services of the business system. A classic example of the first type is Coca-Cola, which franchises bottlers in nearly every part of the world. The parent company sells its syrup, which is made to a secret formula. It provides franchisees or bottlers with manuals that define (and demand compliance with) the size and shape of bottles, advertising programmes, marketing techniques, and standardised systems of every aspect of the business. A good example of the second modus operandi type is Swinton Insurance (Sanghavi, 1990).

The combination of one central organisation developing the entire “package” and leasing it out to the franchisees is so effective that billions of dollars in profit have been generated for companies like Coca-Cola and Benetton, and billions of satisfied customers have been created world-wide (Huszagh et al, 1992).

Those franchisers that supply the *modus operandi* and subsidiary services of the business system sell only their knowledge, operation manuals and marketing methods. This is paid for in various ways such as a franchise fee, and often includes an ongoing percentage of profit or turnover as royalties, or a fixed-fee royalty.

**Business Format Franchising**

Business format franchising has been responsible for the rapid growth in the franchised marketing method. It involves the use not only of goods and services identified by trademarks, and/or service marks, but also the preparation of a “blueprint” of a successful way of operating all aspects of a business.

The seller of the “blueprint” (the franchiser) will have prepared and smoothed the way for the franchisee to open up a business of his or her own in the predetermined
established format. The franchisee will also have the backing of the franchiser organisation (Mendelsohn, 1992).

In Field 1 of Nicosia’s Model the company’s attributes lead to a message, which in turn tempers the consumer’s attributes. In our case and especially as Business Format Franchising is the key, the company’s attributes become the organisation’s attributes and can thus be further explained as per the diagram below:

![Diagram showing the flow of attributes from organisations to consumers through message]

Theories in the field of Psychology determine that external influences form “cognitions” in the individuals mind, and subsequently affect the way that the individual “perceives” the surrounding world.

Schiffman (1983), in referring to “the complex pattern of buying influences”, suggests that the three main external influences on individual’s behaviour are the cultural, sociological and economic aspects of the surrounding environment. Purchasing habits, being part of the overall consumers’ behaviour, are deeply affected by the prevailing cultures of the society in which they live. Cognition, according to Foxall (1994), encompasses the mental processes of knowing, perceiving and judging, which enable the individual to interpret the world around him. Cognition is therefore the systematic way in which the individual can interpret information in a meaningful manner from the surrounding environment and form subsequent opinions, attitudes and reactions. The individual, from past experiences, will form a cognitive “map” in their mind, which affects the way that they react to all future experiences. The
cognitive map of the individual is therefore a personal reflection of all the past experiences of that individual.

Ballachey (1962) outlines three main systematic characteristics of cognition, these being:

**MULTIPLEXITY | CONSONANCE | INTERCONNECTEDNESS**

"Multiplexity, refers to the degree of complexity of a cognitive system, for example, in considering retail fashion items, the individual may place importance upon a large number of criteria such as style, colour, pattern, shape and size. The way in which the individual achieves an acceptable balance between these criteria defines his cognitive "consonance", i.e. the way in which the individual establishes a "happy medium" between product attributes, for example, quality and price. The third characteristic, "interconnectedness", refers to the way in which the criteria fit within the consumers existing cognitive map and expectations. These three characteristics merely illustrate how dependent opinions are with respect to previous experiences.

**How Perception Relates to Behaviour**

"Behind every act of perceiving is the individuals past history of experience. Previous experience has built up a relatively stable cognitive organisation within the individual which determines the meaning of a particular concept". (Young, 1961)

Perception then, is subjective, and is dependent upon how the individual interprets information, which s/he receives from the external world, compared to the internal thought processes and attitudes. Wilkie (1986), defined two key sets of factors that determine what will be perceived and how it will be perceived, these being:

- Stimulus characteristics
- Consumer characteristics
The sensory receptors, for example, sight, taste, touch, etc. are stimulated by objects or events in the external environment (these occurrences are known as stimuli). By using these sensory inputs, interpretations of the signals sent to the brain can be transformed into perceptions. The way in which an individual perceives would depend upon the nature of, and the interpretation of, any such stimuli, these being the ‘stimulus characteristics’.

The Gestalt School of Psychology, which began about 75 years ago in Germany (the German term ‘Gestalt’ is translated to mean “whole”) found that an individual perceives objects and patterns in their entirety as opposed to its components (Wilkie, 1986), i.e. the sweater rather than the wool, dye and stitching. Therefore perception is not consideration of a single characteristic, but a subconscious evaluation of the stimuli within the whole, however that may be relevantly defined.

This school also argues that individuals view stimuli, which are close together in space as one unit. For example, by folding leggings and displaying them in a similar manner next to sweaters, consumers may perceive the leggings to be sweaters.

Consumers will therefore ignore the product if other attributes are not desirable, or become disappointed with their analysis once they have discovered their ‘mistake’.

Colour blocking may also deter the customer from investigating the differing merchandise further, since the colour scheme may imply that all products are similar in nature.

The most basic lesson from Gestalt “psychology”, is that consumers wish to organise their perceptions into meaningful “wholes”. They will favour simplicity, familiarity, consistency, and stimuli that have meaning to them. They will employ perceptual “sets” that will help to guide the meaning that is given to external stimuli in the consumer environment. Retailers that apply consistency with regard to store format, merchandise, layout and design, are likely to reinforce the consumer’s perceptions reassuring them of the familiarity of the company’s outlets globally (McGoldrick, 1990).
Conscious inferences refer to conscious decisions made by the individual, for example, s/he tries to ascertain whether or not the quality of the product is of the standard required. Unconscious inferences are those where the individual makes decisions based upon their personal values, for example, “Does this sweater suit me?” Certain characteristics of stimuli, for example, colour, may attract the individuals attention. Previous experience or related stimuli characteristics may result in an association, for example, between the colour and the previous experience, thus that stimuli characteristic acts as a “sensory cue” (Wilkie, 1986).

The physical characteristics relating to a product, for example, size, shape and packaging, will affect the consumers perceptual inference. The price of a given product is an important sensory cue for the consumer, since it does not represent a direct benefit, it is a measure of how much the consumer must give up in order to receive certain benefits. As will all aspects of a product marketing mix, pricing may be used as an external cue with which to judge the “quality” and availability of a product. Wilkie (1986) argues that consumers do infer product quality from the price charged for a product. They are more likely to rely on the price cue when other information to help with the quality inference is not available. Wilkie also states that the language and visual elements relating to products with a “brand name”, fundamentally stimulate consumer inferences. Consumer inferences from stimuli (for example, store layout, merchandise and displays, customer service, and general store policies) within shops have become increasingly important (Walters, 1989).

What is a Brand?

“A brand is a name, term, symbol, design or a combination of these that identifies a seller's product and differentiates them from competitive products”. (Baron, Davies & Swindley, 1992).

Brands consist of tangible and intangible properties, which allow the consumer to differentiate one supplier’s products from those of another, e.g. store layout, merchandise, quality and colours. The functional benefits of a brand satisfy consumer needs and demands whilst the intangible elements reinforce the overall image of the
brand. Combined, these properties create and promote a collection of perceptions in the mind of the consumer.

King (1973) recognises the complexity of a brand, believing that any product with a successful brand develops a "personality". However he distinguishes between the product and the brand seeing them as being exclusive of one another. Davies (1992) differentiates between the "process brand", which relates to the service encounter and the "product brand", which refers to the functional and more tangible elements. Murphy (1987), suggests that brands are measured against five criteria:

- coherence, appropriateness, distinctiveness, protectability and appeal. He explains that:-

"The ingredients in a brand constitute the product itself, the packaging, the brand name, the promotion, the advertising and the overall presentation............

...... the brand is therefore a synthesis of all elements, physical, aesthetic, rational and emotional ... the end result must be not only appropriate, but differentiated from the brands of the competitors – the consumer has to have a reason to choose one brand over all the others":

He also identifies four key characteristics that strong international brands should possess: the same brand name in all countries; common pack design; a broadly similar target market in all the countries, and a similar function.

**Benetton's Position**

Rossant (1989) states that Benetton's global success may be attributes to its compatibility with all these criteria. Regional variations in tastes, attitudes and preferences must be considered for a brand to be internationally successful. Although Benetton do adapt their range to suit particular nations, adapted may be limited, Benetton has not altered their sizing to satisfy the UK consumer. Brands are more
likely to appeal to consumers internationally due to a number of factors, as identified by Murphy (1987); improved communication, increased travel and greater language tuition.

Murphy believes that “power brands” exist, and are those brands, which are “well adapted to the environment”. The skill of producing such power brands involves the successful selection of the elements in the marketing mix; the blending of these elements and then their presentation to the consumer.

In the overall retailing operation of Benetton brands, the company distinguishes between Branded; Non Branded and Other Product lines. This was explained during an informal interview with Marco Tossi, the Northern Regional Agent of Benetton U.K. Branded products are those with a clear and concise Benetton logo. Non-Branded products are those associated with Benetton according to colour and style but not displaying the Benetton logo, and Other Products represent any other item in the Benetton range.

Davies (1992), recognises the advantage this brings to the company, in that, “brands have an asset value to their owners as part of the company’s stock of goodwill”. He suggests that the market value of the brand is higher than the value of both the plant and machinery used to produce them.

In Business Format Franchising, and Benetton in particular, the brand is more than the merchandise or stock and as the literature indicates it is also the retail outlet.

The Benetton Retail Marketing Mix directly affects the consumer’s perception of the Benetton brand. The marketing strategies implemented by the franchiser are communicated to the franchisees throughout the company and will ultimately affect its consumer’s buying behaviour.

The service sector revolution has resulted in an extension of the original marketing mix of Product, Price, Place and Promotion (Kotler, 1987), to further include Service, Quality, Fashion, Atmospherics, Location and Branding (McGoldrick, 1990). This
mix provides a marketing tool in which a company can sustain a competitive advantage of differentiating itself in a highly competitive market place.

When referring to the product, Rossant (1990) identified the “timeless” style and high quality of Benetton merchandise.

Rossant (op.cit.) noted that Benetton sweaters were perceived as being “moderately priced” and acknowledges Benetton’s promotional activities as having:

“Established the Benetton service package and brand name in the minds of millions of consumers around the world”.

Physical evidence, which according to Rossant (ibid.) is fundamental to the service encountered at Benetton, incorporates the visual elements such as colour, the familiar Benetton frontage, store interiors and the level of customer service provided.

“Customers cannot only buy the physical product, but they also experience the service package” (Rossant, ibid.).

Brands can thus be seen to add value to consumers by increasing product choice enabling the consumer to reject, repurchase or recommend the product.

According to Collins (1987), 2 types of non-functional needs can be related to branding and subsequently fulfilled: symbolic needs, whereby the brand is related to the individuals ego and self-image needs and experimental needs, whereby the brand is used as a basis for variety and sensory pleasure needs. Collins (op.cit.) explored the psychology behind names, determining that the presence of a brand name upgrades the product. The consumer may then aspire to own the product because of their perceptions of the brand name. Davies (1992) commented that:

“Any given name may represent a wealth of meanings whether reverential, symbolic, associative or a combination of these.”
Further to this, Davies asserts that consumers shop in outlets which they believe to be the most congruent with their self-image.

Jones (1986), acknowledges that the value of a brand in the eyes of the consumer is a "guarantee of homogeneity and quality". The consumer receives additional benefits, which are added values, for example, past consumer experience of the product and its presentations in addition to the functional benefits.

The brand value is measured by Kim (1990) in terms of the following: Extensiveness – how many people have feelings about the brand; Comprehensiveness – how generalised these feelings are; Intensiveness – how strong these feelings are.

Murphy (1987) describes brands as “ensuring assets” providing they are well maintained and continue to meet consumer requirements. The asset value of a brand helps to attract sales and implies that consumers will reject those alternatives which do not possess all these values.

**Benetton the Retailer as a Brand**

Walters and White (1987), identify the structural revolution (which increased retail concentration and specialisation) as the reason for retailers effectively becoming brands.

"The development of the retailer as a brand offers a means by which an identity can be established through positioning strategy".

As a brand, the retailer must ensure that the merchandise offered and store ambience is distinctive and distinguishable from its competitors. Benetton has achieved this by offering its consumers a standardised format with a consistent store ambience. This differentiates Benetton from other high street retailers.

Diefenbach (1987) defines corporate identity as a brand thus:
"... the brand and packaging of an entire company ... a way of communicating the corporate ingredients to target groups and market".

He continues to explain that such a corporate identity for example, store layout, merchandise and displays, customer service, and general store policies projects the unique personality of a company, positioning it within the marketplace and thus differentiating it in a memorable way. The programme is a "carefully defined system of all the visual elements which serve as points of public contact".

The logo and corporate name are key elements in this system, but are not the only factors. In order to reinforce a total impression on the customer's memory, a well-integrated visual communications system must be applied using repetition of design or elements of colour, texture and line. This system is referred to as the "secondary format".

According to Blackett and Denton (1987) people are subject to four kinds of appeal which enables a brand to work in various ways encompassing both tangible and intangible dimensions. Blackett and Denton argue that consumer products invariably employ a combination of appeals, but usually a primary appeal is promoted through positioning and presentation.

Analysis of Models in Buyer Behaviour

Models of consumer behaviour have been developed to help generate understanding. A model is a simplified representation of reality; models can be verbal, symbolic, or represented by physical processes. They can be narrow in scope or quite comprehensive. The primary reasons for developing models of consumer behaviour are: to assist in constructing a theory and to facilitate learning what is presently known. In order to develop a model one must: identify the relevant variables, indicate their characteristics, and specify their interrelationships. Models can thus serve to provide a structure for our knowledge about consumer behaviour and help us understand interrelationships between relevant variables.
Chisnall (1992) defined a model as:

"... a blueprint which shows the essential elements of a larger system and which cannot be regarded as anything more than a rough approximation to a complicated reality".

Models can therefore be used as a framework to clarify relationships between the buying act, motivations affecting relationships and resultant outcomes. Models act as a useful tool to aid marketing decisions.

The Nicosia Model (1968)

The Nicosia Model uses the technique of computer flow-charting with feedback loops. This model is an attempt to incorporate the actions of marketing within a model of consumer buyer behaviour. A distinctive feature of this approach is the shift away from a narrow focus on the purchasing act towards the decision processes which both precede and follow the purchasing act. Nicosia identified four basic "fields" in his flow chart:

Field 1: This covers the flow of a message from its origin to its ultimate reception. It looks at the firm's attributes, for example, its products, the media and promotions, and then at its customers' attributes, for example, personality and environmental factors.

Field 2: This covers the data search and comparative evaluations. Nicosia differentiates between internal and external search processes. The internal search process relates to the consumer's conscious and unconscious associations with the product, whilst the external search process refers to information gathered from the surrounding environment.

Field 3: This covers the possible transformation of the motivation into the purchasing act. This outcome is affected by the availability of the brand.
Field 4: This consists of the storage and use of the products and the possibility of repeat purchases, which in turn depends upon the satisfaction derived from the purchase of the initial product.

The model assumes that no prior consumer knowledge or experience with the product exists. The model is ambiguous because of the repetitive decisions. Some texts (London, 1988; Chisnall, 1992; Solomon, 1994) believe that the search and evaluation processes are “over-rational”. This applies to infrequently purchased “high-cost” products as opposed to frequently purchased “low-cost” products.

The Nicosia Model of Consumer Buyer Behaviour in Particular

This model develops three major influencing areas (Schiffman, 1993): The environment (prices, perceived market value); The consumer’s attributes such as preferences, customs, culture, etc.; The consumer behaviour towards the product.

The environment is difficult to change in some respects but influences such as media coverage and advertising is a way of trying to influence the consumer attitudes.

Consumer exposure to a message, transmission via a certain channel is itemised in the Field 1 of the model. This field depends on the firm’s organisational attributes and is researched in the article.

A model of consumer behaviour should contain a general problem formulation on the basis of very common assumptions with the purposes of explaining which alternative the consumer will in fact choose. The general schedule should de-emphasise some points in that: the decision is made on the basis of overall evaluations of the alternatives; the overall evaluations in turn are based on multiple attributes of the alternatives.
The paradigm of consumer behaviour research is difficult to evaluate because, the consumer is hard to predict; the consumer does not always process information, as decision-making is based on less information processing and is more influenced by feelings and emotions. Finally, does the consumer matter as according to Porter (1990) competition has taken a major role. The humanistic and critical approach refuses laws and numbers. Because each consumer has a personal background and s/he reacts following this and not only following outside stimuli. The tool of research is an open questionnaire. However, this approach is said to be too subjective. General laws remain but the approach is a study of consumer’s behaviour to consumption stimuli. The emotions of the consumer are examined in order to link advertising stimuli to emotional responses. But to be optimised, conditioning must be used alongside information processing.

**Consumer Behaviour Towards the Product**

Phillips and Bradshaw (1992) indicate that the lack of empirical foundation in most of the theories of consumer behaviour, makes the authors think about a new dimension taking part in the purchasing behaviour.

This sensitive point finds its source in the existing relationship between the predisposition to purchase and actual purchase. The physical environment is the key point in the understanding of the purchasing process. The key stimuli accounting for important human behaviour “are to be found ultimately in the environment rather than in the individual” (G. Foxall, 1990). In this environment, the point of sale is the major factor.

The classical views of buyer behaviour are thrown back into question. Phillips and Bradshaw (ibid.) put the finger on the assumption of pre-disposition of purchase, and its real importance in the purchasing process. In retailing, it has been (Stern, 1962) that specific factors like impulse or unplanned purchasing account for a big proportion in total purchasing (one third). Then it is clear that the pre-disposition of purchase is only one part of all the process, and that the environment (especially points of sale) has become a key factor in the decision process. “Shoppers are increasingly
transferring planning from the home to the store …". Stern (ibid.) indicates 2 main
factors influence that behaviour:

First, *visual perception* which takes into account these elements:

**Search process**: avoid obstacles, external factors, scanning of shelves. Peripheral
vision allows the eye 30 degrees either side of central focusing.

**Visual clutter**

**Vertical blocking**: fact that accuracy of central vision is more accurate in the vertical
than the horizontal plane.

**Visual clues**: main characteristics (colour, size, shape) of the product.

**Selectivity**: “The viewer will predetermine the nature of the sub-conscious visual
search process” i.e. consumer will focus on one item, and will exclude others.

Then the *impact of merchandise rules for creating an effective display in store*:

**Block merchandising (group of products)**

**Brand leaders at eye level**

**Uncluttered: nice, geometric, easy display**

**Vertical blocking**

Krishna, Currim & Shoemaker (1991) have developed a framework in which they link
managerial pricing and promotion policies with consumer purchase behaviour.

Their study has three general objectives:

1. To develop a model in which the interactions are between consumers and
   retailers.
2. To validate the model by empirical analysis of certain key constructs.
3. To test hypotheses about the association between a household’s characteristics
   and its perceptions of sales promotion.

Krishna, Currim & Shoemaker (op.cit.) outline the consumer characteristics that
influence behaviour.
The frequency of exposure to the sales promotion is mainly influenced by the frequency of shopping, the household’s loyalty to the brand, certain product characteristics (the frequency of sales actions), attitudes towards deals.

The degree of involvement is mainly influenced by the motivation of consumers and the income (the researchers expect a higher involvement by consumers with low income).

Finally, the ability to encode the price information is mainly influenced by age.

**The Nicosia Model Redefined in a Benetton Franchise**
The article is proposed against a background of considerable change in the retail environment. As has been extensively argued elsewhere, the power of the manufacturer to dictate terms of the retail offer has almost disappeared.

This particular element began to differ after the abolition of Retail Price Maintenance and has come full circle with the growth of retailers “Own Brands”. The ranges of both merchandise and accessible stores has with branded goods been increasingly steady. This has meant that affluent customers are able to exercise greater discretion of choice amongst a wider range of offers. Most of these changes have occurred in the period since the predominant models of consumer behaviour were first promulgated. In consequence, the model selected as a basis for the research was ripe for revision, especially in a retail context, and particularly with respect to goods such as fashion merchandise, where consumer driven product selection is paramount.

The Nicosia Model (especially Field 1) was used as the basis for the research and the question as to whether the Retail Marketing mix is instrumental in determining the message from the company – the “organisational” attributes to the consumers. The research analysis confirms that in Field 1 of the Nicosia Model, the company’s attributes (in this case both the franchisor and the franchisee’s attributes), are the basis for the message they wish to deliver to the consumer. In the context of this study, their attributes can be further divided into the merchandise and the store and thus both branding and franchising are clear ‘vehicles’ in transmitting their message to the consumer, that is, branding in clarifying the merchandise message and franchising in clarifying the store message. A correct matching to the consumer’s attributes to the ‘vehicle’ as selected could be viewed as a necessary condition for success.

In conclusion, this work supports an extended framework for the Retail Marketing Mix elements to be included as attributes in Field 1.
Nicosia Field 1

VARIABLES

- Type
  - Sweaters
  - Long-sleeve etc.

- International range

- Level

- Competition

- Adverts

- International logo

- Type of purchaser
  - Store
  - Atmosphere

- Frequency of visit

Mix

- Product
  - Merchandise

- Service

- Price

- Quality

- Fashion

- Branding

- Store
  - Atmosphere

- Location

VARIABLES

- Colours

- Stocks

- Discount

- Competition produce

- Style

- Individual brand

- Availability of product

- Frequency of purchase
The validity of the framework lives in a more precise operationalisation of the elements and variables, and could be the base for future research. Even though there seems to be a basic understanding of the Marketing Mix and the relationship of both the company’s and consumer’s attributes within the literature, practitioners and scholars alike appear to find it difficult to translate academic frameworks into practical tactics.

In this research, ‘consumer attributes’ have been treated as those elements selected or identified (or behaviours exhibited) by consumers that relate to elements under the control of the organisation. That is, they are the salient features or attributes associated by consumers with each mix element. They are not features possessed of the consumers themselves – features such as social class, for example. This is because the ‘message’ is actively constructed by consumers using these salient features of particular elements of the mix. The saliency of any feature here is a result of the particular nature of Benetton’s mix. Further research would be required for other specific retailer organisations, but the present work suggests a framework within which retailers might be enabled to commence effective mapping of their mix to achieve the communication of the desired message.
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Management Decision
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C. Vignali & B. Davies
INTRODUCTION

In recent years the Department of Retailing and Marketing at the Manchester Metropolitan University has successfully developed and delivered a range of traditional and short courses, based on both the distance learning principle and the traditional university attendance-based system. All these courses have the teaching of the principles of marketing as a foundation stone. The majority of newly developed courses are tailored to meet the needs of practitioners in business, retailing and commerce. Examples of company courses are the BA (Hons) Retail Marketing (Open Learning) developed for J. Sainsbury plc, the Postgraduate Diploma in Retail Management, run in co-operation with Allied Lyons Retailing/Carlsberg Tetley and MFI, the B&Q Certificate in Management and the MA in Retail Management. At the same time a range of short courses were delivered to companies as diverse as Crown Berger UK, Wilkinsons, Ansells and B&Q.

It is this close co-operation with practitioners from a broad range of companies which alerted the authors of this article to the apparent lack of practical application of the basic marketing tools by the management of these leading companies. Even though there seems to be a basic understanding of the marketing mix and company objectives, practitioners appear to find it difficult to translate the academic frameworks into practical tactics which would help them achieve their objectives. This article re-investigates the marketing literature, and reviews present methods of the application of marketing concepts to clarify where the stumbling blocks for practitioners lie. The conclusions from this review are used to propose a new framework for the congruent mapping of marketing mix elements and variables at both the strategic and tactical level. The application of the framework to two company cases by leading managers in loosely structured group interviews tentatively explores the face and respondent validity of the framework, and points the way to a more concise operationalisation of the variables and elements for future study.
THE MARKETING MIX – A HISTORICAL REVIEW

In the Macmillan Dictionary of Retailing, Baron, et al (1991) define the retail marketing mix as "those activities that show similarities to the overall process of marketing, requiring the combination of individual elements". This definition closely resembles traditional definitions of the marketing mix given by well-known marketers from Levitt (1991) to Kotler (1983). Also in this tradition, Czinkota (1993) gives the following definition of the marketing mix: "A complex of tangible and intangible elements to distinguish it in the market place".

It was after the Second World War that Cullotin originated the “P” philosophy of marketing, proposing a long list of Ps which typified Profit, Planning, Production etc. and which stood for the key activities of running a business. It was his view that one could differentiate between a “sales orientated” and a “manufacture orientated” company by examining the amount of emphasis given to the different “Ps”. Thus, the idea and eventually practice of a marketing orientated company emerged. Macarthy (1993) further developed this idea and refined the principle to what is generally known today as the four “Ps”:

- Product
- Price
- Promotion
- Place (Distribution)

More recent work by other marketers has increased the number of “Ps” to be included, resulting in a list not too different from Cullotin’s original. The service marketing literature (Bitner, 1990; Collier, 1991) also extends the marketing mix, broadening the traditional four “Ps” into the seven “Ps” of services by adding Physical Evidence, Participants and Process, thus including all elements an organization can control in order to satisfy its target market. In contrast, Jones and Vignali (1994) add an “S” for Service which should be included as an essential basic element of the marketing mix.
STRATEGIC FRAMEWORK AND TACTICAL APPLICATION

The development of the marketing mix as a conceptual model provides the historical background for the development of a deeper understanding of the practical tactical implications of the use of this concept as a framework for strategic analysis and decision-making. This article addresses the question how the marketing mix framework can be used to analyse the competitive standing of a business organisation and how the outcome of this analysis can then be translated into practical tactics which capitalise on the organisation’s strengths. The MIXMAP model developed as a guide for making this transition from the strategic to the tactical level is intended to serve as a means by which purists can become practitioners and finally use the “Ps” in their everyday environment, thus developing further Cullotin’s philosophy of “Business by Practical Marketing”.

Loudon and Della Bitta (1993) focus on the technique most commonly used in strategic marketing analysis, i.e. mapping. The mapping process is covered in depth by Kotler (1983). As shown in Figure 1, a cross-axis map is developed for one of the factors under consideration.

Figure 1: The Mapping Quadrant

![The Mapping Quadrant](image)

The operationalisation of High and Low levels of two variables relating to the factor is defined and they are held constant for the purposes of the strategic mapping exercise. Marketeers have used variations of this quadrant model as a technique to develop and explain many a marketing problem through a practical viewpoint:
While a variety of aspects of strategic analysis are covered throughout the literature, there has been no application of the quadrant model to the practical tactical use in the marketing mix.

This is due largely to a widespread confusion between mix variables and mix elements. Kotler (1983) defines mix variables as "a set of controllable factors that a firm can use to influence the buyer's response". These are different from mix elements which can be regarded as the traditional four Ps plus Service (1994). It is only when a company maps its elements using the quadrant model and the relevant correct variables that it can determine effectively its tactics which in turn will define the strategy it intends to adopt. Alternatively it can take the strategy as the starting point from which to develop the tactics most likely to succeed in achieving company objectives. It is this mapping process which is facilitated by the MIXMAP model developed below.

Tactics and strategy are not in question, the correct mapping of the marketing mix is! The lack of understanding of the distinction between mix variables and elements and their incorrect use is the reason for confusion among practitioners. This confusion has resulted in practitioners questioning their own activities. This is illustrated by some of the comments made by marketing managers participating in short courses:

- Crown Berger: "With a £5 million spend why can we not increase our market share?"
- Wilkinsons: "Is a secondary retailing position correct?"
- Ansells: "Why is branding not effective?"

Research carried out by MMU among UK companies highlights the extent of the problem. When companies are questioned about their approach to product
development (a mix element), 90 per cent claimed that the foremost considerations are price (a mix element) and brand (a product variable). In the course of evaluating a promotional idea, 85 per cent of the companies questioned would take into consideration the service aspect of the idea (a mix element) and the likely spending on promotional channels (promotional variables). Almost all business decisions involve both marketing elements and variables.

This article advances the proposition that much of the confusion encountered by practitioners is due to the lack of congruence in strategy and tactics. The cause of this is often found in an incorrect match of elements and variables due to the absence of a consistent mapping framework which would ensure such congruence.

Table I, identified by Baker (1981), defines a clear perspective to the distinction between mix elements and mix variables. It has been extended to include the additional mix elements proposed by Davies.

This table can be used as the basis for the application of the quadrant mapping technique to both elements and variables, i.e. the MIXMAP approach. Congruence between strategy and tactics is indicated where related elements and variables are consistently placed in the same quadrant. Furthermore, the quadrant would correspond to the quadrant the company is positioned in if the mapping technique is applied using the strategic frameworks of the BGM matrix and the McDonald/Porter matrix. It is proposed that such a match results in a consistent message and is likely to enhance the probability of achieving strategic objectives. In contrast, a mismatch implies incongruence between the strategic and tactical level, resulting in a contradictory message to customers, with many of the marketing measures taken neutralizing each other.
APPLICATION OF THE MARKETING MIX MAPPING (MIXMAP) TECHNIQUE

A qualitative approach was used to provide an initial check on the face and respondent validity of the proposed MIXMAP framework and to assess inclusiveness and Practical Usefulness from a practitioner point of view. Having achieved a thorough grounding in the area of marketing, managers participating in MMU courses were asked to use their knowledge of their companies' marketing tactics to place the company in the appropriate quadrant for each element, with each axis reflecting one of the variables connected to that element. This served to assess the positioning of the company's marketing tactics. They were then asked to position the company on the BGM matrix as well as on the McDonald/Porter matrix. This served to establish a view of the company's marketing strategy. A discussion of the respective tactical and strategic positioning was used to assess the degree of congruence or mismatch as perceived by the managers.

It must be conceded that this intuitive application of the MIXMAP mapping framework is very much a first step in testing out the model. Group discussions reflect the managers' subjective view of their companies. The operationalisation of
the variables relies on a shared view instead of clear definition. However, the value of this approach lies in the superior inside knowledge of the company that the managers have, especially at the tactical level.

Based on the outcome of the group discussions, two cases will be examined in detail, Benetton UK and Crown Berger UK.

**Tactical Level Mapping**

For purposes of tactical level mapping, the variables were operationalised by achieving a shared group understanding. Following that, the High/Low axes remain constant throughout the application of the MIXMAP model, as explained by Loudon (1993). By using any combination of variables, the companies’ positions can be plotted. The companies involved agreed for their management to operationalise the relevant variables that follow.

**Product**

The MIXMAP quadrant model for product positioning is shown in Figure 2. For both groups, the variables selected as most crucial determinants of company control over the element “Product” were “Quality” and “Branding”.

**Figure 2: Product MIXMAP**
Figure 3: *Price MIXMAP*

![Price MIXMAP](image)

Figure 4: *Promotion MIXMAP*

![Promotion MIXMAP](image)

Figure 5: *Place MIXMAP*

![Place MIXMAP](image)
In the first part of the discussion, the managers arrived at a joint understanding, what they meant by the High/Low levels of the variables.

It emerged from the discussion concerning the product element that Benetton enjoys high product quality linked to a prominent brand image. Likewise, Crown Berger offer a high quality product (manufactured to BS standards), and enjoys a high level of branding.

An examination of the element price shows that Benetton charges relatively high prices for its range but gives high discounts and excellent terms to its franchises.

Vignali et al (1993) highlight Benetton’s success as being due to the company’s assertiveness and price variable consideration. In the same vein, Crown Berger management assume that their volume related price structure offers tremendous marketing advantages. Both companies’ executives are consistent in their positioning.

If we examine Promotion, we find that Crown spends highly on TV and press advertising. Their management therefore places them in the High/High quadrant. Vignali et al (1993) also indicate Benetton’s positioning by their management being consistent.

**Figure 6:BGM**
Then the Element of Place (Distribution) was examined. Both companies involved placed an importance on the variables of stock levels and number of outlets displaying the companies' products. With this in mind, the management of both companies were consistent with what they believed was tactically correct. Vignali et al (1993) confirm the distribution positioning.

In the example of Benetton we can see that Benetton was placed in the same quadrant for all the different mix elements. This seems to offer a tentative explanation of the success of the company's marketing tactics. However, at the tactical level, the picture is virtually identical for Crown Berger and at the same time, the Crown Berger managers involved in the group discussion claimed that their company's approach to marketing was far from successful.

**Strategic Level Mapping**

The proposition of congruence between tactical and strategic position as a necessary condition of success offers an explanation for the difference in perception between the two groups of managers. From the discussion it emerged that Benetton and Crown Berger have very different strategic approaches. In an assessment of the degree of congruence between strategic (BGM; McDonald/Porter) and tactical indicators (MIXMAP), we seem to have the answer as to why Benetton is perceived as being a successful marketing operation while Crown Berger, for all its efforts, is not.

We can see that Benetton in the Boston Matrix has a high market growth and high market share of its market. On the other hand, the Crown Berger managers selected a different quadrant position when examining their organisation by using the BGM Matrix and the McDonald/Porter strategy model, as their paint products hold a relatively low market share (12 per cent) in a low growth market (2 per cent p.a.).

Here Benetton's manufacturing arm enjoys the advantage of cost leadership through Italian sourcing. Differentiation is achieved through successive advertising campaigns aiming to identify Benetton products with themes of worldwide shock value. In contrast, Crown Berger's paint products remain relatively undifferentiated and the company has no overall cost leadership.
Notably, both Benetton and Crown Berger’s respective positions were located in the same quadrant on both the BGM and the McDonald/Porter matrix, but this time the quadrant differed between the two companies. The strategic positioning is consistently mirrored by Benetton’s positioning in the MIXMAP model for each of the elements. However, for Crown Berger, the cross positioning between the strategic matrices and the MIXMAP matrices is incongruent, suggesting a clash between the strategic and tactical level. This may go some way towards explaining why for Crown Berger, high levels of promotional spend seem only to achieve disappointing results in terms of market share growth.

**DISCUSSION AND CONCLUSION**

By using Benetton UK and Crown Berger UK as examples and by making use of the above distinction between mix elements and variables, the application of the MIXMAP model has been shown to have a great deal of intuitive appeal, enabling managers to assess the degree of congruence between strategic and tactical level in their companies’ marketing activities.
Thus, the re-examination of the marketing mix, the establishment of the difference between mix elements and variables; plus the development of a proposition of the MIXMAP model which can be used as a tactical level planning tool in conjunction with established strategic level models such as the BGM and the McDonald/Porter model; has proved a great help to marketing practitioners. The MIXMAP approach enables them to revise their perceptions and to redefine their activities. The practicality of the model’s application has been highlighted further in the context of group discussions during short courses with marketing practitioners from a range of organisations, who as a result now view their operation differently. However, while the model clearly has a great deal of face validity and practical appeal, it should now be subjected to more rigorous testing. The first step towards this aim will be a more clearly defined operationalisation of the variables, drawing on the literature. This will allow a broader testing of the proposition that marketing success is linked to the congruence between strategic and tactical level positioning of a company’s activities (as depicted via the BGM Matrix and McDonald/Porter’s model on one hand, and the MIXMAP Model on the other). In this the success of the companies’ marketing activities will be evaluated using a basket of criteria, including turnover growth, market share and a number of financial ratios.

A clear operationalisation of the variables inherent in the model will be followed by a test of the explanatory and predictive qualities of the approach by testing it out on a large sample of companies across a range of industries.
"The Possibility of Boddingtons – 'the cream of Manchester’s’ Entry Into the Dutch Market”,
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G. Cuomo & C. Vignali
INTRODUCTION

This case highlights the practical use of marketing tools to develop a strategic entry to a new European market for a British company. The development of matrix marketing and its association with the planning process is deemed to be effective. In this article we have taken Boddingtons as a theoretical example and examined what could happen.

The beer market in the UK is very competitive. Therefore, it is difficult to increase output or market share. Whitbread plc, as owner of Boddingtons Beer Company, has recently invested heavily in a new canning plant and wants to ensure economies of scale to improve its cost structure. The company also wishes to increase the turnover of barrelled beer as this method offers the highest margins.

The aim of this article is to provide possible solutions to this problem and to offer a market entry strategy into The Netherlands based on McDonald’s marketing plan (1994). The Netherlands has been chosen because of its proximity to the UK and its favourable attitude towards beer and British products.

Increasing competition in its domestic markets has led Whitbread plc to consider the possibility of expanding its activities into foreign markets. According to Ansoff (1966) there are four possibilities:

- market penetration;
- market development;
- product development;
- diversification.
The penetration of the British beer market is made difficult through the regionalisation of the market, which is already in a stage of maturity. This can be seen from the product life cycle in Figure 1 (Nieschlag 1991):

**Figure 1: Product Life Cycle Analysis of Boddingtons Beer**

The company is already diversified and a further diversification could negatively affect the flexibility of the company as a whole (Hamel & Prahalad, 1991). The only alternative seems to be to exploit its competitive advantage that it achieved through its new canning technology and by the development of new markets in order to follow a globalisation strategy (Ohmae, 1991). Ohmae (1989) supposed that only those companies, which are internationally oriented, will survive in the long term as there will be no national boundaries that could protect the domestic company in the future. This can be proven by the fact that many breweries increased their exports recently and there are signs of a growing threat for national producers. The aim of each company should be to develop and to dominate new markets (Hamel, Doz & Prahalad, 1989) in order to attack in advance.

The corporate objective is, first, to follow a globalisation strategy. The introduction of one product at the same time in more than one country should be avoided. To develop an effective market entry strategy the focus should be placed on a single country/market. The first country we want to export our product to is Holland. The Netherlands is in close proximity to the UK and the cultural differences are not as great as in southern Europe. In addition, the Dutch are traditionally beer, rather than wine, consumers and there is no major ale brand present on the market. The secondary objective for the marketing department is therefore to develop the ale
market in The Netherlands. In addition, the Dutch market offers the opportunity to team up with Heineken, one of the major beer producers in the world which has a market share of up to 50 per cent in The Netherlands. A strategic alliance with Heineken would have two advantages for Whitbread (Ohmae, 1989):

1. It would offer a chance to internalise Heineken’s knowledge in fields such as production techniques, distribution and promotion.
2. It would spread the risk of failure through using Heineken’s distribution channel.

This strategy could be useful in the long run as we could participate with Heineken not only in the Dutch market but in all other markets Heineken supply. Hamel et al (1989) suggest that collaboration is a form of competition and learning from partners is of paramount importance. They imply that collaboration is competition in a different form and that SMEs especially could use alliances to compete with their partner afterwards.

INTERNAL AUDIT

Whitbread plc is divided into three separate divisions:

1. The Whitbread Beer Company is an integrated beer manufacturing, distribution, sales and marketing operation.
2. Whitbread Pub Partnerships operate the company’s non-managed, partially tied estate of 2,000 public houses.
3. The Whitbread-managed retail estate includes managed public houses and public house restaurants, together with claim restaurants and hotels.

In comparison with its main competitors Bass, Courage and Carlsberg Tetley, Whitbread plc is focusing on the domestic market with an export share of only 5 per cent (Key Note Publications, 1994).

Whitbread Beer Company is the fourth largest supplier of beers in the UK but has increased its market share in recent years despite an overall decline in demand.
The company has an excellent portfolio of brands, with 24 own ale beers as well as the brewing rights for Murphy’s Irish Stout, Heineken Lager and Heineken Export as well as Stella Artois in the premium lager sector. Whitbread acquired the Boddingtons breweries in 1989 to compete successfully in the free trade market in the UK. As Whitbread brews the lager beers under licence of Heineken (The Netherlands) and Interbrew (Belgium), the company maintains good relations with these two countries. Among its ale brands is Boddingtons Bitter, one of the leading national ale brands with rapidly increasing sales.

Boddingtons’ market share in the UK is about 13 per cent and its beer is therefore a national brand with a good reputation. This has been supported by high pricing and first-class advertising. In 1992, Boddingtons Bitter achieved a total increase in sales of about 30 per cent. Whitbread supplies the Boddingtons brand as draught and packaged ale. The draught is primarily sold through the company’s own public houses, whereas the “Boddies” launched in 1991 is available in the take-home market. The “Boddies”, a can which gives the consumer a smoothness and quality comparable with draught, is the most successful brand ever introduced in the take-home market owing to its revolutionary draught flow system. It has the image of an authentic real ale which is traditionally brewed despite the use of sophisticated production technology. Since February 1994 “Boddingtons’ Bitter Boddies” is the market leader in the take-home market.

A problem for Whitbread will be the lost market caused by the import of cheaper French beer. Since the tunnel has been opened, more and more Britons go to France and buy as much beer as they are able to transport.

**EXTERNAL AUDIT**

**General Information on The Netherlands**

The Netherlands borders the North Sea and provides the perfect site to serve the three largest markets of the EEC: Germany, France and the UK. More than 50 per cent of Europe’s 350 million inhabitants live within a radius of 600km and the community’s
500 largest companies work within a radius of only 400km. The Netherlands is right in the centre of this area. It covers an area of over 37,000 square km (excluding 4,200 square km of uninhabitable land). It is one of the most densely populated countries in the world with 405 people per square km. It has a total population of 14.8 million and a quarter live in the country’s six major cities:

- 1.08 million in Amsterdam – the capital;
- 1.06 million in Rotterdam;
- 693,000 in The Hague – the seat of government;
- 539,000 in Utrecht;
- 388,000 in Eindhoven;
- 306,000 in Arnhem.

The Netherlands’ ideal situation is supported by one of the most highly developed and reliable networks of transport and communications in the world. Furthermore, the tradition of commerce in The Netherlands, beginning in the country’s “golden” seventeenth century, means that the Dutch have been very internationally minded for over three centuries. This is evident in the ability of many to speak several languages. In the last 30 years The Netherlands has developed its industry and now sells mainly industrial goods, petro-chemicals, natural gas and processed food products.

**The Dutch Beer Market**

*Production*

The production of beer in 1994 increased by some 3.9 per cent to 20.65 hectolitres, despite recessionary pressures on the Dutch brewing industry. Beer production has experienced consistent growth over a long period of time, as illustrated in Table I.
Table I: Beer Production in The Netherlands, 1992-94

<table>
<thead>
<tr>
<th>Year</th>
<th>Litres produced (millions)</th>
<th>Percentage change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>2,004.7</td>
<td>6.6</td>
</tr>
<tr>
<td>1993</td>
<td>1,989.3</td>
<td>-0.8</td>
</tr>
<tr>
<td>1994</td>
<td>2,065.8</td>
<td>3.8</td>
</tr>
<tr>
<td>1992-1994 average</td>
<td></td>
<td>2.4</td>
</tr>
</tbody>
</table>

Source: Central Brouwerij Kantoor

Imports

The imports for the Dutch beer market are from over 35 different countries of origin. The most dominant country in the Dutch beer market, in terms of exports, is Belgium. Apart from Belgium, Germany and the UK also feature with approximately equal shares of the market. Over 98 per cent of imports are from countries within the European Union. In 1993, imports grew in volume by some 41 per cent, but had slowed by 1994 to only 18 per cent.

In 1990, barrelled beer represented 68.3 per cent of imports with bottles and cans accounting for only 31.7 per cent. By 1994, barrels only accounted for 61.4 per cent of imports due to consistent growth in the share of bottled and canned beers for home consumption. In spite of recent reductions in the growth of imports, long-term growth is expected with an increase in the volume of exports for 1994 being predicted to be in the region of 10 per cent.

Consumption

The total consumption of beer in The Netherlands grew by only 0.7 per cent in 1991 and 1.5 per cent in 1992 (see Table II). The Netherlands is currently in recession and this has had a major effect on the purchasing power of consumers. Furthermore, a reduction in tourism has contributed to this decline in growth.
Table II: Consumption of beer in The Netherlands, 1990-92 (million litres)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Barrelled</td>
<td>420.2</td>
<td>448.0</td>
<td>446.4</td>
<td>-0.4</td>
</tr>
<tr>
<td>Bottled and canned</td>
<td>962.5</td>
<td>944.9</td>
<td>967.4</td>
<td>2.4</td>
</tr>
<tr>
<td>Total</td>
<td>1,382.7</td>
<td>1,392.9</td>
<td>1,413.8</td>
<td>1.5</td>
</tr>
<tr>
<td>Growth rate</td>
<td></td>
<td>0.7</td>
<td>1.5</td>
<td></td>
</tr>
</tbody>
</table>

Source: Marketing in Europe

The consumption of barrelled beer had risen from 30.4 per cent in 1990 to 32 per cent of total consumption in 1992. Although this consumption has grown relative to the total, it is in fact lower in terms of volume than the figure for 1991.

The prospects for consumption in the long run are nevertheless more positive as Dutch nationals continue to show an interest in the entertainment and leisure sectors. This should have a positive effect on consumption in the pub and restaurant channels despite the prevalent recessionary pressures.

Main Competitors

This should be regarded as a general overview of the main brands in the Dutch beer market as the exact volumes for the individual brewer's brands are not available.

Heineken

The brewery was founded in 1864 and is based in Amsterdam. It is the leading brewer in The Netherlands, dominating the home market with a market share of 53 per cent. Heineken is the most international of all breweries, being active in 150
countries and affiliated to 90 breweries in 45 countries. Over 40 per cent of its output is exported.

In the last few years, Heineken has experienced a loss in market share to the newer niche market brands. Its strategy has been to develop a brand portfolio of special beers, by introducing new beer types under the Heineken label, acquisition of exclusive import and distribution licences, and acquisition of smaller regional specialist breweries (Amstel brewery, De Ridder brewery of Maastricht, Brand brewery of Wijlre) (see Table III). The acquisitions of these specialist breweries helped Heineken to stem the steady decline in sales of its own main brand, Heineken. The effect of the decrease in sales of Heineken’s traditional pils, to the special beer types of its competitors, has been reduced by entering and promoting niche markets, which has reinforced Heineken’s competitive position.

**Table III: Beer Brands Owned by Heineken**

<table>
<thead>
<tr>
<th>Country</th>
<th>Brand</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Netherlands</td>
<td>Heineken (variants)</td>
</tr>
<tr>
<td></td>
<td>De Ridder</td>
</tr>
<tr>
<td></td>
<td>Amstel</td>
</tr>
<tr>
<td></td>
<td>Brand</td>
</tr>
<tr>
<td></td>
<td>Buckler (no-alcohol beer)</td>
</tr>
<tr>
<td></td>
<td>Van Vollenhoven (stout)</td>
</tr>
<tr>
<td></td>
<td>Wieckse Witte</td>
</tr>
<tr>
<td>Worldwide</td>
<td>Muetzig</td>
</tr>
<tr>
<td></td>
<td>33</td>
</tr>
<tr>
<td></td>
<td>Pelforth</td>
</tr>
<tr>
<td></td>
<td>George Killians</td>
</tr>
<tr>
<td></td>
<td>Aguila</td>
</tr>
<tr>
<td></td>
<td>Murphy</td>
</tr>
<tr>
<td></td>
<td>Bintang</td>
</tr>
<tr>
<td></td>
<td>Primus</td>
</tr>
<tr>
<td></td>
<td>Anchor</td>
</tr>
<tr>
<td></td>
<td>Tiger</td>
</tr>
<tr>
<td></td>
<td>Star</td>
</tr>
<tr>
<td></td>
<td>Gulder</td>
</tr>
</tbody>
</table>

The Heineken generic brand has experienced a reduction in volume in recent years owing to a lack of a premium image among Dutch consumers. It has focused on developing a broad product portfolio including many speciality beers. It has also
entered into distribution agreements with a number of foreign breweries and markets and their brands, e.g. De Koninck, Affligem, Duvel and St Louis, alongside its "Heineken" product portfolio (see Table IV). It has also launched both Bavaria Malt and Bavaria Light under the Buckler brand and has gained access to the white beer segment with the launch of Heineken Dry 100.

Table IV: Heineken's Distribution Agreements for Imported Beers

<table>
<thead>
<tr>
<th>Country</th>
<th>Brand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>De Koninck</td>
</tr>
<tr>
<td></td>
<td>Affligem</td>
</tr>
<tr>
<td></td>
<td>Duvel</td>
</tr>
<tr>
<td></td>
<td>St Louis</td>
</tr>
<tr>
<td>Mexico</td>
<td>Sol</td>
</tr>
<tr>
<td>Japan</td>
<td>Kirin</td>
</tr>
</tbody>
</table>

Amstel, since being acquired by Heineken, now exists purely in terms of branding. Its production facilities were closed down by Heineken and, as such, Heineken now produces the Amstel beer. Amstel is the second largest brand in terms of volume on the Dutch market. Its brands include Amstel 1870, Amstel Malt and Amstel Light.

De Ridder was also acquired by Heineken. It markets a variety of products, but the most successful is the Wiekse Witte brand.

Bavaria

Bavaria, founded in 1719, is family-owned. It is the second largest Dutch brewery. The brewery exports around 45 per cent of its output. Beer is sold under the Bavaria brand including variants such as a best-selling pilsner, a bock beer, low-calorie beer and a very popular alcohol-free malt beer. Its major brands include Bavaria Light (LAB) and Bavaria Malt (NAB).
Bavaria is the main supplier of distributors’ own brands to the retail trade. As a result of a contract to supply Aldi, as well as other distributors’ own brands, Bavaria has improved its output in recent years.

**Grolsche**

Grolsche (Grolsche is the company name and Grolsch the brand), based in Enschede, is a major producer in the Dutch beer market. Grolsche is primarily a brewer but is also involved in the wholesaling and retailing of beer through distribution subsidiaries.

Grolsche is the fourth largest brewery in The Netherlands. It produces mainly premium pilsners under its generic brand name, Grolsch. It is also active in the low alcohol and non-alcoholic beer segment. It withdrew its low alcohol beer, Stender, after it failed to gain a significant share of the market. It then replaced this with its non-alcoholic beer, Grolsch special malt. It has also launched a premium dry beer and positioned it in direct competition with the Heineken White Beer, Heineken Dry 100. Further additions are Grolsch Amber and a seasonal bock beer.

**Allied**

Allied is the fifth largest brewery, which exports about one third of its output. Its main brand is Oranjeboom. The Oranjeboom Brewery of Rotterdam was taken over by Allied Breweries of the UK in 1967, and the Breda Brewery was acquired in 1968. The group was renamed Allied Breweries and, since the Rotterdam plant closed down, it is based in Breda. Allied Breweries’ takeover of the Skol brewery also included the latter’s share in Arcen Brewery in Arcen (east Netherlands).

Of beers produced, 90 per cent are sold under the Oranjeboom brand and 5 per cent under the Skol brand. A small quantity of Eleventh Commandment, a special top-fermented beer of 7.5 per cent alcohol and Classe Royale brands are produced too. The Keller generic brand name is sold for the take-home market. An additional brand, Skol, was not successful in this area and was, as a result, exclusively distributed through the horeca segment. As mentioned above, it also owns the Arcen
brewery, a major brewer of speciality beers to the Dutch market. Its major brand is Hertog Jan.

Distribution is national, though a heavier volume is sold in the Breda region and in those towns where the original group breweries once operated. Allied is the main supplier to Albert Heijn, the leading retailing chain, under the latter's Brouwers Bier label; this gives Allied an entry point into the high volume market but has the effect of reducing profitability.

Dommsche

This is a subsidiary of Interbrew, which markets a number of premium beers (brands are unknown). It also owns a wholesaler, De Kikvorsch, which buys and distributes speciality beers from the Arcen brewery (a subsidiary of Allied Breweries).

Prices and Margins

The cheapest beers are found in discount outlets, the more expensive in small supermarkets, followed by large supermarkets, hypermarkets and off-licences. The traditional grocery store is the most expensive. In the on-premises market segment, cafeterias have the lowest price for beer. The most expensive are bars, followed by hotels (bars and restaurants). Therefore it can be seen how price levels vary considerably between outlet types (see Table V).
Table V: Prices of Major Brands in Retail Outlets, 1994

<table>
<thead>
<tr>
<th>Producer</th>
<th>Brand</th>
<th>Size</th>
<th>Off-premises price range (G)</th>
<th>On-premises price range (G)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heineken</td>
<td>Heineken Pilsner</td>
<td>50 cl bottle</td>
<td>1.40-1.70</td>
<td>3.25-3.50</td>
</tr>
<tr>
<td></td>
<td>Oud Bruin</td>
<td>30 cl bottle</td>
<td>0.70-0.90</td>
<td>3.50-3.75</td>
</tr>
<tr>
<td></td>
<td>Heineken Pilsner</td>
<td>33cl can</td>
<td>1.10-1.30</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Amstel Pilsner</td>
<td>30cl bottle</td>
<td>0.65-0.80</td>
<td>3.50-3.75</td>
</tr>
<tr>
<td></td>
<td>Amstel Pilsner</td>
<td>50cl bottle</td>
<td>1.15-1.30</td>
<td>4.00-4.50</td>
</tr>
<tr>
<td></td>
<td>Amstel Pilsner</td>
<td>33cl can</td>
<td>1.20-1.30</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Amstel Light</td>
<td>30cl bottle</td>
<td>0.85-1.00</td>
<td>3.50-3.75</td>
</tr>
<tr>
<td></td>
<td>Amstel 1870</td>
<td>30cl bottle</td>
<td>0.75-0.90</td>
<td>3.25-3.50</td>
</tr>
<tr>
<td></td>
<td>Buckler</td>
<td>30cl bottle</td>
<td>0.80-0.90</td>
<td>3.50-3.75</td>
</tr>
<tr>
<td></td>
<td>Buckler NAB</td>
<td>33cl can</td>
<td>1.20-1.40</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Brand</td>
<td>30cl bottle</td>
<td>0.75-0.90</td>
<td>3.25-3.50</td>
</tr>
<tr>
<td></td>
<td>Grolsch Pilsner</td>
<td>30cl bottle</td>
<td>0.75-0.90</td>
<td>3.25-3.50</td>
</tr>
<tr>
<td></td>
<td>Grolsch Amber</td>
<td>30cl bottle</td>
<td>1.00-1.10</td>
<td>4.00-4.50</td>
</tr>
<tr>
<td></td>
<td>Stender NAB</td>
<td>30cl bottle</td>
<td>0.80-0.90</td>
<td>3.50-3.75</td>
</tr>
<tr>
<td></td>
<td>Stender NAB</td>
<td>33cl can</td>
<td>1.10-1.30</td>
<td>-</td>
</tr>
<tr>
<td>Bavaria</td>
<td>Bavaria Pilsner</td>
<td>50cl bottle</td>
<td>0.45-0.55</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Bavaria Pilsner</td>
<td>30cl bottle</td>
<td>0.50-0.60</td>
<td>3.00-3.25</td>
</tr>
<tr>
<td></td>
<td>Bavaria Pilsner</td>
<td>33cl can</td>
<td>0.70-0.80</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Bavaria Malt</td>
<td>30cl bottle</td>
<td>0.60-0.70</td>
<td>3.00-3.25</td>
</tr>
</tbody>
</table>

Note: All prices in Dutch guilder
Source: Economist Intelligence Unit, 1993

Prices have remained relatively stable in recent years due to consistent price competition in all sectors, but bars in particular.

SWOT ANALYSIS

**Strengths**

Boddingtons is a well-known brand with a reputation for high quality. It is traditionally brewed and consists of only natural ingredients. The product is highly dependent on image and the beer market is placing increasing emphasis on speciality, i.e. differentiated products rather than on differences in products. The increased market share is evidence of the good image of this brand among British beer consumers. The newly introduced canning technology enables the company to sell beer comparable to draught in a can. The new canning plant is highly efficient and its success is confirmed by the gains in market share in the take-home bitter market.
The new technology, and the increased sales, increased the economies of scale and improved the cost structure on the whole. The effect was to increase the company’s margins that can be used for high advertising and promotion.

The original can design is remarkable and can be used for the advertising campaign as well.

**Weaknesses**

On the other hand, the company has no previous experience in the Dutch market and Boddingtons is only a national brand. It could be very difficult to transfer the image abroad, but it is possible, as can be seen from the success of the Mexican beers, even in Germany. The Dutch beer market is difficult to enter because of only a few but very strong competitors.

As the market is regionally divided by the biggest brewers through their own distribution channels, it could prove to be difficult for Boddingtons to enter the eastern market around Enschede as this, the domestic market of Grolsch, is probably its main competitor as it recently introduced a special malt beer.

The can, which should be a major part of Boddingtons’ product package, could be viewed as environmentally unfriendly. The trend in Europe towards bottled rather than canned drinks is exemplified in the German market. Boddingtons must therefore allow for additional costs to promote the advantages of the can in comparison with a bottle.

**Opportunities**

To limit the threat of low distribution, Boddingtons could enter into an alliance with Heineken to gain access to its existing channels of distribution. Heineken does at present not market an ale in the Dutch beer market and the two companies have maintained a close relationship because of the licensing contract. Heineken is, therefore, likely to accept the chance of such co-operation in the light of the advantages for both companies that can be gained from such an alliance. Heineken
beer as a brand is brewed under licence by Whitbread and is distributed through the Whitbread distribution channel. Regarding the existing agreement, the launch of Boddingtons on the Dutch market, could be done as counter trade. Heineken probably recognised the trend towards “new” kinds of beer in the Dutch market and is therefore looking forward to benefit from the trend although it does not have any similar brand in its product portfolio.

An advantage for Boddingtons Bitter is the positive attitude of the Dutch towards British products. They enjoy a high reputation of tradition and quality in The Netherlands and facilitate the introduction of a British product into the market.

**Threats**

The beer market in Holland is highly competitive. This is evident by the high variety of brands which compete with each other. In the market for “new” beers, the position of the bottom-fermented Mexican beers such as Corona and Sol is fairly strong. The beer market is traditionally very sensitive concerning image, especially for a foreign product. This requires a high budget for advertising and promotion over a longer period and will reduce the profit margin at least at the beginning of the introduction.

**Assumptions**

The SWOT analysis indicates that Boddingtons will have considerable possibilities in the Dutch market. Based on the high quality and tradition, linked to the close relationship with Heineken, a successful market entry is likely.

To reduce costs and to benefit from the diffusion process the company will have to split its strategy.

First, young people and “thirty somethings” are to be targeted through sales of Boddingtons draught in “in-pubs and cafés” in the centre of major cities. This introduction is to be supported by high sales promotion such as concerts and so forth. Depending on the success of Boddingtons’ draught the Boddingtons’ “Boddis” will be launched a few months later.
The introduction of the cans in the take-home market is to be supported by high advertising through TV, radio and outdoor advertising. The core of the advertising will always be the original can linked to the product’s nickname “Boddies”.

The SWOT analysis can be summarised as follows:

1. Strengths:
   - image;
   - high quality;
   - tradition;
   - high technology;
   - high profit margin.

2. Weaknesses:
   - no experience abroad;
   - regional markets;
   - cans possibly environmentally unfriendly.

3. Opportunities:
   - team up with Heineken;
   - positive attitude towards British products.

4. Threats:
   - high competition through a large number of established brands;
   - Mexican beer already established;
   - competitors’ high advertising budget.

MARKETING OBJECTIVES AND STRATEGY

The market growth/market share matrix of the Boston Consulting Group (1991) (see Figure 2) shows Boddingtons’ present position in the speciality beer market in The Netherlands. Our task is to develop a successful strategy to develop a star within the market; that is to say, a product with a high market share in an increasing market.
The basic strategy of the Whitbread's Beer Company will be a strategy of differentiation. This is because it has got 24 different ale brands in its product portfolio (Becker, 1988) and the quality of its product allows for high pricing. Furthermore the competition at the bottom of the market is very keen because of many own-label products. Owing to higher transportation costs, Whitbread could not compete with these products. A differentiation strategy, however, forces a precise market research to recognise the target group and to segment the market. The market in The Netherlands is characterised by diversity. The objective of market segmentation is therefore to find a group of like members which is large enough to be a target group for the Boddingtons' product. Based on the external audit a huge market segment of young and modern people can be identified. Both demographic and psychographic aspects have been considered to analyse this group (Meffert, 1986). This segment is characterised by the preference for new products and its buying decisions are mainly influenced by value-added factors rather than by the product's price. Fortunately, such people are connected with each other through their interest in arts and modern lifestyle. Whitbread's promotional strategy should therefore focus on event marketing such as music festivals. This enables the company to contact them which is necessary for a successful entry strategy. A dialogue can be established with them rather than a monologue (McKenna, 1991). This enables Whitbread to react immediately to changing conditions on the market. This marketing strategy does not necessarily contradict a global marketing approach. It is the company's objective in the medium to long term to develop a global marketing strategy. However, this is a market entry strategy that demands more attention to detail as the possibility of failure must not be underestimated. On the other hand,
Whitbread want to make use of the diffusion process (Mayer & Schneider, 1978) and use its target group as innovators among consumers. Therefore, the time of the introduction of barrelled and canned ale is separated. The target group for canned "Boddies" will be the take-home beer consumer. This target group is, however, too broad. To direct the product towards its target group of young, modern and "thirty somethings" both the advertising and promotional strategies must focus on the same attributes of the product's image. Therefore advertising should be carried out in a number of "glossy" magazines making full use of the product's innovative design. Furthermore, TV advertising should be focused in and around the programmes which our target group are likely to watch, rather than in a particular time slot. Billboards will also be a useful method of promoting the product, as they will reach those consumers in the target group who would otherwise be overlooked.

HEURISTIC MODELS FOR DEVELOPING TACTICS

The importance of the marketing mix for the success of strategy is because all details must fit to support the objectives and to avoid contradictory processes (Lazer, Staudt & Culley, 1973). A successful marketing mix determines the needs of the target group, formulates the components of the mix and blends the components. Based on the market growth/market share matrix of the Boston Consulting Group, the following strategy will be realised by making use of the Vignali mix-mapping tool (Vignali & Davies, 1994). This ensures the right use of the marketing mix.

Product

The product is already of a high standard and further quality can be inferred by the use of specially designed glasses. These glasses must, however, be useful for the "server" as well. The design should place emphasis on taste, i.e. through a special thin material. Additionally selection of the distribution channels is critical if the quality image is to be both created and maintained (see Figure 3).
Figure 3: *Mix Map Model of Quality and Brand*

![Quality and Brand Diagram]

Price

As regards price, no special introductory offers will be presented to the consumers. However, to gain entry to the "in-bars" and "in-cafés" Whitbread probably needs to offer the owner special discounts directly linked to the sales volume of Boddingtons' draught. This introduction stage should not be considered purely in terms of profitability. Entry into the market is the main priority provided future rewards outweigh present costs. The result will be an overall high price level for Boddingtons' draught but also high discounts to the owners of the public houses where the beer is sold (see Figure 4).

Figure 4: *Mix Map Model of Discounts and Price Level*

![Discounts and Price Level Diagram]
Promotion

To achieve high recognition in the market, a great deal of emphasis should be placed on promotion (see Figure 5). This should not be done through advertising as the target group is too small. Whitbread could offer its customers well-designed, three-dimensional promotional cards to set on the tables, as well as posters, ashtrays and other promotional aids. These promotional materials should be targeted at young, modern and "thirty something" people. That is to say, Whitbread could commission modern art painters to create posters which can be identified with Boddingtons. One example could be a reproduction of Warhol's "Campbells" can replacing a soup can with the "Boddies" can.

Another main part of the sales promotion will be the sponsorship of cultural events which are visited by the target group. This could be an exhibition of modern art or jazz concerts, for example.

Figure 5: Mix Map Model of Sales Promotion and Sponsorship

Place

Distribution must be countrywide to achieve high awareness throughout the whole country. To enhance the image of the product, selection of bars and cafes must be viewed as being highly critical. They must be frequented primarily by the target group (see Figure 6).
BODDINGTONS’ BODDIES

*Product*

The product is of outstanding quality as a result of the new canning plant. Whitbread needs to emphasise the unique nature of its product by making use of unusual dimensions. It could offer the British 440ml can in addition to making improvements in the design of the can, i.e. colour and style. This offers the opportunity to benefit from economies of scale (Figure 7).

*Figure 7: Mix Map Model of Quality and Brand*
**Price**

The price of the Boddington product is at the higher end of the beer market. This should underline the speciality of Boddington's beer. However, to put pressure on salesmen the company grants high discounts to the distributor if high sales are achieved (Figure 4). To avoid price competition that would negatively affect the image of its brand, Whitbread should try to achieve contracts which include obligatory minimum prices.

**Promotion**

To compete with other beer producers Whitbread should support the product through high advertising exposure on TV and radio as well as through outdoor advertising. The product should also be supported by promotional aids in retail outlets. This can be achieved through posters and special competitions. Furthermore, by constant feedback from the Heineken distributors, Whitbread can ensure an increased level of service and high promotion in the outlets by tailoring its promotional strategies to consumer needs (see Figure 8).

**Figure 8: Mix Map Model of Sales Promotion and Advertising**
**Place**

Whitbread can benefit from the existing distribution channels of Heineken which are the most well developed in The Netherlands. It would allow the company to offer Boddingtons in as many outlets as possible throughout the country to ensure overall coverage. This would be the first step to achieve an increasing and substantial market share (Figure 9).

**Figure 9: Mix Map Model of Selling Stores and Countrywide Availability**

![Mix Map Model](image)

### Future Prospects

The Dutch beer market will provide many possibilities for Whitbread to expand its operations in line with its strategy of globalisation. The increasing focus of consumers on speciality products, and the lack of any major competitor in terms of the product (ale), should allow the company to develop market capabilities. It should, however, be noted that huge increases in market share and overnight success cannot be expected. The entry of any product into a new market takes time and, initially, high expenditure on advertising.

Whitbread is a large company with a broad product portfolio. Boddingtons, although recently being promoted through innovative advertising on a national basis, is still very much a regional beer in terms of draught beer. However, its coverage of the take-home market is relatively high. Its entry into the Dutch market can therefore be
regarded as a good “test” for the success of such specialised beers. Whitbread can at
least gain useful information about the market which can aid it to refine and improve
their “Boddies” campaign or provide valuable information for future decisions
regarding further expansion depending on the success of the Boddingtons product.

The Netherlands are also the logistics centre of Europe. Almost 20 per cent of all
foreign direct investment in Europe occurs in the Dutch market. It could therefore
provide a useful basis for greater access to the European market as a whole providing
Whitbread with approximately 320 million potential customers.

The impact of Guinness is a good example of how a product, not commonly thought
of as being international in its taste appeal, has become a worldwide bestseller, but
particularly so in northern Europe and the USA. Its image is of high quality
traditional life and it is often perceived as being special in comparison with local
beers. Boddingtons must follow this lead and take advantage of the higher margins
on offer for speciality beers and support a long-term advertising campaign.
“Dancall Telecom A/S in the UK Mobile Telephone Market”,
Management Decision
Vol.34, Iss.8, M.C.B. U.K. pgs. 6-17
ISBN: 0025-1747

R. Bennett & C. Vignali
INTRODUCTION

This article is based on a case study which deems to develop academic theory to a practical end, and used as the basis of an academic exercise.

In September 1993, the Danish company Dancall A/S was acquired by Amstrad UK for £6.4 million. This case study establishes the following entry strategy for the company to market mobile cellular telephones in the UK.

Short-term objectives to be achieved within the next 12 months were to:

- produce a digital quality, low cost mobile telephone using a pricing penetration policy where it can be manufactured at the cost of £59, wholesaled at £75 and retailed at £100;
- a target of market first-time buyers who are primarily domestic users. Extensive advertising would consist of billboards, radio and press, to create brand awareness and encourage trial;
- investigate the possibility of concluding a deal with a cellular service provider;
- finalise co-operation agreements with Philips to use its UK distribution network;
- conclude contracts with high-street retailers, such as Tandy.

Long-term objectives to be achieved within the next two to three years would be to:

- complete the research and development of lightweight, rechargeable lithium batteries, and investigate the possibility of supplying them to other manufacturers;
- use Scotland as a manufacturing base in two or three years’ time for these batteries and also mobile phone production.
As an independent subsidiary of Amstrad UK, Dancall is in a position to develop a marketing strategy to mass market its newly developed mobile cellular telephone.

Dancall has chosen the UK as its first market for the new product, and this case study suggests a possible entry strategy through the use of McDonald's marketing plan (see Figure 1) and the use of heuristic management devices.

**Figure 1: The Marketing Planning Process (McDonald’s Marketing Plan)**

1. Corporate objectives
   - The marketing plan contains:
     - SWOT analysis
     - Assumptions
     - Marketing objectives and strategies
     - Programmes (with budgets)

2. Marketing audit

3. SWOT analysis

4. Assumptions

5. Marketing objectives and strategies

6. Estimate expected results

7. Identify alternative plans and mixes

8. Programmes

Feedback loop

9. Measurement and review

The second part of the case study highlights the mix mapping technique developed at the Manchester Metropolitan University and used as a heuristic device by marketers.
MARKETING AUDIT

External Audit

Business and Economic Environment

Economic conditions are as follows:

- GDP in the UK stands at approximately US$975.1 billion. The services sector accounts for 62 per cent of GDP, the industrial sector for 37 per cent, and agriculture for 1 per cent. With a market size of over £15 billion, the provision of telecommunications services is the equivalent to about 3 per cent of gross domestic product.
- The growth in demand for telecommunications services, as measured by call volumes, basically reflects economic growth and the importance of good communications.
- Falling real prices and new services underpin above-average growth over the medium/long term. However, the current recession is undoubtedly having an adverse influence on call volumes.
- The easing of monetary conditions, i.e. lower interest and exchange rates, has boosted economic activity.
- Unemployment remains high at around 10 per cent, with inflation at its lowest rate since the 1960s at around 5 per cent.
- The UK is making a slow recovery to break free from this, the longest recession in post-war history. Private consumption accounts for roughly three-quarters of GDP and the behaviour of the consumer is the key to the timing and strength of the recovery.

Political conditions are as follows:

1. The Conservative Government is committed to competition policy and, therefore, a liberal free-market economy. Deregulation and privatisation are therefore high on the agenda to move towards a truly competitive market
structure. This has proven to be conducive to the introduction of mobile communications as penetration rates are much higher in the UK than in Continental Europe.

2. The Government’s dedication to competition policy in 1991 saw it conclude a review of UK telecommunications policy (the “duopoly review”), which resulted in a number of important changes to the regulatory environment. The main outcome was that the Government decided to seek an increase in competition, as a means of improving the quality and cost of telecommunications for all consumers – something old monopoly telephone operators had little incentive to provide.

3. Deregulation has a stimulating effect on the mobile telephone market, although it is less clear whether privatisation is essential for growth. In the UK, deregulation coupled with privatisation has created competition and increased the market through price cuts. It is interesting to note that, in Germany, deregulation without privatisation has been enough to create growth. In Italy, the market has grown at over 30 per cent through price cuts, even in a monopoly situation.

4. The power of the unions has been decreased in the UK owing to union legislation, although it still remains quite high, compared with other EU countries.

5. Regulatory bodies responsible for quality, trade practices, advertising, pricing, etc. are the following:
   - *The Department of Trade and Industry* (DTI) is a government body responsible for telecoms policy, regulations, licensing and radio frequency allocations.
   - *Radiocommunications Agency* (RA) is the executive agency of the DTI and is responsible for developing policy and ensuring effective use of the radio spectrum.
   - *Office of Telecommunications* (OFTEL) monitors and enforces licences and makes recommendations to the DTI.
   - *BT and Mercury Communications* are the two established licensed PTOs.
• *British Approvals Board for Telecommunications* (BABT) is a private company which tests and assesses customer apparatus, and issues type approval; testing laboratories are competitive.

• *British Standards Institute* (BSI) defines technical specifications for equipment designated by the Secretary of State.

Social conditions are as follows:

• With 57.7 million people and one of the world's highest population densities (233 persons per square kilometre), the UK represents a compact market for products. Short distances and an excellent transportation system make all regions of the country easily accessible.

• In England and Scotland, there are eight areas that, because of their population, represent major markets for virtually all manufacturers. They are Greater London (7 million), Birmingham (1 million), Glasgow (715,000), Leeds (709,000), Sheffield (532,000) and Liverpool (476,000).

• London is the leading centre in the UK for importers and manufacturers' agents, and is the largest wholesale centre. Other important centres of distribution of imported goods are Liverpool, Manchester, Bristol and Glasgow.

• Consumer lifestyle trends are changing with regard to telecommunications and, as a result, there is an enormous market for low-cost mobile communications, with millions of potential subscribers. As cellular phones have proved useful for business, the success has rubbed off from this now saturated market, to the new market of the ordinary consumer.

Technological conditions are as follows:

• Scotland is becoming a popular area to locate for telecommunications companies (over 60 are located there, including Motorola), and 15,000 people are employed in manufacturing a diverse range of products, from components for mobile telephones to fibre optic cables. The key ingredients for success that Scotland offers is a ready supply of manpower and expertise.
There is also a complementary advanced electronics infrastructure of 450 companies such as Elonex, Compaq and IBM. The competitive environment provides users with extensive choice in all areas of service provision and significant cost benefits, making Scotland one of the cheapest countries in Europe for most telecommunications services. Support is also offered from the thriving Scottish academic community. The 12 universities and 60 colleges provide a rich source of support to the telecoms industry through research consultancy and highly qualified graduates in the electronics and software fields.

Technology enthusiasts insist that the digital system will prove itself superior and be better able to guarantee a good service over the old analogue system. They predict that nearly the total market will go digital over the next ten years. Digital will be helped by the progress of the GSM (Groupe Speciale Mobile) pan-European digital telecommunications standard, and this will prove useful when mobile phones start to be used for data transmission.

Twenty-three operators in 16 European countries have committed themselves to building GSM networks (including the UK), and more than another 20 countries around the world, including many in Asia, have adopted GSM as the basis for their next generation of cellular services.

Vodafone's and Cellnet's GSM networks are already operational, and Vodafone has already reached GSM "roaming" agreements with overseas network operators, enabling GSM subscribers with smart cards to make calls using a GSM phone anywhere in Europe.

A broader consumer market has been targeted using PCN (personal communications network) services. Mercury's One-2-One was launched in September 1993, and Hutchison's Microtel will launch its PCN service in April 1994.
The Market

Mobile Telecommunications in Europe

Mobile communications is the fastest growing sector in the European communications industry, with growth more evident in cellular communications than anywhere else. Europe now has one-third of the world's mobile cellular customers.

The mobile market consists of:

- wide area paging;
- cellular radio;
- CT2/Telepoint;
- personal communications networks (PCN);
- private mobile radio (PMR).

Table I shows the number of cellular telephone users in Europe in 1989, and an estimate for 1995.

<table>
<thead>
<tr>
<th></th>
<th>1989</th>
<th>Percentage of total</th>
<th>1995</th>
<th>Percentage of total</th>
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<tr>
<td>UK</td>
<td>830,000</td>
<td>36</td>
<td>1,919,999</td>
<td>19</td>
</tr>
<tr>
<td>Sweden</td>
<td>316,000</td>
<td>14</td>
<td>808,000</td>
<td>8</td>
</tr>
<tr>
<td>France</td>
<td>187,000</td>
<td>8</td>
<td>1,616,000</td>
<td>16</td>
</tr>
<tr>
<td>Norway</td>
<td>175,000</td>
<td>8</td>
<td>303,000</td>
<td>3</td>
</tr>
<tr>
<td>Germany</td>
<td>167,000</td>
<td>7</td>
<td>2,020,000</td>
<td>20</td>
</tr>
<tr>
<td>Other</td>
<td>625,000</td>
<td>27</td>
<td>3,434,000</td>
<td>34</td>
</tr>
</tbody>
</table>

Source: Mintel, 1994
Mobile Telecommunications in the UK

This consists of the following:

1. **British Telecommunications plc (BT)**
   
   - The group’s principal activity is the supply of telecommunication services and equipment.
   - BT is the main provider of national and international public and private telecommunication services in the UK.
   - Its annual turnover in the financial year ending in March 1993 was £13,242 million.
   - BT is not a manufacturer of equipment, but is still a major supplier in the UK, selling a range of other companies’ products such as hand sets, answering machines and fax machines under its own brand badge.
   - It is deeply involved in mobile telecommunications through its Cellnet subsidiary. BT is gradually losing market share in the UK as competition from other providers of telecom services penetrate the market.
   - Although BT is losing market share in the UK, the company will soon become one of the leading global telecommunications carriers following its joint venture agreement with MCI, a major US group which specialises in long distance telecommunications services. The new alliance will intensify the battle between BT and AT&T.

2. **Mercury Communications**
   
   - This is a wholly owned subsidiary of Cable & Wireless plc and provides the alternative fixed-link network to BT in the UK.
   - In January 1993, BCE Inc. (Bell Canada Enterprises) acquired a 20 per cent interest in Mercury Communications.
   - In the year to March 1993 company turnover was £790 million.
• Mercury was restructured in 1992 in order to focus more closely on large, medium and small businesses and residential users, and users of non-network services, for example paging and mobile phones.

• Emphasis is being placed on developing the residential market.

• Mercury has introduced its new One-2-One digital PSN mobile technology for mass markets to London and much of the south-east. It is intended to expand over the rest of the country by the end of the decade.

3 Cable & Wireless plc

• The company is involved in the provision of business and domestic telecommunication services for telephone, telex and facsimile, data transmission and the laying, burial and maintenance of submarine cables. It operates these services in more than 50 countries, providing external services for over 30 countries and internal services in over 20 countries.

• In the year to March 1992, turnover was £3,176.2 million.

• Its method of operation is through strategic partnerships with governments and local authorities, and with leading telecommunications companies.

• It has taken a share in BCE cable TV interests in the UK, the first venture in this sector which is expected to grow rapidly as cable TV networks become widespread throughout the UK.

• A number of joint ventures have been established internationally in eastern Europe, the Middle and Far East and Central America, the aim being to upgrade basic communications, both nationally and internationally, with international links and the mobile network.

4 Vodafone Group plc

• The company operates one of the two nationwide analogue mobile telephone networks in the UK and is introducing new digital services which will rival the success of the analogue service.

• Although analogue-based services will eventually be overtaken by digital services, they are still being strengthened by new investment to improve the
quality of the existing network. Thus, the two systems will operate alongside each other well into the next century, covering all areas where there is the demand.

- Vodafone specialises in cellular network operations, mobile and hand portable cellular telephones, private mobile radios, radio paging, pocket radio network operations, data transmission, telepoint systems and equipment.

- Operating companies within the group structure are:

  - **Vodac Ltd** — the leading service provider to the Vodafone network. Through Vodak the company has agreements with major retailers and a presence in 700 high street outlets.
  - **Vodata Ltd** — markets a range of network services to Vodafone and Vodapage subscribers.
  - **Paknet Ltd** — designs and supplies a nationwide public packet-switched data communications service. Customers include banks, retailers, public utilities, alarm companies and out-of-office personnel.
  - **Vodapage Ltd** — operates a nationwide radio-paging network and sells equipment directly to the public and through service providers and dealers.
  - **Orbitel** — the group is involved in a joint venture with Ericsson which is concerned with the design and manufacture of digital cellular phones and systems.

- Since the digital (GSM) system was introduced there have been a number of agreements with various countries in Europe and Vodafone is buying more licences. The competition in cellular services is increasing and both Mercury and Hutchison are introducing new systems, for example the Mercury One-2-one.

- Vodafone Group has acquired all the shares in Paknet, formally a joint venture with Cable & Wireless plc, which is now a 100 per cent subsidiary.

- The company's new EuroDigital service had 400 base stations at the end of 1992, covering 70 per cent of the UK's population.
In June 1993, Vodafone announced an increase in investment and capital spending. It already claims 56 per cent of the UK market, and its customer base is expected to increase.

In January 1994, Vodafone reported that it had more than 1 million customers, taking the number of mobile phone subscribers in the UK to almost 2 million.

In February 1994, Vodafone acquired a one-third stake in General Mobile Communications, the UK’s leading independent mobile telephone provider. GMC’s main operation is Talkland, which controls about 50 branded retail outlets in the UK for mobile telephones. The Talkland stake will give Vodafone direct or indirect access to nearly half of its one million customers.

The acquisition marks a further contraction of independent service providers, leaving about ten large service providers without direct links with either Vodafone or Cellnet.

Hutchison Telecommunications (UK) Ltd

The company is a subsidiary of the Hong-Kong based Hutchison Whampoa and a relative newcomer to the mobile telecommunications market in the UK.

The company is structured around five operating units: Telepoint, Microtel, Cellular Services, National paging and Mobile Data.

“Rabbit” is the brand name of Hutchison personal communications which operates a nationwide all-digital cordless telecommunications service for business and domestic customers, mostly in urban areas. Equipment for these services is provided by GPT and Motorola.

Hutchison is primarily concerned with the UK market but similar systems are being established in other European countries.

Ericsson Ltd

This Swedish-owned company is a major manufacturer and supplier of telecommunications equipment in the UK for public systems, private systems, cellular systems and special networks.
• Manufacturing activities are based on the company's AXE digital telephone exchange used by BT, Mercury Communications, Cellnet and Vodafone.
• All software for fixed/cellular public networks is produced in the UK. Just over 50 per cent of its turnover for the year ending December 1992 was from public systems, around 30 per cent from cellular systems and special networks, and around 18 per cent from private systems.
• Ericsson has supplied the world's largest digital international exchange to British Telecom International Networks.
• Ericsson more than doubled profits in 1993 due to the booming sales of mobile telephone equipment. Radio communications, which includes cellular operations, has overtaken public communications as Ericsson's largest business area.
• Ericsson is the world leader in sales of mobile telephone systems, with a market share of more than 40 per cent for analogue systems, and 50 per cent for GSM digital systems.

Motorola Ltd

• Motorola is a US-owned company and has been established in the UK for around 25 years. It has a wide product range of portable and mobile equipment which is mostly sold under the Motorola name. Other brand names are "Radius" and "Mobius".
• The company produces and sells radio communication products, two-way private mobile radios, mobile and portable cellular telephones and car phones and supplies peripheral equipment for computers.
• Motorola has a strong presence in Europe and has design centres in Swindon, East Kilbride, Basingstoke and Cork. Manufacturing facilities are in Dublin, Swindon and West Lothian.
• The company has a strong position in the pan-European digital cellular system.
• The liberalisation of central and eastern Europe is seen as a major new opportunity for telecommunication products and services and, in the last few years, offices have opened in Budapest, Warsaw, Prague, Sofia and Bucharest.
A range of advanced digital cordless telephone products have been developed for home, office and Telepoint services and are now operating in the UK, France, The Netherlands, Finland and the Far East.

In August 1993, Motorola announced plans for the world’s first global mobile telephone service. The scheme, called Iridium, forms part of Motorola’s plan to start a service in 1998 that will allow mobile phone users to make calls from anywhere in the world.

In November 1993, Nextel bought licences from Motorola to operate mobile communication services in several of the largest metropolitan areas in the USA. In exchange, Motorola received a 20 per cent stake in Nextel. For Motorola the sale reflects its decision to offer technology and equipment rather than provide services.

In agreements made over several years, Japan had promised the US to give Motorola an equal chance to compete with NTT, the Japanese telecoms group. However, Motorola has faced restrictions and, in February 1994, it was reported that Motorola’s phones can cover only 40 per cent of the Tokyo region compared with 95 per cent coverage for NTT in the US. Motorola says that this does not constitute “comparable market access” that was promised to the US by the Japanese Government.

Nokia Mobile Phones (Sales) Ltd

- The company is one of the largest manufacturers in the world of cellular handsets and car mobiles. It is a global company and has research laboratories in the UK, Finland, US and Australia and production plants in a number of countries.
- Major brand names are Nokia, although Mobira is used in Scandinavia.
- Nokia has introduced its digital 1-2-1 digital system to its clients.
- The development of digital has been a major step in the development of new networks, customers and markets.
- In January 1994, Nokia adopted a strategy of alliances and joint ventures, for example, high volume sales have been achieved in the US through a joint venture with the high street retailer Tandy.
• In March 1991, Nokia bought the British company Technophone Ltd, Europe's second-largest mobile phone manufacturer. This should place Nokia in a better position to develop new generations of digital products.

• In January 1994, Nokia joined forces with Hewlett-Packard, the US electronics group, to develop the next generation of telecoms infrastructure. The strategic alliance indicates the convergence of computing and telecoms.

INTERNAL AUDIT

Sales

Sales figures for Dancall in 1990-1992 were as follows:

- 1990: DKK 565 million;
- 1991: DKK 288 million;

Source: Dancall Annual Report, 1991-92

The above figures demonstrate how Dancall has suffered in the market. Its sales halved between 1990 and 1991, and much of this was attributed to the Gulf war, the Middle East being one of its major markets. The growth rates of the east European markets fell. In addition, sales in the domestic market have been disappointing for the company.

Value of Exports

Dancall's export figures for 1990 and 1991 were as follows:

- 1990: 94 per cent sales;
- 1991: 86 per cent sales.

Source: Dancall Annual Report, 1991-92
As these figures indicate, Dancall is very reliant on exports for its survival. As a result of concentrating its efforts on foreign markets, its competitors are establishing their dominance in Dancall’s home market.

**Operating Markets**

Dancall has operations in eastern Europe, the Middle East, Scandinavia and the European Union (where France is its largest market). It also has subsidiaries in Sweden, Norway, and the Czech Republic.

**Product Range**

Dancall produces a range of mobile telephone products, including GSM and PCN cellular telephones, and cordless telephone systems, and is committed to new product development.

Dancall is limited in its capacity to manufacture its own components and therefore relies heavily on outside suppliers. In this case, this reliance has led to an increase in Dancall’s costs, due to its weak component purchasing power.

**Customers**

The majority of Dancall’s customers are small businesses which purchase cordless telephone systems for their offices, and its cellular ranges for external use.

**Market Growth**

Dancall has ceased trading and is running down inventories. Prior to it being put into suspension of payments, the company was poised to implement a new strategy of product differentiation, and to extend its distribution system to reach more consumers.

Amstrad has stated that its principal aim for Dancall is to mass produce cheap, standardised mobile, cellular telephones, and Dancall in its 1991 annual report stated
that it was seeking to pursue a cost-cutting strategy, planning a cheaper, lower market range.

The new general consumer market for mobile telecommunications is growing rapidly, while the medium and large business sector appears to have reached maturity.

**Profit Margins**

These are shrinking owing to increased competition, a high cost base, low supplier bargaining power, and falling turnover.

**Costs**

High product development costs and an inferior time-to-market, compared with the rest of the industry, have a negative impact on Dancall’s profitability.

This is further exacerbated by low productivity from employees, that directly affect turnover in a negative manner, and therefore can be seen as a prime cause in the company’s previous liquidity problems.

Spiralling product development costs are to be reduced or contained by reducing the lead-time of new ranges.

**Marketing Procedures**

Dancall’s congested distribution system, operated through a network of agents, is being cleared by selling off inventories. It is unclear if it will continue with the existing network, or integrate itself into Amstrad’s channels.

Co-operation agreements with Philips are predicted to provide Dancall with a competitive advantage in terms of shared research and development, and a more efficient working of licence and patent agreements.
The new marketing personnel brought in by Amstrad have a knowledge of the Boston Group Matrix, and other marketing concepts such as tactics, strategy, and the use of planning. They subscribe to the Japanese method of business: enter a market in the middle, refine and refine, then gain market share; listen to a lot of people before going anywhere near the market; and go into great detail, justify every point and decision.

**SWOT ANALYSIS**

**Strengths**

The holding company is Amstrad which has money to invest in Dancall, promising a heavy advertising budget. Amstrad has agreed a "hands-off" approach to Dancall's management.

Dancall has a strong presence in more than 25 countries, including the emerging markets of eastern Europe. It is a market leader in cellular technology and its research team is very highly regarded within the industry.

Synergy with Amstrad's operations may solve some component supply problems, and facilitate some reductions in costs associated with research and development. Savings may also be made through economies of scale and specialisation within the group.

There is co-operating with Philips on a strategic and commercial level over product development; supply and distribution of existing and future products; exchange of information and know-how for technology and components; working of licences and patents on acceptable terms.

A strengthened international sales and marketing division will be instrumental in Dancall's strategy to gain increased market share and brand recognition. It has the backing of Amstrad's renowned marketing and sales agreement.

As a possible niche producer of mobile telephones to the residential sector, Dancall has better chances of survival in the face of ever increasing competition from its global competitors.
**Weaknesses**

Weak component purchasing power means that the prices that Dancall pays to its suppliers may be greater than those charged to its competitors, placing it at a considerable disadvantage. Dancall also suffers from a distinct lack of marketing muscle and flair compared to most of its competitors.

A poor time-to-market ratio prolongs research and administration incurring excessive costs. Furthermore, unused stocks have been clogging the distribution system and delaying the sale of new products, thereby adversely affecting Dancall’s position in the market. Dancall’s weak cost structure is undercut by its competitors’ pricing policies which puts pressure on its margins; and there has been a lack of corporate direction and certainty since the takeover because Amstrad has not laid out its strategic plan for the company, or a subsequent business plan for its managers.

**Opportunities**

However, several opportunities are emerging from the business and economic environment:

- As the UK is slowly but surely emerging from recession, there is evidence which suggests an improved economic climate for investment and exporting.
- The UK will be aiming to improve communications as it strengthens itself to compete with global rivals, and should therefore welcome an advanced league of telecommunications.
- A government drive to increase competition by improving the quality and cost of telecommunications for the consumer is good news for Dancall. If they can therefore produce a high quality, low-cost mobile telephone, they will be a strong competitor in the UK market.
- Scotland could be a useful manufacturing base to serve the UK market, as well as acting as a springboard to the developing Asia-Pacific market.
• If Dancall decides to concentrate on developing its own batteries which are lighter than those used in competitors’ phones, Scotland could be the ideal place to research, design and manufacture these batteries.

• The UK adopted the advanced GSM standard and, as such, the infrastructure therefore exists for the move towards digital systems in the UK.

**Threats**

A possible threat from the business and economic environment is the fact that Vodafone and Cellnet are well established within the PCN market and using GSM networks. As such, they are leading the UK technology race. Saturation of the market for cellular phones by the early 1990s also poses a potential market threat.

Threats from competition are as follows:

• Mercury has restructured to focus on the development of the residential market in mobile telephones.

• Through its one-third stake in General Mobile Communications, Vodafone has access to about 50 retail outlets in the UK for mobile telephones.

• In the USA, Motorola has shifted its focus away from providing services to offering technology and equipment. It may choose to pursue the same strategy in the UK.

• Nokia, having bought the British company Technophone Ltd, Europe’s second largest mobile phone manufacturer, are now in a better position to develop digital products.

The above soft analysis is based on the following assumptions:

• The Conservative Government will stay in power and remain committed to a free market economy.

• Digital technology will prove itself superior to analogue technology and replace it within the next ten years.

• There will be a consumer trend towards advanced communication systems.
MARKETING OBJECTIVES AND STRATEGIES

Establishing Dancall’s Present Position

Boston Consulting Group Matrix

In the Boston Consulting Group Matrix, Dancall has zero market share and the industry is in relatively high market growth, as illustrated in Figure 2.

Figure 2: Boston Consulting Group Matrix

![Boston Consulting Group Matrix Diagram]

Ansoff Matrix

The Ansoff Matrix is a useful tool to enable Dancall to assess its market efforts and growth opportunities (see Figure 3).

Figure 3: Ansoff Matrix

![Ansoff Matrix Diagram]
Dancall believes it is currently occupying the market development sector, whereby it is now focusing its efforts on selling existing products (i.e. mobile telephones) in a new segment (i.e. ordinary consumer instead of business user). Dancall is therefore developing its own version of an existing product to appeal to a defined market segment, not being served to any great extent at present.

**Product Positioning**

Dancall is using Kotler's concept of product positioning in order to assess market opportunities. It has set out to evaluate customers' perceptions and preferences for mobile telephones available. Using information obtained from secondary sources, such as surveys carried out by competitors and published in *European Mobile Communications*, Dancall have identified the exact type of phone for which potential UK customers are searching – a low price, reliable, standard-sized, transportable phone. The emphasis on price has been supported by a *Financial Times* survey in their "Mobile Communications Newsletter", maintaining that "UK dealers say that price is the first question people ask". Further information relating to customer perceptions of major UK mobile phone manufacturers, i.e. Motorola and Panasonic, has supported the findings that there is a lot of room for improvement.

Obviously, Dancall needs to know people's behaviour patterns more precisely, and the next step is to conduct its own survey to identify specific needs.

**Risk Involved for Dancall**

A useful extension of the Ansoff matrix is encompassed in the matrix shown in Figure 4 which illustrates the degree of risk Dancall will experience by venturing into their new/expanded market.
Figure 4: *McDonald's Extension of the Ansoff Matrix*

It is apparent that Dancall has diffused a lot of risk by remaining in a moderately familiar segment, where the technology has been accepted and is simply moving to a new market/expanded market.

**Growth Vector Alternatives**

Another matrix Dancall has found to be very useful in assessing its current position is the George Day Matrix "Growth vector alternatives" (see Figure 5).

Figure 5: *Growth Vector Alternatives*
Dancall would be positioned in the middle segment of Figure 5 which combines the “new/expanded market” and “improved product/new product” segment. The strategies suggested are market segmentation and product diversification. These will be considered later in the report.

**Product Life Cycle**

According to Day (1984), Product Life Cycle (PLC) analysis should provide a “systematic framework for examining the market dynamic”.

Therefore, this analysis will pay close attention to the market trend, and the position of Dancall relative to the current climate, and to the expected market evolution.

Figure 6 shows the product life cycle for the cellular mobile telecommunications industry in general. At point $b$, the business sector of the market has reached maturity. This sector is served by high priced, differentiated products to users who demand innovative and very high quality cellular phones, and who are more price inelastic.

However, point $a$ represents the growing demand at the lower end of the market for a low priced cellular phone. This market is not well served, and is still constrained by high network costs for the user. It has been realised that business tariffs cannot be applied to the mass market consumer, even if the price of the telephones are subsidised, demand is dependent on usage to large extent. If the phones were to be produced at a lower cost, and the subsidies eliminated, then the systems operators would increase turnover and also increase their profitability.

Dancall in the past suffered from high product development costs. This was, in part, because of the length of time that it took to bring the product to the market after its original conception. This time-to-market needs to be reduced to minimise the net loss arising from the development stage. The successful firm will be the one that markets its new products quickly, carefully, minimising costs, and maximising turnover, without detracting from the desired finished good. Once the product is introduced to
the market, Dancall will then be able to "fine tune" its marketing mix to suit particular
demands of the marketplace.

**Figure 6: Product Life Cycle Analysis for the Cellular Mobile Telecommunications Industry**

For Dancall, its marketing strategy based on the market will be geared to the
introduction stage. This will imply the production of a basic product, at a low price in
order to penetrate the market. The company will need to build an intensive
distribution network so that it can maximise turnover and profits. Dancall’s use of an
intensive advertising campaign, backed by Amstrad, will seek to increase awareness
of its brand, and encourage would-be buyers to prefer it, and for other customers to
switch to it.

Once the Dancall mass market phone has reached the growth stage, the company will
need to invest in add-on improvements to maximise its life span in this demanding
technological market. This will act as an economical stepping stone towards the
introduction of future, innovative, new and improved ranges.

The marketing mix will undoubtedly be different for each stage of the PLC. This
must be planned in order to maximise sales and realise the desired objectives of
Dancall at each point on the curve.
Each component of the mix needs to be flexible to respond to unexpected changes in the market or the firm’s situation. The idea of adding features to existing products quickly to respond to changes in the price-product relationship is a good example of this. Similarly, an unexpected failure of one market (such as the Middle East) due to war may require the firm to change its distribution arrangements.

**Alternative Plans and Mixes**

Focusing on the European strategies of major cellular manufacturers featured in Figure 7, Dancall will adopt a FOCUS strategy, operating in the mobile telephone segment in a low cost position. This places Dancall in the section operated by Technophone and Novatel, yet with the aim of becoming overall cost leader in this section to compete with the Motorola version of the portable phone.

**Figure 7: European Strategies of Major Cellular Manufacturers**

<table>
<thead>
<tr>
<th>Strategic advantage</th>
<th>Industry wide</th>
<th>Strategic market</th>
<th>Particular segment only</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unique merchandising by the customer</td>
<td>Low-cost position</td>
<td>Overall cost leadership</td>
<td></td>
</tr>
<tr>
<td><strong>Differentiation</strong></td>
<td>Mobira</td>
<td>Motorola</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Panasonic</td>
<td>NEC</td>
<td></td>
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<td></td>
<td>Philips</td>
<td></td>
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<tr>
<td></td>
<td>Mitsubishi</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ericsson</td>
<td>Novatel</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Technophone (hand portable)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Motorola (hand portable)</td>
<td></td>
</tr>
</tbody>
</table>

As illustrated earlier, in the Boston Consulting Group matrix (Figure 2), Dancall has zero market share and the industry is in relatively high market growth.

The aim for Dancall is to move to the “STAR” quadrant in Figure 2, thus increasing its market share as the market for mobile telephones grows. This is shown in Figure 8.
Figure 8: Dancall's Aim for Increasing Market Share

By using the mix mapping technique (Vignali & Davies, 1994), the future position of Dancall can be established, and possible strategies determined.

The variables have been selected from a Nokia dealer survey on brand choice carried out in the UK.

**Product**

UK consumers perceive a high degree of reliability and a small-sized mobile phone as the most important factors influencing their choice of mobile telephone. Thus, Dancall needs to ensure their product is highly reliable and possesses size advantages over its competitors, as in Figure 9.
**Figure 9: Mix Map model of Reliability and Size**

![Mix Map model of Reliability and Size](image)

**Price**

Dancall needs to price its product so that it is relatively competitive in relation to other such products, and providing discounts would increase their sales turnover (Figure 10).

**Figure 10: Mix Map Model of Discounts and Relative Competitiveness**

![Mix Map Model of Discounts and Relative Competitiveness](image)
**Promotion**

In the field of promotion high advertising is needed, the press and radio being the most important means of achieving this (Figure 11).

**Figure 11: Mix Map Model of Radio and Press Advertising**

![Mix Map Model of Radio and Press Advertising](image)

**Place**

High coverage of the UK market using a large number of retail outlets should provide Dancall with a wide base to sell its product (Figure 12).

**Figure 12: Mix Map Model of Retail Outlets and Market Coverage**

![Mix Map Model of Retail Outlets and Market Coverage](image)
STRATEGIES FOR DANCALL

Dancall has decided on the following short- and long-term goals and strategies in accordance with the mix map models illustrated previously:

1. **Short-term objectives**:
   - To produce a digital quality, low cost mobile telephone, manufactured at the cost of £50, wholesaled at £75, and retailed at £100. Price is the major concern at this stage, and Dancall will enter the market using a penetration policy owing to the price competitiveness based on falling entry-level costs, and a wider range of consumer targeted tariffs and services.
   - All advertising and promotion will be targeted towards first-time users who are primarily domestic users. Dancall will use the £6 million Amstrad has promised for advertising, and in order to bring them into the same league as Mercury, Dancall will add an extra £2 million from cash raised in the sale of old stocks. Billboard, radio and newspaper advertising will be the chosen advertising media.
   - Investigate the possibility of concluding a deal with a cellular service provider, where, in exchange for a lower cost handset, Dancall may claim commission on the use of the service.
   - Finalise co-operation agreements with Philips to use their UK distribution network.
   - Conclude contracts with high street retailers, such as Tandy, and also exploit a new medium of mail-order catalogues.

2. **Long-term Objectives**

   - To compete the R&D of lightweight, rechargeable lithium batteries, and investigate the possibility of supplying them to other manufacturers.
   - Use Scotland as a manufacturing base in two or three year's time for these batteries and also mobile phone production. Using the low-cost labour, and given the further prospects for developing advanced technology, this could be
a successful launch pad to serve the growing cellular market in the Asia-Pacific region.
"The MIXMAP Model for International Sport Sponsorship"

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pgs. 187-194


C. Vignali
THE MIXMAP MODEL FOR INTERNATIONAL SPORT SPONSORSHIP

ABSTRACT

This analysis is based upon the dependence of International Sport Sponsorship on the market audit and the individual product class/product form or brand environment.

The MIXMAP model addresses the question of how the marketing mix framework can be used to analyse the competitive standing of a business organisation and how the outcome of this analysis can be translated into practical tactics which capitalise on the organisation strengths. The MIXMAP model was developed as a guide to make this transition from the strategic to the tactical level.

The MIXMAP model begins by categorising the product in the Product Life Cycle Concept and Boston Consulting Group Matrix. This position is decisive for the intensity of the different elements (Product, Price, Promotion, Place) and their different variables.

The use of the MIXMAP model for International Sport Sponsorship enables the sponsor to combine the product and economic environment to decide the intensity of the different elements and their variables. It also simplifies the co-ordination of the different objectives of the marketing mix that are concerned with International Sport Sponsorship. In this way the high degree of complexity of the different decisions involved with the marketing mix and International Sport Sponsorship can be broken down into individual objectives. This will have an influence in the choice of the sponsored sport, if the sport meets the objectives of the marketing mix elements and variables.

A qualitative survey was used to provide an initial check of the theory. The survey approach was a questionnaire to sixty multinationals in Germany, England, Italy and France.
INTRODUCTION

According to estimates by Sponsorship Research International (SRI, 1994) the worldwide Sport Sponsorship industry has continued to grow in real terms over the last decade from around US $ 2 billion in the early 1980s to its current level of over US $ 10 billion, almost a 5-fold increase.

The International Sport Sponsorship involvement of multinationals changed their communication marketing. Whereas in the past the communication mix comprised only of advertising, sales promotion and public relations, International Sport Sponsorship is an additional element of the marketing mix today. The first steps of the International Sport Sponsorship pioneers where characterised by “gut feeling” for promoting something with a promising future. There was neither research for International Sport Sponsorship engagement nor strategic implementation of it.

In the meantime the financial expenditure, for example, the cost of International Sport Sponsorship involvement, pitch perimeter advertising, team sponsorship and event sponsorship, has dramatically increased. We should not forget the fact that theoretical research of strategic implementation is still in its earliest stages. More recently some companies have tried to integrate the element of International Sport Sponsorship into the marketing mix. This has proved difficult without theoretical models (Hitchen, 1994).

INTERNATIONAL SPORT SPONSORSHIP AS PART OF THE COMMUNICATION PROCESS

International Sport Sponsorship does not usually exist in isolation and the ESCA (European Sponsorship Consultants Association, 1994) indicates that the sponsorship which works best was integrated with other marketing activities such as advertising, sales promotion and public relations programmes. International Sport Sponsorship can provide a positive platform for media visibility, additional image shifts, sampling, corporate hospitality, sales force incentives and even industrial relations. For a sponsor to achieve success in its chosen sponsorship requires understanding, strategic
planning, expert targeting and the application of the dedicated professional skills and services, including creative and technical support.

THE FEATURES OF THE MIXMAP MODEL AND THE IMPLEMENTATION FOR INTERNATIONAL SPORT SPONSORSHIP

The MIXMAP model was developed in 1994 by Vignali, Davies and Schmidt of the Department of Retailing and Marketing at the Manchester Metropolitan University. The model was created due to the lack of congruence between marketing strategy and tactics of marketing concepts of multinationals. It is the intention of the MIXMAP model to simplify the co-ordination of the different elements and their variables of the marketing mix in order to make the important objectives and targets more obvious. As McDonald (1992) emphasised it is the "two dimensional" thinking behind the matrices that helps to simplify complex situations and clarify the relationship between the variables and elements of the marketing mix. It follows that altering one variable or element of the mix automatically has an impact on another.

International Sport Sponsorship is a complex variable of the marketing mix and contains numerous sub-variables which have to be co-ordinated and regulated. Against this background of complexity, the MIXMAP model has the potential to co-ordinate the different instruments that are involved with International Sport Sponsorship and to integrate International Sport Sponsorship into the marketing mix. That idea has resulted in transfer of the MIXMAP model into the segment of International Sport Sponsorship.

The use of the MIXMAP model for International Sport Sponsorship enables the sponsor to combine the product and economic environment to decide upon the intensity of the different instruments. This will have an influence on the choice of the sponsored sport as well as the actual performance of the contracting sport, to control the extent to which it meets the objectives of the marketing mix elements and variables.

The idea of placing the product into different models is not new. What is new is the consideration of the strategic level and the tactical level in the area of International
Sport Sponsorship as well as the establishment of different variables through specific research for International Sport Sponsorship.

FUNDAMENTAL PRINCIPAL OF THE MIXMAP MODEL

The MIXMAP model begins by categorising the product in different fundamental models such as the Product Life Cycle Concept/Boston Consulting Group Matrix. This position is decisive for the intensity of the different elements (Product, Price, Promotion, Place) and their different variables. The MIXMAP model transferred into the area of International Sport Sponsorship is the combination of strategic and tactical elements and research as shown in the MIXMAP model triangle below:

Figure 1: MIXMAP Model Triangle

Strategy ← Tactics

Research

The element of research:
The research element has different instruments to achieve various objectives which can be summarised as follows:

- “Where do I stand in the marketplace?” and
- “Where do I want to be?”

The elements of strategy can be analysed through:

- The Product Life Cycle Concept
- The Boston Consulting Group Matrix
The elements of tactics can be analysed through:

- Different elements and variables that are mapped in matrices
- The elements and the variables and the relevant values which are received through different methods of research

The research element for International Sport Sponsorship has different methods such as Existing Research vehicles, Syndicated tracking surveys, Omnibus surveys and the Ad-hoc surveys to meet the various objectives. On the one hand research is the connecting link between the strategic and the tactical elements and on the other hand the basic materials for both points of perspective. These different qualitative surveys for International Sport Sponsorship entail collecting information from the relevant individuals or organisations by directly asking questions on the issues of interest. These survey approaches are different in comparison to the most common quantitative methods of evaluating the International Sport Sponsorship involvement in the past. These were, and still are, linked in practice to evaluating the number of recordings and length of media exposure and comparing this to the equivalent cost of rate card advertising (Parker, 1991). This approach was questioned by Ukman at the 5th National Sponsorship Conference and reported in Dwek (1993) as follows:

"We are still evaluating sponsorship in terms of take offs instead of landings – it's a qualitative not a quantitative thing".

The MIXMAP model starts by placing the product of a multinational which is involved in the International Sport Sponsorship process, in order to monitor the situation of the profitability. For this reason the following models will be implemented:

- Product Category Life Cycles and the
- Boston Consulting Group Matrix

In using the PLC concept it has to be considered that the PLC can describe a product class (soft drinks), a product form (Cola), or a brand (Coca-Cola as a soft drink). In order to follow the MIXMAP model the user has to decide the main objectives of the
International Sport Sponsorship engagement (product-class, product form or brand). By identifying the stage that a product/brand is in, or may be headed towards, companies can formulate better marketing plans. After considering the main objectives (brand or product related), the application should classify the variable into the PLC to get the starting point of the strategic level mapping of the MIXMAP model.

In order to understand the characteristics of the MIXMAP model an example product class will be placed (indicated by a black star – see Figure II) in the growth stage because it has the features described above. This is the starting point for the following positioning.

The MIXMAP model is followed by the positioning of the product in the Boston Consulting Group Matrix (BCGM). The BCGM developed and popularised the growth share matrix shown in Figure II with the market growth rate on the vertical axis indicating the growth rate of the market in which the sponsorship related product operates in.

The process of the MIXMAP model schedule is to transfer the position of the variables from the PLC to the BCGM.

Having explained the main features of the BCGM, the position in the PLC can be transferred in the BCGM. In our case the example product is positioned in the star square. This position after the PLC is the second strategic level in the MIXMAP model concept.
Figure II: The MIXMAP-process

Strategy

Tactic

Objective

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The strategic positioning can be summarised as follows:

After looking at strategic mapping, we now know that the product promoted by International Sport Sponsorship has the following features:

- The PLC implements the growth stage in a certain time period, which means an increase in profit and sales
- The star position in the BCGM highlights the market growth and high market share.

The tactical mapping follows the strategic mapping. For the purpose of tactical mapping, the selected variables are initialised by the implemented marketing research. As a result, the High/Low axes remain constant throughout the application of the MIXMAP model. As Vignali (1994) said: "Congruence between strategy and tactics is indicated where related elements and variables are consistently placed in the same quadrant". Furthermore, the quadrant would correspond to the quadrant in which the product is positioned if the mapping technique is applied using strategic framework of the PLC and the BCGM. It is proposed that such a matched result in a consistent message is likely to enhance the probability of achieving strategic objectives. In contrast, a mismatch infers incongruity between the strategic and tactical level, resulting in a contradictory message to the consumer, with many of the marketing measures taken neutralising each other out.

The tactical level is based upon the idea of using the results of the research in a double meaning in the following way:

- The variables are the axes of the different matrices
- The values of the research are the indicators of the level in the matrices (high/low)

In our case it will be assumed that the results of the quality research identified the following elements and variables of the marketing mix (see Figure II) as the most important ones for the promoted product. Product (Quality/Brand), Price
These categorisations will be used to set up different matrices (see Figure II). Additionally the research delivers the suitable data of the company performance for the different elements/variables in order to position the level of this performance in the different matrices. The following examples will explain the operation of the tactical MIXMAP model.

The first matrix shows the product element and combines the variables of quality and brand. Research data placed the example product in the high quality and brand range. This reflects the high quality of the product and the high recognition of the Brand. It can be concluded that the example product is known as a well-recognised quality product.

**Quality:** Product quality  
**Brand:** Brand awareness

Secondly, the element of price with the variables discounts and level will be analysed. The product examples are placed in the high price and high discount square. It can be concluded that the product is being traded at a high price, with the opportunity for the retailer to obtain high discounts.

**Level:** Price level relative to the market  
**Discounts:** Opportunity to obtain discounts

The third stage in the tactical mapping is the consideration of the element place with the variables outlet no. and locations. The research results place the example product in the high outlet no. and high location square, due to the extensive distribution channels in the country. It can be concluded that the product has a high rate of ubiquity.

**Outlet No:** Number of outlets relative to the market  
**Location:** Geographical spread
Promotion is the last examined variable to be examined. Compared with the other International Sport Sponsorship variables it is categorised by more intensive mapping than for the other elements.

At first the variables Advertising and Sponsorship will be mapped on a tactical basis. These two variables should be connected in order to make the consumer aware of the International Sport Sponsorship engagement. The example product is placed in the high/high square which conveys the integration of the International Sponsorship into the advertising instruments and the high expenditure for advertising and International Sport Sponsorship.

*Advertising:*  
Budget relative to market

*International Sport Sponsorship:*  
Budget relative to market

After the tactical mapping process it is possible to characterise the product and the variables that are related to the product with the following features:

- Product has a high Quality and a high level of Brand
- Price has a high level as well as the opportunities for retailers to receive high discounts
- Place is secured by a high rate of ubiquity
- Promotion is implemented through a high level of TV and Press presence of the Product
- The advertising and sponsorship budget is relatively high in comparison to the market.

Furthermore it is possible to analyse the product and the suitable variables in more depth, in using actively the research data in combination with the marketing mix. The MIXMAP model considers the marketing mix as a flexible modular system which encourages the user to combine the different variables with each other. This means for example that the variable Sponsorship can also be analysed in a matrix with Public Relations or Sales Promotion, if the research data requires such examination. The
more data that can be implemented into the MIXMAP model framework the more features can be discovered in the product and in the product environment.

Finally, the research data can even control the set objectives for the International Sport Sponsorship engagement. Different qualitative surveys implemented by the Durham University Business School/Witcher (1991) and the Sponsorship Research International (SRI, 1994) analysed that International Sport Sponsorship is mainly implemented by multinationals in order to achieve the following objectives: Media exposure (TV/Press), Direct increase in sales, increase of company image/awareness, entertainment of opinion/former customers. The positioning of the research data into the different matrices on the objective level (see Figure II) will have different advantages for the user. First he can control the result of the strategy and the tactics because the strategy and the tactics have been set up to achieve the set objectives. Secondly, he can work the MIXMAP model from the objective level to the strategic level up, which will give him the opportunity to set the variables that are necessary for achieving the objectives.

The following matrices have been set up to monitor the set objectives for the International Sport Sponsorship engagement. There is at first the level of Image and Awareness, the two main sub-variables for most companies involved in Sport Sponsorship. Also, in this matrix the demonstration product is in box 2 which translates the high Image and the high Awareness of the product.

*Image:* Company image

*Awareness:* Customer awareness of the company

Two other important reasons for International Sport Sponsorship are the sub-variables of the direct influence on sales of doing Sponsorship and the corporate image. Both variables are especially difficult to measure because of the different influences that are involved in image transfer and buying process. Nevertheless, the example product is placed in the high/high range which shows the high level of direct sales that are connected with the engagement in International Sport Sponsorship and the influence of International Sport Sponsorship on the corporate image.
Sales: Level of sales relative to market

Corporate Image: Customer opinion of company

International Sport Sponsorship can also have functions that are indirectly connected with the end user of the product. This is shown in the next matrix which compares the level of importance of doing International Sport Sponsorship for the entertainment of customers (wholesalers/retailers) and the entertainment of opinion former (press/officials). The producer of the demonstration product places the product in box 2 because he recognises the importance of the sub-variables mentioned above.

Customers: Level of importance of entertainment of customers
Opinion former: Level of importance of opinion former

We can also summarise the process of mapping on an objective level.

- Image and Awareness are very high
- Direct Sales and Corporate Image are high through the engagement of International Sport Sponsorship
- The sub-variables entertainment of Customers and Opinion Former through the International Sport Sponsorship engagement are very high.

After mapping the product/brand at a strategic/tactical level and the analysis we can conclude different results which can be of importance for the following processes:

The main perspective of the MIXMAP model is the continuous setting of objectives through the strategic and tactical levels and the analysis of the objectives. This is based on the idea that congruence between strategy and tactics can only be assured by consistently placing the variables in the same square in the different models. Furthermore the quadrant would correspond to the square the company is positioned in if the mapping technique is applied using the strategic framework of the PLC and BCGM.
This can be of help in co-ordinating the timing of different instruments to be more targeted in using certain elements and variables. Furthermore the intensity of the different variables can be controlled and directed easily.

The MIXMAP model can be helpful in the decision process in carrying out International Sport Sponsorship and the choice of the types of promoted Sport because the potential sponsors know the features that the sponsored sport must fulfil. The mapping process can find an answer to the following questions: “What is the influence of Sport Sponsorship to certain variables?” or “Does the product match the Sponsorship or vice versa?” etc. Because the International Sport Sponsorship engagement is directly related to the stage of the product/price/place and promotion through the positioning in the different matrices, through which the determination of the precise budget is possible. Additionally the MIXMAP framework stresses the use of research because the implementation of the model without research data is not possible. Different analytical research processes are possible through the MIXMAP model settings such as the ad-hoc research which can set benchmarks before the International Sport Sponsorship and afterwards in controlling the influence of the International Sport Sponsorship engagement.

**CONCLUSION**

**Can the MIXMAP model simplify the integration of International Sport Sponsorship into the marketing mix?**

The use of the MIXMAP model as a tool for International Sport Sponsorship enables the sponsor to combine the product-class, brand and economic environment to decide the intensity of the different elements and their variables. It also simplifies the co-ordination of the different objectives of the marketing mix that are concerned with International Sport Sponsorship. In this way the high degree of complexity of the decisions involved with the marketing mix and International Sport Sponsorship can be broken down into individual objectives. This can have an influence on the selection of the sponsored sport or event, if the sponsorship object can meet the objectives of the marketing mix elements and variables.
The author is confident that the MIXMAP model is a useful theoretical and practical approach to help multinationals to improve the quality of the communication process and in this manner the International Sport Sponsorship involvement more effectively and successfully. As McDonald said in his book “Marketing by Matrix” (1992):

“When practical decisions are required in a hard and competitive world, any 'tools' which lead to higher quality outputs are not to be spurned lightly”.
"Introductory Cases"

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M.C.B. U.K. pgs. 49-58


L.Dana & C. Vignali
MCDONALDS IN INDIA

INTRODUCTION

In 1937, Richard and Maurice McDonald opened a tiny drive-in restaurant east of Pasadena, in California. This was the first McDonald’s, and from this new, small business, the two brothers developed food-processing and assembly line techniques.

In 1954, Ray Kroc, a salesman of milkshake mixers at the time, identified an opportunity in this small business; he then negotiated a franchise deal, granting him exclusive rights to franchise McDonald’s across the United States. At a time when other franchising companies sold restaurant and ice-cream franchises for up to $50,000 US, Mr Kroc offered entrepreneurs a McDonald’s franchise for $950 plus a service fee of 1.9% of sales; Mr Kroc kept most, but not all, of the service fee, as the McDonald brothers received 0.5% of sales. Preferring a calmer life, in 1961, Richard and Maurice McDonald sold their shares of this business for $2.7 million.

By the mid 1990s, there were about 10,000 McDonald’s restaurants across the United States, and this was the single most advertised brand name in the nation. Annual advertising and promotion expenditures were $1 billion, and of each three hamburgers prepared in the United States, one was made by McDonald’s.

A concern, however, was that domestic growth was on the decline. During the 1970s, the average annual growth rate for the American fast-food industry exceeded 7%. By the 1980s, the annual growth rate of domestic sales had dropped to below 5%, in 1989, for example, McDonald’s reported that its sales in the United States grew just 4%. As the American market approached saturation, marketing efforts were shifted toward foreign markets.

By 1997, McDonald’s had expanded to about 20,000 restaurants, in over 100 countries. For the sake of comparison, Kentucky Fried Chicken reported to have approximately 10,000 restaurants in about 80 countries. At the headquarters of the McDonald’s Corporation, in Oak Brook, Illinois, the head of the international
operations, Jim Cantalupo, said, "we see big opportunity in most of the remaining
120-plus countries".

INTERNATIONAL MARKETING

McDonald's expanded to Canada in 1967. It soon became the country's fast food
industry leader. By the mid 1990s, Cara operations (the owner of Harvey's and Swiss
Chalet) was approaching annual sales of $1 billion (Canadian); McDonald's Canada
surpassed $1.6 billion in sales during 1994. By 1997, McDonald's Canada operated
almost 1,000 restaurants in Canada, and had become involved in McDonald's in
Russia.

It was in 1971 that the first McDonald's opened in Japan. The location selected for
this new venture was the Ginza, a swinging neighbourhood of Tokyo. Success in
Japan led to increased competition. The Japanese candy manufacturer Lotte, entered
the burger business with its Lotteria outlets. Suntory, Japan's largest distiller of
whisky, penetrated with First Kitchen. Moringa & Co., Japan's leading caramel
business, launched its own fast-food business, Moringa Love. Nevertheless,
McDonald's with its first mover advantage, kept its lead in Japan. By 1997,
McDonald's had over 1,000 outlets across Japan, and these sold more food in Japan
than any other restaurant company.

Despite success in many key markets, McDonald's did encounter difficulties
marketing abroad. In October 1991, a poster illustrating the French celebrity Paul
Bocuse was displayed in 66 outlets across the Netherlands; the problem was that it
showed him with four other French chefs, examining a batch of dressed chickens,
while the caption indicated that the chefs were dreaming of Big Macs. This was
interpreted as an insult to French haute cuisine. Then, McDonald's aggravated the
situation with a letter of apology, in which it was claimed that the internationally
reputed chef was not well known in the Netherlands.

In 1997, it was announced that McDonald's would possibly open up to 2,800
restaurants that year, most of these outside the United States. To maximise the
probability of success, the product line of McDonald's outlets would, in some cases, be adapted to local tastes.

ADAPTING PRODUCT LINE

McDonald's learned that despite the cost savings inherent in standardisation, success is often a function of being able to adapt to an environment. Product lines were constantly evolving, reflecting taste preferences, and potential profitability.

In its early years, McDonald's introduced its vegetarian "Hula Burger" in US markets. Consisting of grilled pineapple with cheese, on a bun, the product was a failure and withdrawn.

In 1980, a number of McDonald's outlets in New York City sold steak sandwiches; however, the product did not prove to be as profitable as others, and it was also discontinued. McDonald's introduced lobster sandwiches in New Hampshire, and bagels in Vermont. Some outlets in Canada made available a Quebec speciality called poutine, consisting of potatoes covered with gravy and topped with cheese curds.

Several adaptations were particularly successful overseas. In tropical markets, guava juice was added to the McDonald's product line. In Puerto Rico, McJustas del Sabor became a favourite. In Germany, McDonald's did well selling beer and McCrissants. Banana fruit pies became popular in Latin America and McSpaghetti noodles became a favourite in the Philippines. In Thailand, McDonald's introduced the Samurai Pork Burger with sweet sauce. Meanwhile, McDonald's in New Zealand introduced the Kiwiburger served with beetroot sauce and optional apricot pie. In Malaysia McDonald's did well with the McRendang and sugar cane juice.

In Singapore, where fries came to be served with chilli sauce, the Kiasuburger chicken breakfast became a best seller. Singapore was among the first markets in which McDonald's introduced delivery. Among the offerings of McDonald's Co. (Japan) Ltd., are: chicken tatsuta, the Teriyaki McBurger, teriyaki chicken, and McDonald's gratin croquet sandwich with deep fried patty of macaroni, shrimp and potatoes.
ADAPTING TO RELIGION

Not only is sensitivity to tastes important, but so is sensitivity to religious needs. In various markets, including Malaysia and Singapore, meat used to make McDonald's Halal burgers comes from animals which have been slaughtered according to Moslem religion which tolerates no pork.

During the mid 1990s, McDonald's caused a major scandal when it printed two million bags illustrating the flags of 24 competitors of a soccer championship. The problem was among the flags was that of Saudi Arabia, containing the religious words: "There is no God but Allah, and Mohammed is his prophet". As explained by Iqbal Sacranie of the United Kingdom Action Committee on Islamic Affairs, it is considered desecrative to have this message on a disposable bag.

THE INDIAN MARKET

Up to the 1990s, India was greatly influenced by parochial conflicts of caste, religion and region. Class mobility was limited, and poverty widespread. The average consumer lacked sophistication, cloth was sold by the year, tealeaves by the kilo, and soap was cut into chunks to be sold by weight.

Technological and regulatory changes, however, transformed society. Significant economic reforms raised GDP growth, while the spread of electricity and technology contributed to industrial output.

Rising literacy along with rising incomes increased the demand for quality. The spread of electricity also increased the demand for electrically operated gadgets; among these is television, a medium used to persuade people to spend whatever money they have. The rise of a new middle class, including 250 million consumers, encouraged PepsiCo to open India's first Kentucky Fried Chicken, in Bangalore, on June 1, 1995. It was expected that McDonald's would follow. Other American firms expressing interest in India included: AT&T, Black & Decker Corp., Frito-Lay Inc., Gillette Co., Jordache Enterprises Inc., Kellogg Co., Levi Strauss & Co., Mattel Inc.,
Morgan Stanley & Co., Motorola Inc., Raytheon Co., Sara Lee Corp., and Walt Disney Co. Even the Coca-Cola Company and IBM, which had both been expelled from India during the 1970s decided to return.

**Diet in Indian Culture**

Eating has long been central to the culture of India, as diet is linked to notions of purity and self-control. Among high castes, meat is regarded as impure, as it could lead to undesirable lust. In Hindu society, meat is often shunned, especially among unmarried women and elders. In contrast, Jews and Moslems in India eat meat, provided that is has been slaughtered according to religious ritual.

**Kentucky Fried Chicken in India**

The opening of India's first KFC franchise in June 1995 angered thousands of people. The corporation had planned to spend $40 million US in India, opening 60 restaurants there, with an average of 50 employees at each location. However, other issues were considered as having greater impact than that of job creation.

KFC would fatten its chicken on maize, the highest-protein cereal which was also the cheapest source of nutrition for the poor. Those people whose maize was being removed were the ones who could not afford KFC food.

The Karnataka (a region in southern India, including Bangalore) Farmers Association, which accused multinationals of harming entrepreneurs, had destroyed the Bangalore offices of Cargill Seeds in 1993; in 1995, the same association claimed that KFC would force small-scale chicken farmers out of business. With 10 million members, this group gained political clout; the association could easily round up 200,000 participants to show solidarity at a single protest.

Indeed, it was argued that KFC would buy chickens from large-scale hatcheries, to the detriment of small-scale farmers. Furthermore, KFC's demand for chicken could affect the demand for chicken feed; grain would be diverted to feed chicken, while peasants would be hungry.
To protect its interests, the Karnataka Farmers Association distributed a leaflet warning of "chemically poisoned meat" which it deemed carcinogenic. Accusations against KFC's franchise in Bangalore, resulted in government intervention. The health ministry announced that KFC chicken contained excessive quantities of monosodium glutamate (MSG). The KFC outlet then lost its permit.

Despite problems with its Bangalore store, PepsiCo Restaurants International proceeded to open another KFC, this one in Delhi. Here, health inspectors found flies in the kitchen, and the municipal health commissioner ordered the KFC outlet’s license revoked on the grounds of unsanitary conditions.

**Competitive Environment**

There are literally countless restaurants in India – 20,000 in Delhi alone. Most fast food, in India, comes from dhabas, which are roadside stands. Food is good, but often covered in flies, and utensils may be crusty. Since 1984, the British chain, Wimpy's, has been a leading fast-food chain in India. Also important, is Nirula’s, the first Indian fast-food chain, serving Indian meals, half of which contain no meat. This is important, considering that 80% of the population in India practice Hinduism, a religion for which the cow is sacred. A branch of this religion, the Jain sect, is opposed to killing all living beings.

**NIRULA’S**

This company was started by Mr L.C. Nirula and his brother Mr M. Nirula, both originally from Lahore, when the city was still in India, prior to the creation of Pakistan. The brothers moved to New Delhi, and in 1934 they created Nirula’s, a restaurant with a 12-room hotel. Later, they expanded with a cabaret. During the 1950s, Nirula’s introduced fast-food burgers and chips (fries).

Lalit and Deepak Nirula, the sons of the founding brothers, left India to study in New York State. They attended the Cornell University School of Hotel Administration, and upon their return, they elaborated Nirula’s menu, adding Indian food and 21
flavours of ice cream. They trademarked a logo with pink and white – almost identical to Baskin Robbins. A favourite here, is zafrani badaam pista ice cream, a pungent blend of almonds, pistachio and saffron.

Nirula’s grew to include 10 locations in New Delhi, feeding 40,000 people daily. Uniformed employees prepare curries, pizza, tandori chicken, mutton-burgers and sandwiches. Other popular dishes include dal (a lentil dish) and matar paneer (a mixture of cheese and peas). The chain also internationalised by opening three outlets in Nepal.

Nirula’s caters to an eclectic crowd. Sari-clad women eat the vegetarian dishes, side by side their children eating “western” meals. Annual sales are estimated to approach $25 million US. As huge international chains penetrated the Indian market, Nirula’s began promoting itself heavily. It even embarked on joint-marketing campaigns with Lee (jeans).

MCDONALD’S IN INDIA

In a country whose half a million cattle are respected, people drink hot milk with sugar, and milk with tea. They use milk to make lassi, a yoghurt-based beverage, and they eat milk in the form of cottage cheese called pannier, but beef is not meant to be eaten here. Legislation has been introduced such that possession of beef could result in five years of prison.

While many cattle roam freely, others pull ploughs on farms. Some pull wagons on the streets. Yet others are harnessed to threshing machines. Their dung is dried and burnt as a household fuel. Wisely, McDonald’s decided that it would not be serving any beef in India. For many, this was not enough of a concession.

Maneka Gandhi, the daughter-in-law of the late Prime Minister Indira Gandhi, is considered to be India’s foremost vegetarian. Her dozen dogs are reported to have a purely vegetarian diet, consisting of biscuits. According to her, McDonald’s in India will need the meat of 5,000 animals daily – almost two million lives each year.
This raised various issues: On what would these feed ... on the maize for the poor? If the animals were to graze, this would destroy more forests. According to Mrs. Gandhi, goat-herders were killing off tigers in this crowded country. She complained that McDonald's was not about to plant trees; she also expressed concern about sustainable development, and concern with regards to the cruelty involved in slaughtering animals.

In March 1994, the Delhi High Court closed the Idghah slaughterhouse, Delhi’s only legal abattoir, citing cruelty to animals and the lack of hygiene as well as the dumping of untreated waste. Prior to that time, 13,000 buffaloes and goats were killed here every day, and much of the meat was exported.

In the outskirts of this city of eight million inhabitants, entrepreneurs set up illegal abattoirs attracting vultures to an area which crosses flight paths to the international airport. Birds became the cause of emergency landings.

Eventually, Idghah was allowed to re-open, but with a quota of 2,500 killings per day. Might this have an impact on available supply for McDonald's?
MATRIX MARKETING AND MIX MAPPING FOR ANY SITUATION

INTRODUCTION

This bridging article reinvestigates the marketing literature and reviews present methods of the application of marketing concepts to clarify where the stumbling blocks for practitioners lie. The conclusions from this review are used to propose a new framework for the congruent mapping of marketing mix elements and variables at both the strategic and tactical level.

THE MARKETING MIX – A HISTORICAL REVIEW

In the Macmillan Dictionary of Retailing, Baron, Davies & Swindley (1991) define the retail marketing mix as “Those activities that show similarities to the overall process of Marketing, requiring the combination of individual elements”. This definition closely resembles traditional definitions of the marketing mix given by well-known marketers from Levitt (1970) to Kotler (1983). Also in this tradition, Czinkota (1993) gives the following definition of the marketing mix “A Complex of Tangible and Intangible elements to distinguish it in the Market Place”.

It was after the Second World War that Cullotin originated the ‘P’ philosophy of marketing, proposing a long list of P’s which typified Profit, Planning, Production etc. and which stood for the key activities of running a business. It was his view that one could differentiate between a ‘sales orientated’ and a ‘manufacture orientated’ company, by examining the amount of emphasis given to the different ‘P’s’. Thus the idea and eventually practice of a marketing orientated company emerged. Macarthy (1976) further developed this idea and refined the principle to what is generally known today as the 4 ‘P’s’:

Product,
Price,
Promotion,
Place (Distribution).
More recent work by other marketeers has further increased the number of ‘P’s’ to be included, resulting in a list not too different from Cullotin’s original. The service marketing literature (Bitner, 1990; Coller, 1991) also further extends the marketing mix, broadening the traditional four ‘P’s’ into the 7 P’s of services by adding Physical Evidence, Participants and Process, thus including all elements an organisation can control in order to satisfy its target market. In contrast, Jones and Vignali (1993) add an ‘S’ for Service which should be included as an essential basic element of the marketing mix.

**Strategic Framework and Tactical Application**

The development of the marketing mix as a conceptual model provides the historical background for the development of a deeper understanding of the practical tactical implications of the use of this concept as a framework for strategic analysis and decision-making. This article addresses the question how the marketing mix framework can be used to analyse the competitive standing of a business organisation and how the outcome of this analysis can then be translated into practical tactics which capitalise on the organisation’s strengths. The MIXMAP model developed as a guide for making this transition from the strategic to the tactical level is intended to serve as a means by which purists can become practitioners and finally use the ‘P’s’ in their every day environment, thus developing further Cullotin’s philosophy of ‘Business by Practical Marketing’.

The mapping process is covered in depth by Kotler (1993). As shown in Figure 1, a cross axis map is developed for one of the factors under consideration.

**Figure 1: The Mapping Quadrant**
The operationalisation of High and Low levels of two variables relating to the factor is defined and they are held constant for the purposes of the strategic mapping exercise. Marketeers have used variations of this quadrant model as a technique to develop and explain many a marketing problem through a practical viewpoint:

a) The Boston Group Matrix/Share Matrix  
b) The Ansoff Matrix  
c) The McDonald view on Porter's Competitive Strategy  
d) Kotler's Brand Perception, are but a few examples.

Whilst a variety of aspects of strategic analysis are covered; throughout the literature, there has been no application of the quadrant model to the practical tactical use in the marketing mix.

This is largely due to a widespread confusion between mix variables and mix elements. Kotler (1993) defines mix variables as "A set of controllable factors that a firm can use to influence the buyers response". These are different from mix elements which can be regarded as the traditional 4 P's plus S (Jones & Vignali, 1993). It is only when a company maps its elements using the quadrant model and the relevant correct variables that it can effectively determine its tactics which in turn will define the strategy it intends to adopt. Alternatively it can take the strategy as the starting point from which to develop the tactics most likely to succeed in achieving company objectives. It is this mapping process which is facilitated by the MIXMAP model developed below.

Tactics and strategy are not in question. The correct mapping of the marketing mix is! The lack of understanding of the distinction between mix variables and elements and their incorrect use is the reason for confusion among practitioners. This confusion has resulted in practitioners questioning their own activities.

This article advances the proposition that much of the confusion encountered by practitioners is due to the lack of congruence in strategy and tactics. The cause of this is often found in an incorrect match of elements and variables due to the absence of a consistent mapping framework which would ensure such congruence.
It must be conceded that this intuitive application of the MIXMAP mapping framework is very much a first step in testing out the model. Group discussions reflect the managers' subjective view of their companies. The operationalisation of the variables relies on a shared view instead of clear definition. However, the value of this approach lies in the superior inside knowledge of the company managers have, especially at the tactical level.

Based on the two cases, their positioning is detailed in the following models.

**Tactical Level Mapping**

For purposes of tactical level mapping, the variables are operationalised by achieving a shared group understanding. Following that, the Hi/Low axes remain constant throughout the application of the MIXMAP model, as explained by Loudon (1993). By using any combination of variables, a company’s position can be plotted.

**4 P’s**

The MIXMAP quadrant model for product positioning is shown in Figure 2. The example indicates the variables selected as most crucial determinants of company control over the element ‘Product’ are ‘Quality’ and ‘Branding’, and for the other ‘P’ as indicated.
From this exercise we can plot a company and competitors positions within a matrix.

Price MIXMAP

Promotion MIXMAP

Place MIXMAP

NB  M  =  McDonalds India
     K  =  Kyrgyz
Strategic Level Mapping

The proposition of congruence between tactical and strategic position is a necessary condition of success. From the discussion it emerged that McDonald's and Kyrgyz have very different strategic approaches. An assessment of the degree of congruence between strategic (BGM; McDonald/Porter) and tactical indicators (MIXMAP) we seem to have the answer to why some companies are perceived as being a successful marketing operation, while others for all their efforts are not.

BGM

<table>
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<th>Market</th>
<th>Growth</th>
</tr>
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<tbody>
<tr>
<td>Hi</td>
<td>Hi</td>
</tr>
<tr>
<td>M</td>
<td>K</td>
</tr>
</tbody>
</table>

Low

Market Share

McDonald/Porter Model

<table>
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<tr>
<th>Differentiation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hi</td>
</tr>
<tr>
<td>M</td>
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<tr>
<td>K</td>
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</tbody>
</table>

Low

Cost Leadership
CONCLUSIONS

The re-examination of the marketing mix, the establishment of the difference between mix elements and variables; plus the development of a proposition of the MIXMAP model which can be used as a tactical level planning tool in conjunction with established strategic level models such as the BGM and the McDonald/Porter model; has proved a great help to marketing practitioners. The MIXMAP approach enables them to revise their perceptions and to redefine their activities. However, whilst the model approach clearly has a great deal of face validity and practical appeal, it should now be subjected to more rigorous testing. The first step towards this aim would be a more clearly defined operationalisation of the variables, drawing on the literature. This will allow a broader testing of the proposition that marketing success is linked to the congruence between strategic and tactical level positioning of a company’s activities (as depicted via the BGM matrix and McDonald/Porter’s model on one hand and the MIXMAP model on the other). In this the success of the companies’ marketing activities will be evaluated using a basket of criteria, including turnover growth, market share and a number of financial ratios.

Hence, McDonald’s India and the Kyrgyz Kazakhstan Companies can be plotted within the matrices, so as to indicate a possible strategic pattern, which should be followed, if success is the main criteria.
INTRODUCTION

The Kazakhs were for centuries, if not millennia, a people of self-employed entrepreneurs par excellence. They roamed a vast terrain of desert and mountains, and they lived off their capital, breeding and raising livestock for a relatively comfortable subsistence, while accumulating considerable wealth in the process. Under Soviet rule, resistance to collectivism was perhaps the strongest here, more so than anywhere else (with the possible exception of Kyrgyzstan).

Yet, Kazakhstan was the last formerly Soviet republic to leave the U.S.S.R. (in December 1991), and there was much concern about the long-term future of the new country. Unlike Estonia, Latvia and Lithuania, which had experiences of independence prior to Soviet occupation, Kazakhstan never before existed as an independent nation. There were doubts as to whether the republic would embrace a Western-style market system. The September 1991 issue of The Economist suggested that conditions in Kazakhstan were such that secularism might fall to Islamic fundamentalism.

Instead, Kazakhstan has been an example of successful transition to an open, capitalist economy, consistent with the traditional cultural values of the Kazakh people. There are, of course, what one might be described as growing pains, as individuals readjust to a changing system; yet, in contrast to what might be the case elsewhere in the C.I.S. (and especially in central Asia), traditional small business has been rekindled, foreign direct investment has been welcomed, and long-term prospects are looking good.

Few secondary sources discuss the Republic of Kazakhstan. Therefore, this report is the result of exploratory field research conducted on location in this emerging economy, using ethnographic methods.

People in Kazakhstan were generally eager to talk about the environment in their country. Having been conditioned to line up (for almost everything) under Soviet rule, some Kazakhs were willing to form a queue to express their views.
It would be misleading, however, to suggest that research in Kazakhstan is easy. Extreme caution is warranted for a foreigner conducting research here; Westerners are sometimes viewed as walking wallets, i.e. easy targets. Muggings are common, and struggles between rival gangs result in shootings on the streets. The author was robbed, in a bank, by bank personnel.

One must neither count on police for protection, nor for co-operation. In fact, the author was harassed by drunk policemen identifying themselves as KGB, one of whom sexually assaulted the research assistant.

It is also worth noting that Kazakhs are very fond of spitting. People feel free to spit as often as they like, everywhere they like. Much care is required to keep one's journal or one's clothing spit-free.

**Cultural Heritage**

Craziest repression of central Asia during imperial times prompted popular support for the social democratic revolution which hinted at self-determination for the region. However, Jewish and Moslem locals were deliberately excluded from the regional government which was set up in Tashkent. This allowed the Bolsheviks to seize control of central Asia, in November 1917.

Hoping to obtain some political power, the indigenous people would try their luck with the Communist Party. Yet, they did not really adopt communism as an ideology, as it was not compatible with their cultural belief system. While economically deprived peasants in rural Russia were happy to rid themselves of feudalism, this was not an issue in central Asia where trade along the ancient silk route had brought prosperity to capitalist territory.

Greed on the part of the Red Army (which requisitioned food) reinforced hostility against communism and resulted in support for a new alternative, pan-Turkic nationalism. Lenin's response was to hire Enver Pasha, son-in-law of the Caliph, to
pacify the area. An over achiever, Enver Pasha, attempted instead to create his own empire.

In 1924, a Soviet border commission implemented a policy of divide and rule. New republics were invented by the stroke of a pen, including the Uzbek Soviet Socialist Republic in 1924, the Kirghiz Soviet Socialist Republic in 1926 and the Tajik Soviet Socialist Republic in 1929. The Turkmen Soviet Socialist Republic was formed in 1934, and the Kazakh Soviet Socialist Republic was carved out of Russia in 1936.

Embarking on a vast program of social engineering, the Soviets closed over 25,000 mosques in central Asia. Whereas the Arabic alphabet was that used in the region, the Soviets legislated Cyrillic to replace it. Such changes took place relatively peacefully, but the transition to collectivism did not. The collectivisation of land, which had begun in 1928, evolved into a tragic trauma as Kazakh herdsmen slaughtered their livestock rather than surrender them to collective farms. In 1933, 32 million animals were thus wasted, including eight million cattle and horses. The other 24 million animals were goat and sheep.

**Change**

Only 25% of the Kazakhs survived the new regime. The Soviets introduced social engineering, repopulating the land with prisoners from across the U.S.S.R.

After World War II, the Politburo in Moscow attempted to transform the Kazakh Soviet Socialist Republic into a bread basket. Wheat was planted, but the plan failed as the semi-arid steppe (covering 49% of the world’s tungsten) could not support long-term farming.

The Soviets then decided to use the country as a missile testing range and nuclear test site. Between 1948 and independence in 1991, atomic bombs were exploded here, at an average of one every three weeks.
The Soviets also tried to impose cotton-growing in central Asia. For this, however, they needed water, and so they diverted the rivers which once flowed into the Aral Sea, in order to irrigate land for cotton.

The Aral Sea was the largest body of water between the Caspian Sea and the Pacific Ocean. It was home to a couple of dozen species of fish, and 60,000 fishermen derived their livelihood there from.

A problem however, was that by diverting the rivers which fed the Aral Sea, the sea was deprived of replenishment, and since 1960, it has lost 70% of its volume. The only fish in the Aral Sea are dead ones, leaving the 60,000 fishermen unemployed. The former sea bed became a salt desert from where winds pick up salt and sand; up to 150 million metric tonnes of salt and sand are then dumped on once-fertile land. The irony is that by diverting rivers in the attempt to improve soil productivity, the ecosystem has been altered and fertile farmland is being contaminated by the residue of a disappearing sea.

**Reform and Development**

In 1990, Kazakh replaced Russian as the official language and independence followed on December 16, 1991. The republic then embarked on a program of comprehensive privatisation and extensive liberalisation. In December 1994, the law on Foreign Investments introduced incentives for foreigners, and unpublished sources of the Ministry of Economy indicate that by 1995, 2,000 joint ventures had been created. By the time a new customs code liberalised trade in July 1995, the monthly rate of inflation had fallen to 2%.

Over 100 banks came to operate in Kazakhstan. These included Agroprom Bank; Ailm Business Bank; Albaraka-Kazakhstan; Alembank; Alfa Bank; Alkom Bank; Almaty Trade-Finance Bank; Altyrn-Dan Bank; Aralecobank; Asia Kredit; Asiaturbank; Bank of Texas and Kazakhstan; Ilan Bank, etc.
Transportation infrastructure also developed well with several airlines replacing the Aeroflot monopoly. These included Aeroservice, Kazakhstan Aue Zholy, Luftbiuke and Sputnick.

Kazakhstan became the envy of many, and thousands of Kazakh families opted to emigrate from Iran, Russia, Turkmenistan and Uzbekistan, back to their motherland. In 1996, Kazakh President Nursultan Nazarbayev announced that up to 4,000 Kazakh families would receive financial assistance to move back to Kazakhstan.

**Emphasis on Enterprise**

The Tax Code of July 1, 1995 specifically decreased the tax burden of entrepreneurs. At the time, there were 32,186 small firms in Kazakhstan, providing 330,000 jobs. (These are unpublished data provided by the Congress of Entrepreneurs, 597 ul. Seifullin, Almaty).

Given that small enterprises in Kazakhstan tended to be concentrated in trade and intermediary activity, new laws attempted to promote small-scale industry in agriculture and food processing; banking; construction; consumer goods; furniture production; glassware production; light manufacturing; medical tools and pharmaceuticals; paint and varnish production; primary wool processing; sewing items; and sheepskin tanning and colouring. Today, Kazakhstan is a world leader in the export of pomegranate juice.

Micro-enterprise was also allowed to evolve with minimal interference. Unofficial vendors board passenger trains to sell beer, milk and other snacks. Along sidewalks, individuals set up tables and sell limited assortments of goods. Prices are a function of time, cost, negotiating skills and the apparent wealth of a potential customer.

**The Market**

In 1996, the Republic of Kazakhstan was home to 16.4 million people, 57% of whom were urban dwellers. The population growth rate was 0.7%, the slowest in central
Asia, and extremely favourable when compared to that of Tajikistan (2.8%). Only 31% of Kazakhstan was under 15 years of age, compared with 43% in Tajikistan.

Despite fears that Islamic fundamentalism could take over the nation during the early 1990s, this seems highly unlikely in the near future. During Soviet rule, the Moslems were reduced to a minority (of 41.9%), outnumbered by Russians and Ukrainians; although many Russians have departed for Russia, Kazakhstan is still a multi-cultural society with Belarussians, Germans, Jews, Koreans, and Tatars among others. The nation is thus relatively less Moslem than the other central Asian republics, and religion is not a major concern here. Nor is the military. Kazakhstan is the world’s fourth nuclear power only because the Soviets felt the country’s million square miles of steppe (90% of the surface area) were ideal for placing nuclear warheads.

A veritable priority for the state has been the ambitious privatisation program. Perestroika is vividly visible here. In contrast to the Soviets who attempted to industrialise Kazakhstan in a frenzy, the post-independence government has welcomed foreign capital, technology and expertise to co-operate in a co-ordinated development effort. Chevron has already signed an agreement to extract oil, and British Gas has expressed interest as well.

Tourism is starting to be developed. Some railway stations operate komnaty otdykh, inexpensive rooms in which to spend a night. Hotels and restaurants are sprouting around the country, and service has been improving. Unlike other formerly Soviet republics, Kazakhstan has a good supply of energy. Unlike other airlines which are often grounded due to fuel shortages, Kazakh Air is managing well.

Commercial stores identified as Kommercheski Magazin offer imports from the West while Chinese merchandise is available at the markets. In Almaty (known as Verney under Russian rule), one finds hundreds of traders from China. In Chorgos (eastern Kazakhstan), a Chinese bazaar has been set up.

All the above is not to suggest, however, that Kazakhstan is a paradise. Many people complain that the worst of Western values have been imported, including crime and
racketeering. Most respondents complain of government corruption, greed and unemployment.

It should also be mentioned that Soviet bureaucracy survives, to some extent; however, this is seen as providing jobs for otherwise useless individuals. Regulations exist, but rules are bent. The law stipulates that the “tenge” is the legal tender currency, but in practice, the U.S. dollar is used with equal ease. Unlike the situation prevailing in neighbouring countries, there is no black market here.

Although the central Asian republics were treated by the U.S.S.R., as if they comprised one homogenous group, it is important to distinguish important differences among the different countries of this vast region. Kazakhstan alone covers an area equal to that of Western Europe (or half that of the continental United States).

A comprehension of history and cultural differences might enhance predictions for the future. While the Tajiks (Indo-European in origin, with an Iranian language) might be said to emulate Iran, the Kazakhs (of Altaic stock with a Turkic language) appear more interested in economic success, than in religion.

Despite decades of imposed communism, horses once again roam freely among Kazakh shepherds tending their flocks and drinking fermented mare’s milk. Nearby, at the Baikonur Cosmodrome of Kazakhstan, satellites are being sent into orbit, at prices ($1.5 million per launch) considerably less than the $70 million being charged by NASA.

While some ex-Soviet republics are blaming their present on the past, Kazakhstan is focusing on the future. In contrast to the situation elsewhere, local cultural values in Kazakhstan are compatible with capitalism and with the re-emerging entrepreneurial spirit. As other republics may look at religious fundamentalism for leadership, and yet others yearn for a return to power of the Communist Party, Kazakhstan is keen on entrepreneurship, innovation and change.
"An Entry Strategy Report for Dairy Crest in Germany: A Theoretical Application of Matrix Marketing"

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pgs. 384-393

C. Vignali, D. Vrontis & M. Vignali
AN ENTRY STRATEGY REPORT FOR DAIRY CREST IN GERMANY: A THEORETICAL APPLICATION OF MATRIX MARKETING

BACKGROUND

Trade

Germany has become the largest country in Europe since the unification in 1990 which brought about 16 million new consumers in the former German Democratic Republic.

Import of yoghurt by country, 1989, 1993:

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</tr>
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<td>71.8</td>
<td>89.1</td>
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Source: Euromonitor

Key Economic Indicator

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<td>+6.3%</td>
<td>-1.3%</td>
<td>0.5-1%</td>
<td>6-8%</td>
<td>1.1-1.5%</td>
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<td>-0.2%</td>
<td>+1.2%</td>
<td>-0.1%</td>
<td>0--1.0%</td>
<td>0-1%</td>
<td>0--1.0%</td>
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<td>-0.7%</td>
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<td>-1--2%</td>
<td>0--1%</td>
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<td>+15.0%</td>
<td>-3.3%</td>
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<td>-11.1</td>
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<tr>
<td>Imports</td>
<td>-10.6%</td>
<td>3.6%</td>
<td>-11.3</td>
<td>1.5-2.5</td>
<td>2-4</td>
<td>1-2</td>
</tr>
<tr>
<td>Consumer price</td>
<td>3.5</td>
<td>8.0</td>
<td>4.1</td>
<td>about 3</td>
<td>4-5</td>
<td>about 3</td>
</tr>
<tr>
<td>Unemployment</td>
<td>-</td>
<td>-</td>
<td>8.9</td>
<td>-</td>
<td>-</td>
<td>10</td>
</tr>
</tbody>
</table>

Source: EIU Country Report
1993 saw the sharpest downturn in the German economy since the Second World War. Unemployment increased by about 500,000, inflation rate went over 4%, GDP and private consumption became both negative.

The major reason for this development was the world-wide recession and the implications of the unification process in 1990. After the heavy upraise in the demand figures following 1990, the inflation rate and the money supply increased dramatically.

This was also mainly caused by the created purchasing power after the exchange of the former East German currency to the DM at a one-to-one rate. Rising interest rates and a strong DM caused the break-down of the EMS-system and lowered exports. The necessary funds to finance the recovery of the new countries in East Germany were raised by increasing taxes with its implications on private consumption.

**Outlook**

Although it follows countries like the USA and the UK in about 1 - 1.5 years in economic trends, the recovery of the economy can be recognised.

The annual inflation rate fall to 3.4% mid-January, although since the 1.1.94 a significant increase in the fuel-tax took place. Exports have risen slightly, caused by a weaker DM against the major currencies. The main problem will be the further cuts in interest rates, which could be lowered by a weak DM and the further fall of disposable incomes in Germany. The reasons for this are as follows:

- higher unemployment (forecast 1994: 10%)
- lower unemployment benefits
- shorter working hours in exchange for less money (e.g. Volkswagen AG)
- higher tax on fuel since 1.1.94
- reintroduction of the solidarity income tax in 1995
• higher contributions to pension insurance
• new insurance for nursing care likely
• Germany's support for EU's proposal for an EU-wide CO2 Energy tax
• DM 400 bn new debts at the 1.1.95 (THA) with the effect of about 35bn increasing budget spending
• rise in wages will not meet the inflation rate
• average exchange rate: DM 2.54 = £1

Consequently a slight decrease in private consumption will be realistic. Another problem can arise when the election of the new government in December 1994 takes place. The popularity of the company-orientated CDU and FDP fall sharply especially in "East-Germany". This could bring a new government by the SDP.

Internal Analysis

The internal audit examines the company's own resources and supplies suggestions as to the company's strengths and weaknesses.

Principal Activities of Dairy Crest

The principal activities of the company are trading in and manufacture, transport of milk and dairy products.

In our study we will concentrate mainly on dairy products.

By this date, the situation of the company saw another encouraging financial performance.

It has achieved a significant improvement in profits and sustained the momentum of their extensive programmes of corporate restructuring.
It is throughout a focused strategy direction, a stronger market orientation and a higher level of operating efficiency that the company achieved its actual position.

**Dairy Crest Dairy Products**

The fresh dairy product markets - yoghurts, fromage frais and chilled desserts - continues to enjoy strong growth in the domestic market - now worth over £670 million and increasing by 13%.

It was the fastest growing dairy sector last year, making it one of the most dynamic food markets in the UK. The market is expected to continue to show substantial growth.

Thanks to a very strong working partnership with Yoplait SA, Dairy Crest have had a very successful year. In fact, Yoplait SA is contributing to the volume and market share growth of Dairy Crest.

In this expanding market, we can safely say that Dairy Crest is strongly positioned in the fastest growing segments.

The Yoplait brands led by Petits Filous are market leaders in fromage frais and fruit yoghurt.

In the drinking yoghurt sector, Yop achieved market leadership by the end of the year.

Friij became the major brand in the UK milk shake market.

The company have also broadened its balanced product portfolio by entering the adult dessert market. The company, as well as expanding its branded business, is looking with major retail customers to develop products under their labels (see Hedley, 1982).
### Matrix of the Product Portfolio of Dairy Crest:

<table>
<thead>
<tr>
<th>competitive position</th>
<th>traditional</th>
<th>innovative</th>
</tr>
</thead>
<tbody>
<tr>
<td>weak</td>
<td>milk</td>
<td>mousse au chocolate</td>
</tr>
<tr>
<td></td>
<td>natural yoghurt</td>
<td>Ile flottante</td>
</tr>
<tr>
<td></td>
<td>cream</td>
<td></td>
</tr>
<tr>
<td>strong</td>
<td>fromage frais</td>
<td>milk shake</td>
</tr>
<tr>
<td></td>
<td>petits suisses</td>
<td>drinking yoghurt</td>
</tr>
<tr>
<td></td>
<td>fruit yoghurt</td>
<td></td>
</tr>
</tbody>
</table>

**Research and Development**

One of the key dynamics in this market is product innovation. This is an area of particular strength for Yoplait Dairy Crest access to a wide range of product developments supported by competitive manufacturing operations.

As a result, 15 new products have been introduced over the year, ranging from fruit on the bottom fromage frais to more sophisticated adult desserts like Ile Flottantes. That is a key element of the strategy of the company. It aims at growing its business, adding value to it as products and services and focusing in their new products. It has also launched a variety of new products and worked closely with their customers to develop their products.

Once again the Yoplait Dairy Crest joint venture has enabled the company to establish a firm base. It has been allowed to develop its share of the expanding fresh dairy products market. Yoplait Dairy Crest will become an increasingly important contributor to future profit growth.
The developing relationship with Yoplait SA will strengthen the progress towards the positioning of Dairy Crest as a leading UK dairy food company with a significant European position.

**The External Analysis**

The external analysis covers the market and its direct competitive environment. The market analysis tackles the competition and the 4 P’s. The competitive environment analysis is based on the five forces concept of M. Porter (see Porter, 1980). That is to say: supply and demand, and the parallel markets - substitute products and potential entrants.

**The Market Structure**

*Consumers*

East Germans consumed less yoghurt than their West German neighbours. Although the consumption per head in Germany is the third among the European countries, it registered the fastest growth during the last four years.

**Per head consumption:**

<table>
<thead>
<tr>
<th>Kg</th>
<th>90</th>
<th>91</th>
<th>92</th>
<th>93</th>
<th>% change 90/93</th>
</tr>
</thead>
<tbody>
<tr>
<td>West Germany</td>
<td>10.4</td>
<td>11.9</td>
<td>12.2</td>
<td>13.3</td>
<td>25</td>
</tr>
<tr>
<td>East Germany</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>15.2</td>
<td>15.9</td>
<td>16.2</td>
<td>16.4</td>
<td>8</td>
</tr>
<tr>
<td>Netherlands</td>
<td>18.9</td>
<td>21.1</td>
<td>21.8</td>
<td>22.5</td>
<td>20</td>
</tr>
<tr>
<td>Spain</td>
<td>7.9</td>
<td>7.7</td>
<td>8</td>
<td>8.3</td>
<td>5</td>
</tr>
<tr>
<td>Denmark</td>
<td>7.8</td>
<td>7.9</td>
<td>7.8</td>
<td>8</td>
<td>2.5</td>
</tr>
<tr>
<td>Belgium</td>
<td>6.6</td>
<td>6.9</td>
<td>7.2</td>
<td>7</td>
<td>1.5</td>
</tr>
</tbody>
</table>

*Source: ZMP Review*
Frequency of consumption is relatively high with around two thirds of the population at least once a week:

Overall trends influencing patterns of consumption include:

- the increase of popularity of healthy food
- an increase of readiness to experiment with the new foods
- a tendency toward gourmet food
- among some sectors of the population, increased awareness of price and convenience factors

Consumer analysis reveals that yoghurt is eaten above all:

- by the young, with almost 50% of consumers being under 40
- the product also appeals particularly to females
- yoghurt consumption increases the family size and income
- typical yoghurt consumers tend to practice sport, to be fashion conscious, interested in culture and open-minded.
- the main criteria of quality perception is the taste - 44% of interviewed
  - then, the fat content - 27% - and creamy - 12%.

The main pattern of consumption moment appears to be between meals. Fruit yoghurt are associated with dessert and non-fruit yoghurt are consumed like “complement” - for breakfast with muesli.
Occasion of consumption:

<table>
<thead>
<tr>
<th>%</th>
<th>fruit</th>
<th>non-fruit</th>
</tr>
</thead>
<tbody>
<tr>
<td>breakfast</td>
<td>13</td>
<td>20</td>
</tr>
<tr>
<td>between meal</td>
<td>60</td>
<td>49</td>
</tr>
<tr>
<td>work place</td>
<td>13</td>
<td>15</td>
</tr>
<tr>
<td>dessert</td>
<td>45</td>
<td>25</td>
</tr>
<tr>
<td>after dinner</td>
<td>21</td>
<td>19</td>
</tr>
</tbody>
</table>

Source: Euromonitor

Ready desserts are most popular with working women and students, and in households with children.

The number of Germans consuming dairy products outside the home is increasing (35% in 1992). The products consumed most frequently away from the home are fruit yoghurt and plain yoghurt. The main place of consumption is at work, on picnics or travelling and at sports events.

Competition:

While there are around 400 manufacturers of dairy products in Germany, most have only a regional presence.

The following list gives the main dairy concerns which have a particular importance in the white line sector.
Main dairy concerns:

<table>
<thead>
<tr>
<th>name</th>
<th>location</th>
<th>employees</th>
<th>turnover DM</th>
<th>market share %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bauer</td>
<td>Wasserburg</td>
<td>350</td>
<td>350</td>
<td>1.8</td>
</tr>
<tr>
<td>Ehrmann</td>
<td>Oberschonegg</td>
<td>250</td>
<td>300</td>
<td>1.5</td>
</tr>
<tr>
<td>Gervais Danon</td>
<td>Munich</td>
<td>610</td>
<td>432</td>
<td>2.2</td>
</tr>
<tr>
<td>Molkerei</td>
<td>Gutersloh</td>
<td>300</td>
<td>140</td>
<td>1</td>
</tr>
<tr>
<td>Nestle</td>
<td>Frankfurt</td>
<td>15348</td>
<td>5020</td>
<td>25.6</td>
</tr>
<tr>
<td>Nordmilch AG</td>
<td>Zeven</td>
<td>999</td>
<td>875</td>
<td>4.5</td>
</tr>
<tr>
<td>Oetkerfood</td>
<td>Bielefeld</td>
<td>1240</td>
<td>1708</td>
<td>8.7</td>
</tr>
<tr>
<td>Sudmilch AG</td>
<td>Stuttgart</td>
<td>1240</td>
<td>1509</td>
<td>7.7</td>
</tr>
</tbody>
</table>

Source: EIU Marketing in Europe

Based on industrial economic concepts, the set of manufacturers can be divided into three groups: the criteria of selection are the turnover, number of employees and relative market share.

- **Group 1:** represents those with less than 3% of market share, a wide diversity of companies with regional coverage and family owned structure - potential take-overs.

- **Group 2:** represents those between 3% and 9% of market share; the number of companies is decreasing. That group can have a relative weight in the evolution of the market.

- **Group 3:** represents those with more than 9%. The only one - Nestle constitutes the real competitor of Dairy Crest with large capacities for defensive actions and trade barriers.

The main products of Bauer, a family owned firm based in Wasserburg, are yoghurt, and soft and semi-hard cheese, under the Bauer label. While the range consists of
some one hundred products, yoghurt remains the main line. Its best success story was the launch of the 250 mg yoghurt pack in 1975. Dairy products account for 55% of a total turnover of DM 350.

The Munich based **Gervais Danone** group is one of the main German arms of the French BSN Group. Among the group’s products are natural cheese, quak, drinking yoghurt and other yoghurt products. The group operates with three factories in the country.

The family owned **Muller** group has an important promotional budget - about 10% of turnover - using professional sportsmen. Muller’s main products are yoghurt, kefir, rice puddings and other milk based specialities; the company claims 45% of the buttermilk and 70% of the kefir markets.

**Nestle Deutschland AG** was formed recently to incorporate virtually all the German subsidiaries of the Swiss multi-national. The main brands are Nestle, Chambourcy, Lunebest, Der milde, Elite, Barenmarke and Gluchlee. Nestle advertising budget was to rise to DM 227 in 1991, the increase being in part a reflection of a move in the Eastern market.

**Nordmilch AG** is a co-operative jointly owned by 35 dairies. The company’s white line products are sold under the main brand name Milram and the Oetker label. Nordmilch leads the German market for spiced quarks preparations with a share of 75%; it has also 19% of the sweetened quark desserts market, produces 9% of the German condensed milk and 8% of the creme fraiche sector.

The family owned **Oetker** group is active in a large number of activities - drinks, food, shipping. Oetker’s main dairy product is ready desserts. It concentrates on premium products, where it claims a market share of almost 70%. While Oetker abandoned the low calorie sector, it says it may re-enter the sector in the future. Among its latest launches is the 200 mg Frutchzauber, a fruit/dairy mixture. In creme frais, Oetker claims a market share of 57%.
Molkerei has a third of its turnover coming from discounted second brand lines and exports. Exports go mainly to the Benelux countries and France while the company has an agreement of licensing in Korea and India. Some DM 2 million annually devoted to promotion, of which 85% is on point of sale promotion, printed media and local radio. The firm moved to a national distribution with the historic core in East Westfalia. The company launches innovative products such as fruit-nectar Molke, Dreikorn, bio-fruit yoghurt without added sugar and vitamin yoghurt with added calcium. Strochmann argues that the national distribution is most likely to succeed for clear innovation; only ten Strochmann products are likely to be distributed nationally, while the remaining 30 are sold locally.

Sudmilch is owned mainly by the dairy co-operatives which supply it with milk in Eastern Germany, Sudmilch sells a range of products, above all fruit yoghurt. The company agrees to collaborate with the former East German VEB Kombinat Milchwirtschaft Dresden and owns 40% of the joint venture, Sachsenmilch. It is Germany’s largest dairy exporter with 25% of the production. The company’s main brands are Landliebe, Fruttis, Biobest, Fruchtkornble/Fruit basket, Emmi and Puddis. Fruttis is claimed to have 5% of the domestic market, and Emmi is second in the premium yoghurt sector.

Competitors analysis allows the mapping of competitors positioning:
Place:

There are over 70,000 outlets in Western Germany which stock a full range of dairy products.

Number of outlets selling dairy products:

| Grocery stores | 4000 |
| Superstores    | 4000 |
| Discounters    | 7000 |
| Supermarkets   | 4000 |
| Other          | 55000|
| Department stores | 400 |
| Of which:      |      |
| Karstadt       | 150  |
| Kaufhof        | 73   |
| Hertie         | 62   |
| Horten         | 50   |

Source: Euromonitor

Superstores, hypermarkets and discounters have all been gaining market share. The discounter Aldi alone is believed to account for some 25% of the market in volume.

Product:

Yoghurt pack sizes of between 100 mg and 250 mg are the most popular.

Environmental awareness has had a significant effect on packaging with cardboard containers for yoghurt increasingly replacing plastic.

Light products using sugar replacers look set to expand their share of the market. Manufacturers are increasingly making yoghurt with organic ingredients and fruit sugar sweetening.
The sectors of the German yoghurt market can be classified using the Ansoff Matrix:

<table>
<thead>
<tr>
<th>Product market</th>
<th>new</th>
<th>existing</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>frozen yoghurt</td>
<td>bio yoghurt</td>
</tr>
<tr>
<td></td>
<td>soya yoghurt</td>
<td>luxury yoghurt</td>
</tr>
<tr>
<td></td>
<td>drink yoghurt</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Greek style fruit yoghurt</td>
<td>long life yoghurt</td>
</tr>
<tr>
<td></td>
<td></td>
<td>children’s yoghurt</td>
</tr>
<tr>
<td></td>
<td></td>
<td>mousse</td>
</tr>
<tr>
<td></td>
<td></td>
<td>diet yoghurt</td>
</tr>
</tbody>
</table>

The different sectors are not in the same stage of the PLC: the following PLC gives their respective position.

**PLC for yoghurt market in Germany**
Promotion:

Expenditures on media advertising of yoghurt rose substantially in 1989 and is now closer to its proportional share of total sales in the white line sector.

Advertising expenditure on dairy products:

<table>
<thead>
<tr>
<th>DM mn</th>
<th>91</th>
<th>92</th>
</tr>
</thead>
<tbody>
<tr>
<td>milk</td>
<td>9.2</td>
<td>8.4</td>
</tr>
<tr>
<td>yoghurt</td>
<td>32.1</td>
<td>39.4</td>
</tr>
<tr>
<td>sour cream</td>
<td>3</td>
<td>3.2</td>
</tr>
<tr>
<td>desserts</td>
<td>12.4</td>
<td>18.7</td>
</tr>
</tbody>
</table>

Source: Euromonitor

Spending is the greatest in the Spring with some 40% of the total falling in March and April. Spending is the lowest around New Year and in the Summer.

Price:

Prices have fallen even though high demand in 1993 helped push prices upwards.

Prices of dairy products:

<table>
<thead>
<tr>
<th>prices DM</th>
<th>91</th>
<th>92</th>
<th>93</th>
</tr>
</thead>
<tbody>
<tr>
<td>plain yoghurt 150 mg</td>
<td>3.31</td>
<td>3.33</td>
<td>3.32</td>
</tr>
<tr>
<td>cream dessert 125 mg</td>
<td>0.54</td>
<td>0.54</td>
<td>0.54</td>
</tr>
</tbody>
</table>

Source: Euromonitor
Retail prices of leading brands (1993):

<table>
<thead>
<tr>
<th>specialities</th>
<th>mousse</th>
<th>mg</th>
<th>DM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nestle</td>
<td>2x75</td>
<td></td>
<td>1.59</td>
</tr>
<tr>
<td>Oetker</td>
<td>fruchtzauber</td>
<td>200</td>
<td>1.69</td>
</tr>
<tr>
<td>Lunebest</td>
<td>dickmilch</td>
<td>500</td>
<td>1.29</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Yoghurt</th>
<th>mousse</th>
<th>mg</th>
<th>DM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Onken</td>
<td>biogurt</td>
<td>500</td>
<td>2.99</td>
</tr>
<tr>
<td>Onken</td>
<td>drinking yoghurt</td>
<td>500</td>
<td>1.99</td>
</tr>
<tr>
<td>Bremerland</td>
<td>biogarde</td>
<td>250</td>
<td>1.19</td>
</tr>
<tr>
<td>Zott</td>
<td>cream yoghurt</td>
<td>150</td>
<td>0.99</td>
</tr>
<tr>
<td>Bauer</td>
<td>yoghurt</td>
<td>250</td>
<td>0.99</td>
</tr>
<tr>
<td>Danone</td>
<td>fruchtzwerge</td>
<td>6x60</td>
<td>1.75</td>
</tr>
</tbody>
</table>

Source: Euromonitor

Marketing Objectives and Strategy

Dairy Crest should consider Germany as a key element to a further expansion in the Central Europe countries.

Objectives

A market penetration strategy in three different sectors of the German yoghurt market could be planned.

<table>
<thead>
<tr>
<th>Product</th>
<th>new</th>
<th>existing</th>
</tr>
</thead>
<tbody>
<tr>
<td>new</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>existing</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Ansoff Matrix

According to the PLC we have chosen three sectors either in the growth stage - drinking yoghurt - or in a process of re-launch - fruit yoghurt.

- Drinking yoghurt with YOP
- Fruit yoghurt for children with Petits Filous
- Fruit yoghurt for adults with Yoplait

Steps For Market Penetration

The following programme is a futuristic view:

Step 1 and 2

over the first year: introduction - 1
penetration and growth - 2

Step 3

leadership in the different sectors chosen over the two next years - 3
Boston Group Matrix

Tactics

To establish the tactics in the different sectors of the yoghurt market, the MIXMAP concept is used. Although more elements in the MIXMAP can be used, we do not perceive the need to use added elements to the four traditional P’s. However, we would like to focus on building a positive image for our own products in that new market. To do so we use an “S” added to the four P’s: Service. Tactics are based on a push and pull strategy; we would like to create a demand either to incite consumers to buy thanks to advertising or to assure a presence in their shelves granting an attractive margin to the retailers.

Product

For the three sectors, we launch a product in a value for money position with a high quality. We offer a small range of flavours: strawberry, vanilla and natural. The quality is an important variable to create a consumer confidence for our new product. We concentrate the range of our flavours in the most attractive ones to guarantee a successful launch (see consumer analysis).
We set a relatively low level of prices in the market compared with our competitors' products - the value for money position. We use pricing slightly below the price of our competitors to attract the consumers for a same level of quality. To assure a wide presence in the shelves, we offer a substantial discount for retailers - push and pull strategy.

We would like a national coverage with a high selection of our distributors to associate a good image to our new products.

Although we concentrate the distribution of our products in few retailers - supermarkets and hypermarkets - distribution channels will be characterised by big orders. That tactic takes into consideration the growth of superstores (see place in market analysis) and the desire to have a high ratio of order quantity per outlet.
Promotion

We invest in advertising to introduce our products in that new market. We maximise our budget and campaign by a selection of few media.

Segments

Drinking Yoghurt

The target consumer for that innovative product is a young population - under 30 - with cultural life and/or sport practice. They could be teenagers, students, young workers, young single householders. We would like to associate to our product the new way of consuming a yoghurt easily - to drink it.

Fruit Yoghurt - Adult

In that sector, the target is under 45, employed - for the consumption at work. We would like to communicate an image of healthy worker, balancing his food to face everyday tasks - “fruit yoghurt with breakfast cereals to have a good start”.

Fruit Yoghurt - Children

We disassociate the purchaser and the consumer. Our first target is the consumer, with kids having a dynamic life - for example sports. Our second target is the purchaser; we would like to touch families - especially the mothers - we want them to have a healthy image of our products so that they can buy it for their children.
Proposed Future Developments

General Points

Expected results are presented through three charts. For the three charts, incomes are represented by a curve: the slope is increasing more sharply during the first two years than the last one - the marginal increase is decreasing.

Total costs are constituted by variable and fixed costs. With economies of scale, the total cost does not follow a line and the slope is decreasing.

The different percentages of all the sectors are calculated thanks to the Boston Matrix presented in the objectives.

Fruit yoghurt for adults

We base our expected results on market share target - we consider that the global turnover is the product of quantity by price. We would like to attain the break-even point between the first and second year of presence in the fruit yoghurt sector for adult.
Fruit yoghurt for children

The projected market shares for fruit yoghurt for children are higher than fruit yoghurt for adults because competition is lower and the segment we have chosen in that sector is wider.

Our innovative product, and the lack of strong competitors allow us to occupy a significant market share in that sector. The following objective will be to expand the total market of the drinking yoghurt.

Finally, this case is a theoretical development of what the authors could see happening if a major company adopted theory to practice. In no way do the authors wish to indicate that the company has proceeded along the lines presented. All materials used have been available in the public domain and referenced accordingly.
Appendix 1

Analysis of yoghurt consumer - Verbruacher analysis:

<table>
<thead>
<tr>
<th>% of pop.</th>
<th>all Germans</th>
<th>ate daily</th>
<th>other eaters</th>
</tr>
</thead>
<tbody>
<tr>
<td>like sport</td>
<td>46</td>
<td>54</td>
<td>51</td>
</tr>
<tr>
<td>interested in dieting</td>
<td>26</td>
<td>32</td>
<td>28</td>
</tr>
<tr>
<td>brand important</td>
<td>48</td>
<td>52</td>
<td>47</td>
</tr>
<tr>
<td>attention to health</td>
<td>75</td>
<td>81</td>
<td>76</td>
</tr>
<tr>
<td>weigh regularly</td>
<td>56</td>
<td>63</td>
<td>59</td>
</tr>
<tr>
<td>like cooking</td>
<td>52</td>
<td>60</td>
<td>56</td>
</tr>
</tbody>
</table>

| frequency | | | |
| sev. times a day | 1.6 | | |
| daily | 12.9 | | |
| sev. times a week | 8.3 | | |
| 1/2 a month | 22.4 | | |
| never | | | |

Product range by shop style:

<table>
<thead>
<tr>
<th>#</th>
<th>average in line</th>
<th>% of all lines</th>
<th>% of turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>superstore</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>yoghurt, cheese</td>
<td>94</td>
<td>0.7</td>
<td>1.6</td>
</tr>
<tr>
<td>other dairy</td>
<td>30</td>
<td>0.2</td>
<td>1.3</td>
</tr>
<tr>
<td>hypermarket</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>yoghurt, cheese</td>
<td>146</td>
<td>0.6</td>
<td>1.2</td>
</tr>
<tr>
<td>other dairy</td>
<td>40</td>
<td>0.2</td>
<td>0.9</td>
</tr>
<tr>
<td>discounter</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>yoghurt, cheese</td>
<td>35</td>
<td>2.3</td>
<td>1.2</td>
</tr>
<tr>
<td>other dairy</td>
<td>11</td>
<td>0.7</td>
<td>1.5</td>
</tr>
</tbody>
</table>

Suggested length of time in shop:

<table>
<thead>
<tr>
<th>days</th>
<th>shops</th>
<th>retail centres</th>
<th>total distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>plain yoghurt</td>
<td>16</td>
<td>4</td>
<td>20</td>
</tr>
<tr>
<td>plain yoghurt without preservatives</td>
<td>8</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>fruit yoghurt</td>
<td>16</td>
<td>4</td>
<td>20</td>
</tr>
<tr>
<td>cream dessert</td>
<td>8</td>
<td>4</td>
<td>12</td>
</tr>
<tr>
<td>cream milk pudding</td>
<td>16</td>
<td>4</td>
<td>20</td>
</tr>
</tbody>
</table>

Source: Euromonitor
BASS PLC. – AN ASSESSMENT, EVALUATION AND RECOMMENDATIONS
OF THEIR STRATEGIC APPROACH IN ENTERING FOREIGN BEER

MARKETS

BASS PLC – HISTORICAL BACKGROUND

Bass had been known until 1979 as Bass Charrington and was a product of the brewery mergers, which were fashionable in 1960’s. The basic lineage was the United Breweries of Northern England, Tennents in Scotland, Charrington & Co in the South-East, Bass Ratcliff & Gretton of Burton on Trent and Mitchells and Butlers based in the West Midlands.

Bass did not pursue a policy of automatically closing down all its local and smaller regional breweries, although some (such as Atkinsons) had been closed prior the creation of Bass. It did however rationalise the sourcing of its products to increase throughputs of brands it intended to develop nationally; most noticeably, Carling Black Label. Bass’ early policy was to use the Tennents brand in Scotland, Bass as a near-nationally-available traditional bitter, Carling as its main lager brand and Worthington as a nationally available keg beer.

Under the chairman of Sir Derek Palman the business concentrated on consolidating its brewing activities together with careful diversification. By 1970 it could claim 25% market share and, as a result had to concentrate on organic growth because of the interest
it was attracting from the Monopolies and Mergers Commission. In the early 1970's a large group purpose built brewery was commissioned at Runcorn in Cheshire. When it opened in 1974 it led to the closure of small breweries in the London area. However in 1978 Bass had forecast that by 1982, its existing brewing capacity would be fully utilised: with this in mind, further capacity was added in 1979 when Bass purchased Alton brewery, with its annual capacity of ¾ million barrels, from Harp Lager. In addition Bass re-invested heavily in modernising its older plants such as Burton-on-Trent, and Cape Hill, Birmingham. However during this period, unlike competitors who pursued a policy of building fewer but much larger breweries, Bass retained 13 breweries, believing that locally and regionally based ales were best brewed and marketed on a local basis.

In 1998, Bass is a UK leading leisure group operating in hotels, leisure retailing and branded drinks. Across these three business areas and in countries across five continents, Bass applies four specialist skills: the provision of hospitality, food, drinks and electronic entertainment.

Bass has achieved good trading results in 1997. Earnings per share rose by 10.1% and Bass’ management is recommending a final dividend of 19.2 pence per share. This makes a total dividend of 27.5 pence per share for the year; an increase of 10.0% on 1996. Particularly strong results were produced by Bass Taverns managed pubs (leisure retailing group) and by Holiday Hospitality (hotels group) (Bass Plc, 1998).
The company is operating on a European and international scale, however its primal efforts are currently concentrated on a national basis. In export markets Bass Beer Worldwide was down against a very strong first half in 1997, partly as a consequence of the strength of sterling, and partly due to lower Hooch volume. Taken together, these adversely impacted the result by approximately 3 million pounds.

Bass Brewers generated an operating cash inflow of 36 million pounds against a 28 million in 1997, with net capital expenditure of 13 million higher at 63 million, reflecting in past the cost of the Carlsberg Tetley Burton brewers and capital expenditure on a new national distribution centre (Bass Interim Results, 1998: 5).

**BASS BREWERS**

Bass Brewers brews beers and alcoholic beverages nationally and internationally. Key Note (1997), outlines that brewing currently accounts for 32% of Bass turnover. Its brands include Carling Black Label, UK's No. 1 beer in both on- and off-trade draught, and Tennent's Scotland’s leading lager. It has a strong portfolio of premium beers, including Caffrey's Irish Ale and Carling Premium, and leads the flavoured alcoholic beverage sector with Hooper's Hooch.

This case study will be based on Bass Brewers, which is included within the company’s Branded Drinks sector. It will focus specifically on the beer sub-sector for the European market.
BASS BREWERS - OVERSEAS

Bass Beers received its second consecutive Queen’s Award for Export in August 1997, for achieving a 34% annual increase in overseas sales in 1995/96; in the year under review a 55% increase in overseas sales was achieved. Strategic assessment for Bass, (1993), underlines that Bass is the UK’s greatest exporter of beer. Over 80 overseas markets across five continents, 60% of the world’s beer market, are now served by Bass including the USA, where Bass ale is the fastest growing of the top ten imported beers (Vrontis, D. 1998: 79).

Its products represent many individual success stories. One particular international triumph has been Hooper’s Hooch, launched in 30 countries worldwide in its first year of existence.

Through Caffrey’s Irish Ale and Hooper’s Hooch, Bass Brewers has proved conclusively that it can not only create imaginative new products, but also establish them as solid successes in the marketplace. Caffrey’s won the ‘New Product of the Year’ ITV Award in 1996, and was also named as the brand most publicans would like to stock. Hooper’s Hooch in lemon format proved itself such a year-round favourite that the company also launched orange, blackcurrant and apple flavours.
Progress was achieved in Czech Republic and China but these markets remain very competitive (Bass Interim Results, 1998: 5). The planned merger of the three Czech breweries, in which Bass Brewers holds a controlling interest, will put even greater energy behind national and international brands with a great brewing pedigree, such as Prague Breweries' Staropramen.

However Bass, like other UK brewers, considered international expansion on the brewing front as problematic. Overseas markets were not used to UK type beer, shipping quantities of beer was expensive, margins on selling beers abroad were half those in the home market, the advertising and marketing costs to establish a brand were enormous and the UK expertise in canning limited compared with, for example, the US.

**THE CURRENT STRATEGY OF BASS PLC.**

Strategy forms a comprehensive master plan stating how the corporation will achieve its mission and objectives. In undertaking the strategic plan companies aim to maximise competitive advantage and minimise competitive disadvantage. This should be performed after considering the overall context in which the company is operating.

In identifying Bass' current strategy in the European market, the first strategy to consider is Ansoff's product/market expansion grid.
In terms of the product development strategy, Bass lacks and it is not widely spread. Only 10% of Bass' sales revenue is made up of products that have been created within the last five years and nearly 70% of Bass Brewers' beer turnover now comes from the top seven brands. This is contradicted by its current strategy, which is to increase market share of industry profits and generate cash by introducing new products (Bass, 1997: 24).

Bass is using a market penetration strategy where it successfully managing existing brands creatively in order to capture and expand market share (Bass, 1996). This is enhanced through an aggressive marketing communication strategy where the company is successfully trying to encourage its current customers to buy more per period, attract its competitors' customers as well as convince nonusers of its products to start using it. This is supported by a 10 million pounds marketing investment in 1998 (Bass, 1998). ‘Our strategy is to grow our core brands and capitalise on their market power, and to improve further our productivity, so that we can find new growth opportunities while retaining our competitive market position’ (Bass, 1997: 24).

In terms of market development, the company is trying to export its successful UK based products. It does that successfully and the company has internationally achieved a 45% increase over three years (Bass, 1996). However, this is not made as widely as possible, something that concentrates most of the company's activities in the UK.

Further, Michael Porters' (1985) Generic Strategies, is an ideal model to be used in order to identify Bass' route of achieving competitive advantage.
Bass aims to increase its profit and market share within the European beer market by using differentiation focus strategy. Bass is trying to achieve this by further segmenting the market and identifying narrow target markets. This enable Bass to serve its narrow strategic market more effectively than competitors (differentiation by offering something special and/or premium) whilst at the same time offering global products to minimise total costs and gain high average returns. This is illustrated in figure 1, where lower costs in diagram (b) may offer companies a greater margin than diagram (a) where companies bear more costs.

**Figure 1 a & b: Achieving lower cost for achieving higher margins**
It is an entrepreneurial strategy (Mintzberg, 1990) driven by the vision of Bass’ chairman Sir Ian Prosser, and implement by its skilled managers and fulfilled by the ‘essential’ as they call them people (Bass, 1998).

Mintzberg states that strategy formulation is not necessarily a rational and continuous process. He believes that rather than being consciously and systematic developed, in practice ‘a realised strategy can emerge in response to an evolving situation’ (Mintzberg, 1978).

Bass follows an intended strategy where a structured and planned strategy is prepared right from the beginning by top management. However, Bass knows that this intended strategy might not be the end result. For this reason top management within Bass is prepared to make appropriate alterations and adjustments in order to keep in line with any changes in the demanding and aggressive market place.
Bass adopt a logical incremental approach where full strategy is not written down in any one place. The processes used to arrive at the total strategy are typically fragmented, evolutionary, and largely intuitive. Although one can usually find embedded in these fragments some very refined pieces of formal strategic analysis, the real strategy tends to evolve as internal decisions and external events flow together to create a new, widely shared consensus for action among key members of the top management team.

After looking and identifying Bass Breweries’ main overall strategy it is now appropriate to analyse the industrial context in which Bass operates. This will enable us assess the validity of its strategy.

**SITUATION ANALYSIS - AN ENVIRONMENTAL SCANNING**

Analysing Bass’ external and internal environment is the first thing that we have to consider. A correct and well-made analysis will enable us to get a clear picture of the industry in which Bass operates, as well as indicate its internal capabilities. The scanning of the environment will identify Bass’ major internal strengths and weaknesses as well as industry’s opportunities and threats. This will facilitate an effective evaluation of Bass’ current strategy in foreign markets.
**Assessing and Understanding the Nature of the European Brewing Environment.**

**External Audit**

The external environment consists of variables that are outside the organisation, and form the context within which Bass exists. Analysing the external environment is very important since it will promote us an overall picture and idea of the brewing industry at which Bass operates and compete.

Beer is the predominant alcoholic drink in most of the European countries and has a large share of alcoholic drinks in all markets, reflecting the growing influence of British and American drinks companies (Vrontis, D. 1998: 76). However, Market Research Europe (1996), highlights that competition from non-alcoholic drinks, together with consumer concern over health issues, and drink-driving, have hampered beer demand in general. Moreover, consumers are changing, moving away from traditional “session” drinking to “occasion” drinking, often at home, and are selecting a repertoire of drinks for each kind of occasion. In addition, consumer interest is now stimulated by new product developments, such as ice beers, as well as on premium and luxury products. Furthermore, the market is becoming increasingly concentrated with bigger operations consolidating their shares through acquisitions and licensing agreements.

Johnson and Scoles (1993) identified that one of the biggest problems facing management is the level of uncertainty within the industry. As they said what companies should do initially is to understand the nature of the environment in which they operate. In
approaching this, Johnson and Scoles suggested that this can measure against how
dynamic and complex an industry is.

Daft (1992) has proposed a number of different characteristics of the environmental
domain that can help identify how stable/unstable complex/simple the organisation
environment is.

Figure 2, gives a better overview of how the European beer environmental domain really
is.

The environment is complex with many diverse external elements influencing it. These
could be factors such as competitors, suppliers, government regulations, associations and
legislation. Moreover, it is unstable since environment changes over time, with
competitors react aggressively. (Refer to arrow in figure 2 _______ to see Bass’
environmental domain in competing in Europe and overseas).
**Figure 2: Contingence framework for organisational environment and organisational responses**

<table>
<thead>
<tr>
<th>Stable</th>
<th>Low Uncertainty</th>
<th>Low-Moderate Uncertainty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Change</td>
<td>Mechanistic structure</td>
<td>Mechanistic structure</td>
</tr>
<tr>
<td></td>
<td>Formal, centralised</td>
<td>Formal, centralised</td>
</tr>
<tr>
<td></td>
<td>Few departments</td>
<td>Many departments, some</td>
</tr>
<tr>
<td></td>
<td>No integrating roles</td>
<td>boundary spanning</td>
</tr>
<tr>
<td></td>
<td>Little imitation</td>
<td>Few integrating roles</td>
</tr>
<tr>
<td></td>
<td>Current operations</td>
<td>Some imitation</td>
</tr>
<tr>
<td></td>
<td>Orientation</td>
<td>Some planning</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Unstable</th>
<th>High-Moderate Uncertainty</th>
<th>High Uncertainty</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Organic structure</td>
<td>Organic structure</td>
</tr>
<tr>
<td></td>
<td>Participative, decentralised</td>
<td>Participative</td>
</tr>
<tr>
<td></td>
<td>Few departments, boundary spanning</td>
<td>Decentralised</td>
</tr>
<tr>
<td></td>
<td>Few integrating roles</td>
<td>Many departments</td>
</tr>
<tr>
<td></td>
<td>Quick to imitate</td>
<td>Differentiated, extensive</td>
</tr>
<tr>
<td></td>
<td>Planning orientation</td>
<td>boundary spanning</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Many integrating roles</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Extensive imitation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Extensive planning</td>
</tr>
</tbody>
</table>

**Source:** Adapted from Vrontis, D. 1998: 77

The world beer market was characterised in 1995 by continuing internationalisation and increasing competition, with the saturation of domestic markets posing an ever-augmenting threat to key industry participants. The past two decades have seen an increased commitment on behalf of beer producers to exporting, reflecting the belief that this is an appropriate means of mitigating the stagnation of output on the home front.
Today a few large breweries, the majority of which are European, principally control the global beer market. However, from country to country there remain significant differences with regards to the number and size of breweries; the effect of this on the structure of the overall industry being considerable (Vrontis, D. 1998: 76).

The level of industry concentration varies significantly from country to country. Table 1 below illustrates the competitive structure in each of the main European countries.

**Table 1: Industry Concentration in European Beer Markets**

<table>
<thead>
<tr>
<th>Country</th>
<th>Industry Situation</th>
<th>Number of Major Competitors</th>
<th>Market Share of major competitors (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denmark</td>
<td>Monopoly</td>
<td>1</td>
<td>80</td>
</tr>
<tr>
<td>Holland</td>
<td>Monopoly</td>
<td>1</td>
<td>70</td>
</tr>
<tr>
<td>Italy</td>
<td>Monopoly</td>
<td>2</td>
<td>70</td>
</tr>
<tr>
<td>Belgium</td>
<td>Monopoly</td>
<td>2</td>
<td>85</td>
</tr>
<tr>
<td>France</td>
<td>Monopoly</td>
<td>2</td>
<td>75</td>
</tr>
<tr>
<td>UK</td>
<td>Concentrated</td>
<td>6</td>
<td>80</td>
</tr>
<tr>
<td>Spain</td>
<td>Concentrated</td>
<td>6</td>
<td>88</td>
</tr>
<tr>
<td>West Germany</td>
<td>Fragmented</td>
<td>5</td>
<td>12</td>
</tr>
<tr>
<td>Greece</td>
<td>Concentrated</td>
<td>5</td>
<td>70</td>
</tr>
<tr>
<td>Portugal</td>
<td>Concentrated</td>
<td>7</td>
<td>80</td>
</tr>
</tbody>
</table>

*Source: Adapted from Vrontis, D. 1998: 78*

### Trends of the European beer market

From mid 80’s to mid 90’s there have been some trends developing in the different markets around Europe.
Northern countries such as UK, Germany, Belgium and Ireland have experienced stagnating or falling beer sales, whilst on the other hand, southern countries (traditionally wine drinking) are experiencing a trend towards beer. The trend to beer in southern Europe can be seen in Spain, Portugal, Greece and Italy, however as Bass claims these markets are small. Table 2 shows beer consumption per capita for individual European countries, which will conclude my short reference at identifying market opportunities for entering the European market.

Table 2: Consumption Per Capita (Litres) For Major European Countries

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>142.5</td>
<td>144</td>
<td>143</td>
<td>138</td>
</tr>
<tr>
<td>Denmark</td>
<td>122</td>
<td>121</td>
<td>120</td>
<td>128</td>
</tr>
<tr>
<td>Belgium</td>
<td>131</td>
<td>121</td>
<td>119</td>
<td>118</td>
</tr>
<tr>
<td>Austria</td>
<td>102</td>
<td>119</td>
<td>118</td>
<td>119</td>
</tr>
<tr>
<td>UK</td>
<td>117</td>
<td>108</td>
<td>110</td>
<td>99</td>
</tr>
<tr>
<td>Ireland</td>
<td>122</td>
<td>105</td>
<td>94</td>
<td>125</td>
</tr>
<tr>
<td>Holland</td>
<td>86</td>
<td>85</td>
<td>84</td>
<td></td>
</tr>
<tr>
<td>Spain</td>
<td>53</td>
<td>61</td>
<td>67</td>
<td>70</td>
</tr>
<tr>
<td>Portugal</td>
<td>38</td>
<td>38</td>
<td>47</td>
<td>68</td>
</tr>
<tr>
<td>Greece</td>
<td>26</td>
<td>34</td>
<td>36</td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>44</td>
<td>40</td>
<td>39</td>
<td>41</td>
</tr>
<tr>
<td>Italy</td>
<td>17</td>
<td>22</td>
<td>26</td>
<td></td>
</tr>
</tbody>
</table>

Source: Adapted from Vrontis, D. 1998: 78

Other trends include:

- Premium ale and lager will continue to improve its market share of a declining beer market.
- Non-alcoholic beer market is growing.
• Wine is an increasing market, and spirits are relatively stable.
• Brewers share of on license premises has decreased.
• Off license share of the total market has increased.

**Identify the competitive forces through a structural analysis.**

After understanding and assessing the nature of the environment, what is now relevant and crucial is to identify the competitive forces through a structural analysis of the industry. This can be done successfully through Michael Porter’s (1985) five competitive forces illustrated in figure 3.
Figure 3: The 5 Power Forces (the brewing industry)

Supplier Power
Importance of Volume

Potential Entrants
International Competition
High Entry Barriers
- Operation scale and scope
- Marketing Expenditure
- Tied Houses
Increased Legislation

Competitors
Increased industry concentration
Static Growth
Branded products
Increased diversification
High exit barriers
Increased cost efficiency

Substitutes
Changing social habits
Greater off license trade
Wine, Soft drinks
Increasing lager consumption vs ale
Changing drinking environment

Buying Power
1) Public Houses
   Low buyer concentration
   Low buyer volume
   Low price sensitivity
2) Customers
   Increasing bran identity
   Low switching costs
   Changing drinking habits
   Price sensitivity

Source: Adapted from Vrontis, V. 1998: 77
**S.T.E.P analysis**

To facilitate a better understanding of the external environment in which Bass operates and competes, it is essential to conduct a S.T.E.P. analysis based on Key Note and Market Research Europe reports. S.T.E.P. analysis includes sociological, technological, economical and political/legal forces.

**Sociological forces**

- The changing population demographics with and particular the increase in the older age groups of 35+ age groups.

- Changing social attitudes towards drinking. These are mainly underlined by increased awareness of drink and driving, increased health awareness, and increased sport activity.

- Trent towards drinking at home.

- The increased fashion status of beer.

- Imported products are easier accepted.

**Technological forces**

- Limited technological innovation.

- Increased automation in the production of bottled and can products particularly of ales.

- Improved process management.

- The introduction of mixed gas delivery of bitter and ale.
Economic factors

- Changes in income distribution.
  - More working women with higher disposable incomes.
  - Expected increases in disposable incomes of older people.
- Increasing expected expenditure on leisure activities.
- Relative price elasticity of demand for beer.
- Fewer, larger brewers.
- High barriers of entry.

Political/legal

- Drinking legislation in relevance to the consumption of alcoholic beverages.
  - Minimum age legislation
  - Tougher drink-driving penalties.
  - Opening hour restriction for pubs, restaurants and clubs in most countries.
- Continuing high levels of taxation and duty on alcohol.
- Monopolies and Mergers Commission. In particular to do with the prevention of further vertical integration by the big breweries.
- Single European Market; Increasing personal imports, both legitimate and those for illegal resale. In 1993 these amounted to almost 4% of the total beer market.
The Internal Environment – Bass. Internal Audit

The internal environment of a corporation consists of variables or elements that the firm uses to pursue its marketing objectives and strategies in the target market. These, known as the marketing mix elements and consists of product, price place, promotion and people are used and adapted as a means of translating marketing planning into practice.

Product

Bass’s branded drinks include Bass brewers and Britvic soft drinks. Bass brewers brew beers and alcoholic beverages. Bass, like the other brewers, attempts to compete in the European beer market at every level. It has a line of successful brands. Its brands include Carling Black Label, Britain’s “number one” beer brand with 50% more sales than its nearest rival and sales over three million barrels per annum or more than 2.4 million pints per day. It has a strong portfolio of premium beers, including Carling Premium launched in the early 1990s, Tennent Scotland’s leading lager which in some places is also sold as ale, Staropramen and Grolsch.

In ale and bitter, Bass produces a strong draught (4% ABV) under the Bass name, which was also made into one of the earliest widget beers. According to Key Note (1997) Bass’ Caffrey’s Irish Ale has broken through as the most outstanding brand, not just in the Bass ales, but in the beer market as a whole.
Bass also competes in the flavored alcoholic beverage sector with Hooper's Hooch where it sells more than a million cans and bottles each week in over 40 countries, satisfying consumer's thirsts, and their appetite for something new (Bass, 1998). Hooper's Hooch is sold in lemon, orange, blackcurrant and apple flavours.

As management of Bass argues '... *Bass offer drinks for every thirst, on every occasion, a taste of tradition and for innovation* ' (Bass, 1997: 7).

**Price**

As with other European brewers, Bass manipulates pricing as a tool to differentiate between its premium and standard brands. As competition in the European brewing industry is so fierce, Bass attempts to keep its prices close to those of its nearest competitors.

**Place**

An investment of 15 million pounds has been made on a national distribution centre at Burton-on-Trent, which will enhance service to customers throughout the UK (Bass, 1997: 27).

Bass has also established joint venture with Exel Logistics, specialists in distribution. Recognising the off-trade as a growing distribution channel, Bass has always placed importance on off-trade outlets, which represent some 20% of their sales (Vrontis, D. 1998: 79).
Promotion

Bass' marketing investment in 1998 is supported by a 10 million pounds, targeting young men with a thoroughly 1990's ironic humour (Bass, 1998).

The company's leading brands are generally supported by humorous television commercials such as Carling Black Label, Tennent's Pilsner and Worthington advertisements. However, it is Bass' high level of sports sponsorship which distinguishes it from many of its European competitors; for example, The Carling Premier League (costs 9 million pounds a year) and Stones Bitter Rugby League Championship keep the brand in front of millions of football fans. Moreover, Bass has created the Carling Internet Side (WWW.fa.carling.com) with over 20 million visits in two years and has recently, sponsored the 1996/1997 football season on 13 local radio stations with the Carling Black Label brand.

Considering the emphasis placed on promotion of a limited number of brands within the portfolio, Bass does not prioritise promotional campaigns relating to its original "corporate brand", Bass Ale. Also, despite high profile promotion in the UK, Bass does not concentrate many of its promotional effort and budget on a European or international scale.
People

Bass' corporate culture is best described as traditional and conservative. Bass' top team consists of a five man executive board with responsibility for the main operating businesses and group functions.

It is a top-bottom approach, where ideas are centralised at the top and further implemented by company's skilled managers and employees.

S.W.O.T. Analysis (Strengths, Weaknesses, Opportunities, and Threats)

After analysing Bass' situation analysis, its major internal strengths and weaknesses as well as external opportunities and threats have emerged. "In conducting a SWOT analysis, the purpose is to capitalise on company strengths, minimise any weaknesses, exploit market opportunities as they arise and avoid, as far as possible, any threats" (Brooksbank R., 1996).

The use of the SWOT analysis, it will also help us evaluate the viability of Bass' current strategy identified at the beginning as well as facilitate us provide appropriate conclusions and recommendations.

Strengths

- Bass has diversified business in branded drinks, leisure retailing and hotels around the world by which it can achieve synergetic co-operation.
• Many successful leading branded products are included in its portfolio.

• Diversified business portfolio reduces the risk of unprofitable beer operations.

• Recent investment in canning facilities enabling exporting of canned beer.

• A huge marketing investment budget.

• A leading brewer company in the UK.

• Good marketing tools and techniques used in the UK.

Weaknesses

• Centralisation of strategies and ideas.

• Not high level of experience in operating in a European or global scale.

• Promotional techniques are limited to a number of brands.

• Marketing and other functional activities and mainly based on a national level.

• Not operating in line with its potential in a European or global market.

• Certain foreign activities are facing challenging conditions.

Opportunities

• Imported beers are easier accepted in foreign markets.

• Increase fashion status of beer.

• Southern countries are experiencing a trend towards beer and they also have lower excise taxes.

• Increasing consumption of premium lager and ale beers particularly in the UK.

• Trend towards drinking at home increased the off trade sector.
• Increase in consumption of beer by older age groups 35+.

Threats

• Increasing number of acquisitions by foreign competitors may be a serious threat for the European and the global beer market.

• Joint ventures of other UK breweries and European brewers can make competition more intensive.

• High barriers of entry.

• Unstable consumer attitudes, needs and wants, increased health awareness as well as increased legislation of age and volume consumption may further undermine beer consumption.

• Northern countries have experienced stagnating or falling beer sales.

• Increase in the consumption of wine and other beer substitutes.

• Huge costs in going abroad.

EVALUATE THE VIABILITY OF THE STRATEGY

After looking at situation analysis (internal and external environment) what is now appropriate is to evaluate the viability of Bass' current strategy.

Market penetration is perfectly managed through aggressive and successfully marketing activities and techniques. However, product development is an area that should be looked with more interest as a result of continues changes in consumers' needs, wants
and demands. Furthermore, Bass lacks in terms of responding on a European or international basis by weak market development efforts. Both product and market development are areas that should be looked with more concern by Bass as they can facilitate national, European and global expansion.

Bass is using differentiation focus strategy by segmenting the market, identify narrow markets and through them try to meet their needs. This seems to fit well with the changing European consumers, who are looking for their individual needs to be better fulfilled by manufacturers. Achieving low cost is also beneficial, as it will offer them higher margins.

The use of intended and emergent strategies as well as the logical incremental approach undertaken by Bass is seen as appropriate as the environment in which Bass operates is unstable and complex. As mentioned by Johnson, G. (1988), continual changes and adjustments will facilitate Bass close the gap and keep in pace with environmental changes.

By looking at the 7S framework (Waterman et al 1980), there is a definite relationship between structure, strategy, style, skills, staff and superordinate goals. Looking at variables such as strategy, structure, staff and goals, it can be noticed in Bass that they do not complement with each other. The current structure of the organisation focuses on a top-bottom approach, where ideas are centralised at the top. This does not foster creativity nor encourage employees to express their ideas. This of course has a negative effect on
the fulfilment of both Bass’ superordinate goals and overall strategy, and it is something that should change if better employee relation and optimal results are to be achieved.

CONCLUSIONS AND RECOMMENDATIONS

In the light of the above analysis and evaluation of Bass’ current strategic approach, the following concluding recommendations have arrived.

Bass should try to capitalise on the strong areas as well as concentrate on improving its weak. The recommendations that follows should be taken into consideration by Bass if it wishes to fulfil its objectives and compete successfully within the overall competitive, demanding and aggressive market place.

- Bass should consider restructuring. It should transform from a top-bottom approach, to a more flat decentralised management. Decentralisation and an effective interaction of the 7S framework will encouraged employees and allow them to express their ideas, and opinions.
- Corporate culture should move away from the current ‘traditional corporate culture’ and proceed towards a bold and ‘modern’ one.
- Exporting in the European market is recommended in order to achieve market development. Suggested countries could be Southern European countries such as Spain and Italy. Moreover, medium and longer-term concerns should be placed upon expanding its global operations.
- Target the growing low-alcohol and/or premium beer segment aiming at leadership on European level.
- Promote a "global" brand. This should be marketed first throughout Europe and later internationally.
- With the premium lager market constantly increasing and the current trend towards drinking at home Bass should concentrate more of its efforts on canned premium lager.
- Seek and target new demographic sectors that have emerged in the market.
- Bass should consider new product and market development by launching new products especially outside UK. This should be performed in order to keep in line with changing environmental and consumer needs and requirements.
- Possible joint ventures with other European or worldwide breweries, as this will facilitate and enable an easier, safer and guaranteed expansion and market development.
- Merging or purchasing controlling shares in European breweries.

It is believed that the above recommendations should be highly considered by Bass Plc. They indicate necessary and vital steps to be undertaken by Bass Plc. if it wishes and desires to compete successfully within the aggressive market place.
“Internationalisation to Russia: A Case Study”

International Entrepreneurship – An Anthology,
N.T.U. Development Centre,
Singapore 639798 pgs. 97-111
ISBN: 981-04-16423

D. Vrontis & C. Vignali
VINNIE'S PIZZERIA. ENTERING THE RUSSIAN MARKET

INTRODUCTION

A theoretical situation that utilises current marketing thinking to develop a business opportunity for the entrepreneur.

HISTORY AND BACKGROUND

Vinnie's Pizzeria started life in the 1920's in a small village called Rio Saliceto in Reggio Emilia where 'Mamma Vignali', a talented cook recognised the need for quick and convenient food for the 'busy workers' in the village. Not everyone had the time to prepare a meal for lunch or dinner and 'Mammas' culinary skills were renowned throughout the village, her speciality being pizza. Mamma decided she should get up an eatery to provide for her friends and neighbours.

The business grew strong over the years, providing a warm and friendly service with quick food of a good standard. A family concern, the eatery soon had branches all over Italy. By mid 1950's 'Mammas Eatery' was under the control of her great grandchildren. It was established in the USA and UK and became 'Vinnie's Pizzeria'. The philosophy of the company was the same as in Mamma's day, good Italian food at an attractive price. In essence the entrepreneur needs to develop the product range but remember the original roots of the business.

The popularity of pizza grew day by day and so, Vinnie's sought out controlled expansion, careful to keep to its own philosophies and objectives. Vinnie's although good value for money, consider careful branding to maintain a certain brand image. It did this successfully and expanded principally through franchising.

Today, Vinnie's is an internationally successful brand and is the second largest pizza restaurant chain in the world, Pizza Hut being the first. The chain has over 8,000 restaurants and delivery outlets world-wide and operates in approximately 60 countries.
Following the collapse of the Soviet Union and the increasing liberalisation of markets in the newly established states, Vinnie's have recognised the potential that Russia holds for it. A successful implantation into Russia will, in the long run, substantially increase market share and profits as well as prove to be the door to neighbouring countries.

MARKETING ANALYSIS. AN ENVIRONMENTAL SCANNING

Environmental scanning allows the company to analyse external factors, which affect the implementation of the strategic marketing plan. Analysing the environment is vital as it could highlight the necessary strategies and tactics in targeting the complex and cultural diverse Russian market. For the entrepreneur, a proactive planning process is paramount.

Background on Russia

Area: 17,075,400 sq. km.
Major Cities: Moscow, St. Petersburg, Gorky, Novosibirsk
Currency: Rouble
Population: 147,760,000

Source: The Times, 1998:27

For the aim of this case, the authors will concentrate on Moscow, as it appears to be the market with the biggest potential and represents Vinnie's current initial management thoughts and plans.

Russia represents the most significant single market of the future. The country witnessed its first taste of western style catering and culture when McDonalds entered the market in 1990. Long queues of hungry Russians demonstrated its immediate success and since then it has inspired other restaurant chains to enter the market. Fast food is expected to become the area of greatest activity within the catering market.
Vinnie's seeks to enter Russia as it is adopting and developing a free market culture. Existing industry is not enough to supply future demand.

**Industry Factors**

- In the Russian context, fast food and chain restaurant industry is still in an early stage of its life cycle.
- Over 50% of turnover in the catering sector is made up from sales in establishments including cafes, diners and coffee shops.
- After market entry western operators typically use franchising to further develop their position.
- Local conditions need careful consideration when developing franchises.
- Difficult to generate profit in Russia when compared to other ex-eastern bloc countries.
- Investment in this sector must be of a long-term nature if desired profits and objectives are to be met.
- Distribution remains low and expensive for rail and road.
- Bank facilities are virtually non-existent.
- The fast food sector, being fuelled by foreign investment, is becoming more competitive.
- Employment in the Russian catering industry represents 2% of the workforce and pays a minimal wage.
- Franchising is the most common way for western fast food operators to penetrate the markets. However, there is a lack of finance available in Russia for the acquisition of franchises, therefore joint ventures are more popular in this country.

**Political Factors**

- Political volatility has resulted in the hindrance of structural reforms.
- A divide is evident throughout the country between those who want reformation and others who want 'managed change' with a strong central state control.
• Organised crime retains its immensely powerful influence over the majority of business activities in Russia. Moscow is striving towards eliminating this force in a bid to become an effective free market. The major battle within the market is dealing with the political corruption, rather than economic situation (Powell, 1997).

**Economic Factors**

• The stock exchange is thriving.
• Major transformations have occurred since Russia’s progression towards a market economy. Notably price liberalisation has led to better supply of goods at a better price. Although the market is still imperfect, it is evident that substantial opportunities exist (Thomhill, 1997).
• There have been continual reductions in the real value of GDP.
• Rouble conversion problem for western companies.
• Exchange rate against the dollar is unfavourable.
• High inflation coupled with the demand for lower prices has reduced profitability in the sector.

**Socio-Cultural Factors**

• The concept of ‘eating out’ remains unfamiliar to Russian society.
• Traditionally, the main meal of the day is eaten at the workers’ canteen, which provides cheap food subsidised, by the government. However, the role of such canteens has diminished progressively as the public catering sector has enlarged.
• Russian food is heavy and starchy. Salty fish, cabbage and potatoes are often used as a substitute for meat, while any other vegetables are rare. Russians always finish their meal with a dessert.
• Tourism has had a major impact on the development of the fast food industry in Russia. Results are the provision of better service, better facilities and quality. However, prices have been raised to the extent that more Russians cannot afford them.
• Television is the most common and effective medium for advertising in Russia.
Technological Factors

- Many first class research institutes exist, skilled and willing workers are easily found.
- Substantial amounts of money are invested in Research and Development in order to augment Russian technological competency.
- The increasing numbers of Joint Ventures assure a transfer of technology and know-how to Russia.

Legal Factors

- New laws for general business operations have been introduced.
- Lack of respect for the law means potential problems for companies operating in the country.
- A growing number of western law firms are establishing themselves in Russia, most being geared towards businesses setting up in the country.

Consumer Analysis

The consumer is king and so, knowledge of their specific needs, wants and requirements will aid the company to develop its product into a potential best seller. Vinnie’s research was primarily based on the lifestyle of the population as opposed to the demographic structure. Detailed market research identified five categories of Russian consumers. These are:

- Kupsi (merchants)
- Cossacks (yuppies)
- Students
- Business executives
- Russian souls (poor country-folk)
These lifestyle groups can be further divided, in terms of chain restaurant users:

1. Light users (once a month)
2. Medium users (3-6 times a month)
3. Heavy users (17 times a month)

- Heavy users represent 33% of all consumers and 71% visits to restaurants.
- Young middle-class Muscovites are now enjoying a western lifestyle. It is these youngsters that make up the core of people eating out in the city. Research has proved that older people consistently consume less.
- Between 1993 and 2000, the consumer catering market is expected to grow by 55% in real terms (Euromonitor, 1995: 183).
- Prices are continuing to rise since the commencement of deregulation, disabling the average Russian to exercise his buying power.

**Competitors Analysis**

- Joint ventures have been actively encouraged due to a liberal foreign investment law in July 1991, which offers generous tax incentives and preferential trade, hence enhancing competition.
- Competition in the industry is fierce. Pizza Hut could be proved to be the main direct competitor of Vinnie's, however, competition could come from the growing number of Russian bars, bistrots and restaurants. For the ice-cream products, Baskin Robins could be the greatest threat.
- Pizza Hut offers a substantial discount to Muscovites who phone and book tables for meals in advance.
- Main competitors know that levels of disposable income are low and prices must be set in accordance to this.
Existing fast food companies and their present outlets:

**McDonalds**
- 3 outlets in Moscow

**PepsiCo**
- 2 Pizza Hut outlets, 5 kiosks

**Baskin Robins**
- 70 kiosks

**Russian fast food**
- 200 stands selling hot dogs at competitive prices

**Fast Pelmeni**
- 100 fast food outlets selling meat dumplings

**Peter Burgers**
- Based in St. Petersburg it is in competition with McDonalds and plans to use the latest technology to maintain all the nutrients and vitamins

**Steff Holberg**
- Danish firm selling hot dogs plans to set up with ‘Markon’ Russian partner

**S.W.O.T. Analysis**

The analysis of the external environment audit together with the internal capabilities of Vinnie's have identified and provided the S.W.O.T. The purpose is to enable Vinnie’s when developing the strategic marketing plan, to capitalise on its advantages, strengthen its weaknesses, take advantage of any market opportunities and avoid as far as possible market threats. In essence entrepreneurship is not about following imaginary items but to proactively develop opportunities.

**Strengths**

- Vinnie's brand and image. It is perceived as an Italian quality traditionally-made product.
- Committed to produce excellence and service.
- Well experienced in the fast food industry.
- Pizza is seen as the healthy option fast food.
- Vinnie's offers a number of standardised products, which may offer a wide variety of advantages on a global basis.
- Customised pizzas, giving tailor-made products, are offered.
• Investing in market research has enabled Vinnie’s to create a focused menu that appeals to Russian eating habits.
• Continual training given to staff.
• Joint Venture provides valuable specialist knowledge of country and market and reduces risk comparing it with direct investment.

**Weaknesses**

• Inexperience in the Russian market.
• Little understanding of Russian language and culture creates communication problems.
• Narrow range of product variety offered (i.e. no pasta is offered).
• No home delivery service is offered.

**Opportunities**

• Home delivery market set for growth as it mainly lacks from the market.
• Snack market is ready for exploitation through pizza kiosks and smaller outlets.
• Russian market is still not matured.
• The introduction of theme restaurants provides the largest scope for growth.

**Threats**

• US restaurant chains dominate the fast food industry. Pizza Hut, the main rival, has already established in the Russian market.
• Other fast food outlets are introducing pizzas to their menus.
• Economic and political situation of Russia e.g. Mafia and Rouble troubles.
• Difficult to find consistent quality suppliers.
• A number of local and western firms are entering the market.
• Unsophisticated market with a lack of consumer buying power and low income level.
• Restaurant ‘culture’ is nowhere near as developed in the West.
- Huge amount of capital required for investing to the production of restaurants.
- Large segment of population still does not eat out.

STRATEGIC LEVEL MAPPING

Strategically, Vinnie's Pizzeria with its entrance in the Russian market will be a question mark (Boston Consulting Group Matrix). Vinnie's on its market entry will have low market share and high growth potential. Market attractiveness is considered very high, something that provides high market growth potential for the future. It will demand substantial cash to keep them going, as it will not generate much profit due to low market share. This is illustrated in Figure 1.

Figure 1

```
          High       Low
    High  2          3
    Low   1*         4
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Market entry places Vinnie's in the introduction stage of the product life cycle (Figure 2). Vinnie's will enter a period of slow sales growth as the products are introduced to a new market. Profit will not exist in this stage because the level of expenses will be very high due to product introduction. It should offer basic products, build selective distribution, build awareness among early adopters and dealers and entice trial to Russian target market.
Successful strategy entitles differentiation and overall objectives responding to consumer needs. The range of products offered should be adapted to local tastes and reassessed once positioned within the market place.

**TACTICAL LEVEL MAPPING**

For the entrepreneur, being at the right place at the right time with the right product is synonymous with success. In a marketing environment consistency is essential. The following tactical approach develops this assumption.

**Mix Map of the 4 P's**

Having seen from the strategic analysis, it is evident that Vinnie's is a question mark in the Boston Consulting Group Matrix (stage 1) and lies in the introductory stage of the product life cycle (stage 1). Maintaining this consistency with the mixmapping theory means and necessitates an identical tactical positioning in stage one, meaning a high and a low variable on the scale. Scope for manipulation lies in the choice of the variables for each axis, which are considered to be important to market entry and
coincide precisely with company objectives. The following were identified to be Vinnie’s mixmap matrices for entering the Russian market.

**Product**

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The brand should be considered to be the most important variable. It is necessary for Vinnie’s to build up a high brand and product recognition that is consistent with its other markets and that will project a western image which can compete with the likes of Pizza Hut and Baskin Robins.

Quality is equally important. Vinnie’s should be considered by the Russian market as a restaurant offering good quality and service.

Product range should be of less concern for Vinnie’s in the introduction stage. Competitors such as McDonalds and Pizza Hut began by introducing a fairly limited product range and later expanded it to appeal more to Russian tastes. This successful tactical approach should be followed by Vinnie’s.

Research into Russian eating habits revealed that the Russians enjoy salty and starchy food. Fish too forms an important part of their diet. Consequently, Vinnie’s should aim to incorporate this into the development of its products thus, catering directly for consumer tastes. Moreover, Vinnie’s should launch some traditionally western products but at the same time tailor others to Russian tastes, for example a pizza
similar to the "Mockba" pizza that has brought success to Pizza Hut. As a new operator in the market, product differentiations will act as a competitive edge.

The dessert menu is of equal significance. The fact that Baskin Robins holds a high market share proves that ice cream is in high demand. Vinnie’s should offer a deluxe ice cream, similar to that of Baskin Robins to capture an increased market share.

Price

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<td>Discount</td>
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The company should operate an aggressive cost management and pricing policy so products become available to as many people as possible. Price must be set high in keeping with the expensive western image and brand perception.

However, Vinnie’s should position itself slightly lower than its main competitor, Pizza Hut, giving it a necessary competitive advantage.

Discounts should be low and used extensively in the maturity stage. However, a certain level is necessary to rival the booking bonus that Pizza hut offers, and entice product trial.

It is necessary for Vinnie’s to offer a special opening package at the opening of its restaurant. The offer will consist of a combination of the Mockba style pizza and ice cream dessert.
Location is of paramount importance. It is necessary that the company is located in similar areas to its competitors, town or city centres, easily accessible to a significant consumer base.

In terms of distribution, coverage of the market must initially remain limited until the company expands to other cities.

The first restaurant should be in Moscow, which is central to suppliers, facilitating the company's logistic arrangements. Vinnie's should establish a supply network keeping within the Russian system as much as possible as it will reduce costs significantly. A supplier of mozzarella cheese, a principal ingredient should be located outside Moscow. Meat ingredients may come from Finland. Research has proven that Finnish suppliers can be relied upon for consistent quality and delivery.

Long-term plans cite expansion as a prime scope, with a need to build up Vinnie's presence on the high street and other commercial areas as the company and its market develops and penetrates.
Vinnie's target market should be the young middle class sector of society, business executives, Cossacks, students and tourists. The company must attract the potential heavy users of fast food chains by offering lower prices and a good equivalent product choice. These consumers may be categorised as innovators and/or early adopters.

Market research highlighted that TV is of vital importance in terms of Vinnie's promotional tactical approach. TV was chosen as the prime variable and it will be the most effective way to reach the target market. Advertisements should target the market using a well-known, popular and respected Russian celebrity as a spokesperson. This will introduce Vinnie's as a new and exciting restaurant but will also associate it with the chosen celebrity, thus instilling confidence into the consumer.

The use of billboards must be low, however it will be useful to increase awareness of Vinnie's restaurant and products. Text should be written in Russian and English.

It is also important to build up brand presence, which transcends the classes. This will stand the company in good stead for the future, when Russian's market and economy develops and people gradually acquire more disposable income.
Market Entry

The company should enter the market by joint venture. Soviet partners are frequently junior but they are indispensable for assuring that foreign companies are not hard pressed to negotiate with numerous layers of bureaucracy, seek out estate or in locating new supply sources. The Russian partner in a joint venture is of primordial importance in forming good relationships with domestic suppliers, which helps guarantee reliable sourcing.

The next step is deciding how responsibility in the venture is to be delegated. According to Vinnie's a Joint Venture works best when the local management team are given the responsibility of running the business.

Finally, Vinnie's must re-invest its profits to expand in the market, and maintain reputation for quality and service.

CONCLUSION

Superficially, Russia does not seem a particularly attractive market for western companies due to its volatile nature, continual increase in inflation rates and primitive market structure. However, when analysed in depth, it becomes apparent that there are many opportunities ready to be exploited in the market.

Huge market potential creates fierce competition between western companies. Traditional catering establishments pose short-medium term threats, as fast food develops they diminish. Vinnie's should realise that there is not much market share to be captured immediately and that the company will have to work hard to create, expand and develop their markets.

Market analysis indicated that Vinnie's has numerous strengths, which it must capitalise on when entering the market. The Russian environment remains quite volatile and the culture is very different to that of western society. This said,
opportunities are ripe for the picking. Moreover, the size of the market and the low
cost of labour are two strong incentives for establishing an operation in Russia.

A significant drawback may be seen in the relative lawlessness of the country,
however, this will in time be overcome especially with the increasing amount of
western law firms operating there who, bring with them the western philosophies and
cultures of business. Moreover, company’s weaknesses and industrial threats, will be
overcome by the use of joint venture and careful and detailed market research and
planning.

Development and growth comprises of four essential principles:

- The ability to understand, anticipate and satisfy the consumers’ wants.
- The design and implementation of advanced operating systems.
- The capability to build winning teams where excellence is rewarded by successful
  business.
- Developing new products and original concepts.

Vinnie’s should continue its simple formula of consistency in quality, value, service
and choice.
“The MIXMAP Model For Häagen Dazs Ice Cream”
Management Case Quarterly,
pgs 8-25
ISBN: 1354-5906

D. Vrontis & C. Vignali
INTRODUCTION

Matrix marketing consists of positioning strategies and tactics in quadrants utilising the marketing mix.

By choosing Haagen Dazs ice cream company in the United Kingdom and their pint size tubs as a product it is possible to develop a MIXMAP model, as created by McDonald and further developed by Vignali and Davies in order to use Matrix Marketing as a management tool.

The overall purpose is to draw Haagen Daz's strategies and tactics in line with the perception wished to promote to its potential consumers. This can be achieved by positioning Haagen Dazs in the same quadrant along the strategical and tactical models.

An identification of the current wished and implemented positioning strategy is undertaken by the use of company and consumer questionnaires. This is done, combined, and utilised with the MIXMAP model to recommend Haagen Dazs' tactical and strategical elements ought to be used in order to present its product to consumers efficiently and effectively.

COMPANY'S HISTORY AND BACKGROUND

The story of Haagen Dazs starts in the 1930's in New York. At the time, the family of Reuben Mattus, the future founder of Haagen Dazs, was running a successful small business.

In the fifties, it had grown to be a thriving company selling ice cream under the name of Ciro's.
During the late fifties, Mattus was one of the first to adopt a wide scale distribution of ice cream products, in order to broaden the seasonality of traditional ice cream into an all year round business.

He then challenged his competitors by producing the single best tasting, highest quality ice cream available. He gave the new product a Danish sounding-name, in reference to a high quality ice cream, and in order to give the product a continental aspect.

In 1961, the first three Haagen Dazs flavours, Vanilla, Chocolate and Coffee, were sold in New York delicatessens. Over the next decade distribution expanded to a nation-wide scale, relying solely on word of mouth advertising.

By the mid seventies, the products were becoming so successful that all the Ciro's production was devoted to Haagen Dazs. At the same time, the first Haagen Dazs shop opened in Brooklyn. It is now one of the 250 that operate in the US and the 85 located throughout the world.

From the original three flavours, as many as 20 are now available, including such ones as "Macadamia Nut Brittle", and "Strawberry Cheesecake Craze". In order to ensure a high quality for each flavour, only the best ingredients are used, and these come form a variety of countries.

In 1983, aware of this astonishing success, the Pillsbury Co. acquired Haagen Dazs, itself acquired by Grand Metropolitan in 1989.

Already established as the leading product in the premium ice cream market in the US, Haagen Dazs was unknown in the UK until its launch in 1989. Initially only available in selected outlets such as Harrods, a "whisper campaign" was begun, focusing on word-of-mouth recommendations.

By 1990, within a year of its launch, Haagen Dazs had claimed a 7% share of the UK ice cream market. The availability of Haagen Dazs has increased due to the opening
of several more Haagen Dazs shops and by creating distribution outlets in supermarkets, cinema and other shops, Haagen Dazs has in 1994 obtained a 35% market share.

Targets suggest to maintain or to further increase market share by the end of the year 2000.

This relates necessary background information as current strategies employed by the company have been complexly developed from the original tangible and intangible aspects which contribute to the success of Haagen Dazs.

A PRINCIPLE UNDERSTANDING OF THE MIXMAP MODEL AND THE MARKETING MIX.

Vignali and Davies, 1994 state that "even though there seems to be a basic understanding of the Marketing Mix and company objectives, practitioners appear to find it difficult to translate the academic frameworks into practical tactics".

It was for this reason that they have developed a new approach to marketing via the MIXMAP model, which includes the congruent mapping of Marketing Mix elements, and variables at both the strategic and tactical levels.

The Marketing Mix was developed by McCarthy who talked of the mix elements or the four "P's"

- Product
- Price
- Place
- Promotion

More recent work has seen an increase in the number or "P's" or mix elements, to include all elements a company can control, in order to satisfy the consumer or target market.
Vignali and Davies, (ibid) discuss how "The MIXMAP model developed as a guide for making this transition from the strategic to the tactical level, is intended to serve as means by which purists can become practitioners, and finally use the "P's" in their everyday environment."

Confusion arises between mix elements and mix variables. Kotler and Armstrong, 1983 describes mix variables as a set of controllable factors that a firm can use to influence the buyers response.

Table 1, identified by Baker, 1981 shows the distinction between Mix elements and Mix variables

The MIXMAP approach to marketing states that a company will only be successful if it uses a quadrant model or matrix to map its elements using the correct variables that will finally determine the company's tactics.

Vignali and Davies, 1994 state that practitioners in marketing become confused due to an incorrect match of elements and variables, due to the absence of a consistent mapping framework, that would assure such congruence.

**Table 1:** The Extended Marketing Mix, Variables and Elements

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<tr>
<th>Elements</th>
<th>PRODUCT</th>
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<th>PROMOTION</th>
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<tr>
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<td>Location</td>
<td>Social Group</td>
<td>Warranty</td>
</tr>
<tr>
<td></td>
<td>Stocks</td>
<td></td>
<td>Freight</td>
</tr>
</tbody>
</table>

This table can be used as the basis for the application of the quadrant mapping technique to both elements and variables, i.e. the MIXMAP approach. However, each company should choose the related and most important for it variables and elements to suit its organisational and product requirements.

Therefore, to facilitate the comprehension of the MIXMAP model, the following table has been developed to show the elements and variables those concern Haagen Dazs.

**Table 2: Haagen Dazs' Marketing Mix, Variables and Elements.**

<table>
<thead>
<tr>
<th>Elements</th>
<th>Product</th>
<th>Price</th>
<th>Place</th>
<th>Promotion</th>
<th>People</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variables</td>
<td>Quality</td>
<td>Discounting</td>
<td>No. of outlets</td>
<td>Media</td>
<td>Age</td>
</tr>
<tr>
<td>Flavour Range</td>
<td>Price Level</td>
<td>Product</td>
<td>PR</td>
<td>Social group</td>
<td></td>
</tr>
<tr>
<td>Brand Image</td>
<td>Value for money</td>
<td>availability</td>
<td>Sponsorship</td>
<td>Sex</td>
<td></td>
</tr>
<tr>
<td>Ingredients</td>
<td>Relativity</td>
<td>Stocks</td>
<td>Sampling</td>
<td>Lifestyle</td>
<td></td>
</tr>
</tbody>
</table>

The above elements and variables have been derived from various sources of secondary research. The research showed that these elements and variables are those that Haagen Dazs believes concern their product and are the most important to enable them sell their products successfully.

Creating the MIXMAP model requires the two most important variables to be selected for each element. Therefore, for Haagen Dazs, the following variables were chosen in order to facilitate the production of the MIXMAP model. These have been identified through secondary as well as primary research (see appendix 2). Achieving them is very important as it is only when a company maps its elements using the quadrant model and the relevant correct variables that it can effectively determine its tactics which in turn will define the strategy it intends to adopt. Alternatively it can take the strategy as the starting point from which to develop the tactics most likely to succeed in achieving company objectives.
**Product**

1. Quality
2. Flavour Range

**Price**

1. Price Level
2. Value for Money

**Place**

1. No of outlets
2. Availability

**Promotion**

1. Media
2. Sponsorship

**People**

1. Age
2. Social group/affluence

Congruence between strategy and tactics is indicated where related elements and variables are consistently placed in the same quadrant. Furthermore the quadrant would correspond to the quadrant the company is positioned in if the mapping technique is applied using the strategic frameworks of the Boston Consulting Group matrix and the McDonald/Porter matrix. It is proposed that such a match, results in a consistent message, and is likely to enhance the probability of achieving strategic objectives. In contrast, a mismatch implies incongruence between the strategic and
tactical level, resulting in a contradictory message to the customer, with many of the marketing measures taken neutralising each other.

The MIXMAP model in relation to Haagen Dazs ice cream is the combination of research, and strategic and tactical elements, which can be described as the MIXMAP model triangle.

This is illustrated below in figure 1:

![Diagram of MIXMAP model triangle]

**RESEARCH**

**The Importance of Market Research**

Market Research is a necessary requirement in developing the MIXMAP approach as it helps to establish the essential elements and variables through primary sourced data and secondary information.

According to Churchill, 1995 the American Marketing Research Association defines Marketing Research as the function which links the consumer, customer, and public to the marketer through information-information used to identify and define marketing opportunities and problems, generate, refine and evaluate marketing actions; monitor marketing performance; and improve understanding of marketing as a process.
Market Research for the purpose of developing a MIXMAP model for pint sized tubs of Haagen Dazs can be categorised into primary and secondary research:

**Primary Research**

This has been undertaken through a consumer and two company questionnaires.

Consumer questionnaire was made to 93 potential consumers to investigate how the consumer views the company and product (see appendix 3a & b for questionnaire's format and illustration coming from the analysis). The sampling procedure used was a non-probability sampling and specifically within the category of convenience sampling.

The questionnaire has been composed of both ended and multichotomous questions giving the consumer an opportunity to express an opinion on the product, while divulging necessary demographic information.

The respondents did not need any background information to answer the questions. Unambiguity and brevity maintained interest in the proceedings. The research was carried out at a variety of outlets including Supermarkets, Video Shops and Cinemas at the Greater Manchester area.

A different questionnaire based on company information was compiled by the marketing group and sent to Haagen Dazs in order to establish how the company positions their product. This can be seen and analysed in appendix 1.

Finally, a third questionnaire compiled by the marketing group was sent to the company in order to realise which variables Haagen Daz emphasises. This questionnaire and its analysis can be seen in appendix 2. The variables suggested were seen as guidance and have been cross checked through other primary and secondary research. This has taken place to identify whether both company and customers have the same opinion.
Secondary Research

This complements the findings of primary research as well as providing comparative data.

The secondary research selected in this project took the form of company information sent by Haagen Dazs marketing manager encompassing company development and strategy. Mintel Reports and the Encyclopedia of Consumer Brands provided useful market information indicating trends in the ice cream industry and up and coming competition. Research from the CD-ROM elaborated upon perceptions of Haagen Dazs and further commented on the company's strategy.

Finally, marketing books have been used in explaining and backing up information.

The selected vehicles of research enables quantitative and qualitative information to be developed. This is essential in order that coherency is applied to strategic and tactical decision making. The combination of qualitative and quantitative has also been employed as the base in achieving triangulation.

Aims and Objectives of the Research

Consumer and Company Research has been conducted by the use of various instruments and techniques. The research was carried out to achieve certain aims and objectives. These are outlined below:

1. To identify consumer perceptions of Haagen Dazs.
2. To distinguish consumer-buying behaviour in terms of purchasing, enabling further conclusions and recommendations.
3. To identify Haagen Dazs' strategic positioning within the market.
4. To investigate Haagen Daz use of tactics, and examine if there is consistency between strategy and tactics.
5. To compare the consumers perceptions of the product with that of the company.
ANALYSIS OF CONSUMER QUESTIONNAIRE

Question 1: Have you heard of Haagen Dazs ice cream?

As can be seen in appendix 3b (figure 1), 20% of the consumers asked stated that they had never heard of Haagen Dazs ice cream. This indicates that there is a lack of awareness towards the product in the Greater Manchester area. This is contrasting Press Information, 1995, stating that 'Haagen Dazs awareness shot through the roof'. However, they also stated the fact that Haagen Dazs was predominantly a southern brand. That seems to coincide with the results of the survey and that might be the reason of the product not been known.

Question 2: Have you ever bought Haagen Dazs ice cream.

7% of the consumers asked the above question stated that they had never bought Haagen Dazs ice cream, even though they had heard of it. (appendix 3, figure2)

Question 3: How often do you buy Haagen Dazs ice cream?

As illustrated in appendix 3b, figure 3, 49% of the consumers purchase Haagen Dazs only on special occasions. 30% stated that they buy Haagen Dazs in a monthly basis. No consumers bought Haagen Dazs on a daily basis. 4% of consumers interviewed were buying Haagen Dazs for the first time. These results suggest that Haagen Dazs is seen as a luxury good, only to be bought on a special occasion while the number of first time buyers indicates that the market is still expanding and the product is still in the growth stage.

Question 4: Where do you buy Haagen Dazs ice cream? (Appendix 3b, figure 4)

Supermarkets prove to be the most popular retail outlets for purchasers of Haagen Dazs, with 39% of consumers buying it from them. 16% of consumers buy Haagen Dazs from cinemas and a further 16% purchase form Video Outlets.
Question 5: Do you find Haagen Dazs' stock availability limited? (Appendix 3b, figure 5)

64% of respondents found Haagen Dazs' stock availability limited, whereas 36% did not agree with the above statement. This suggests that while Haagen Dazs claims to have many flavours they do not stock them on the shelves.

Question 6: Why do you buy Haagen Dazs ice Cream? (Appendix 3b, figure 6)

The largest proportion, 47% of consumers questioned specified quality as the reason for buying Haagen Dazs. 32% said that they buy Haagen Dazs because of the variety of flavours available, while 17% stated that it is because of its' reputation. The remaining 4% stated other variables.

Question 7: How did you discover Haagen Dazs?

As seen in appendix 3b, figure 7, a significant 50% of consumers discovered Haagen Dazs via word of mouth. 19% of interviewees discovered Haagen Dazs through Newspapers or Magazines, 13% first heard of it via Television, another 11% via the Cinema and 7% via shop displays. Even though the most important form of promotion for Haagen Dazs is word of mouth, this is difficult to quantify because it is out of the company's control.

Question 8: Where did you last see Haagen Dazs advertised? (Appendix 3, figure 8)

39% of consumers, who had heard of Haagen Dazs, last saw it advertised on the television. 26% last saw it in the Cinema, while 20% in newspapers and magazines. Moreover, 8% last saw advertisements on billboards and the remaining 7% stated other promotional items. These results suggest that a very effective form of advertising is made through the use of television. This could be explained by an increase in Haagen Dazs' advertising campaign to extend it to the television. It is important to note that although an important part of Haagen Dazs' promotional
strategy in the UK is taken up by radio sponsorship, nobody questioned said that they either discovered or last heard a Haagen Dazs advertisement on the radio. This can be explained by the fact that radio sponsorship has mainly taken place in the South and South East of the UK.

**Question 9: In your opinion does Haagen Dazs represent good value for money?**

As seen in appendix 3b, figure 9, 44.8% of people questioned stated that Haagen Dazs represents good value for money. However, a significant amount of 39.7% stated that Haagen Dazs does not represent good value for money. The remaining 15.5% found it of average value. From the comments received, there was a general opinion that although Haagen Daz is a bit expensive people would still buy it because they enjoyed it so much.

**Question 10: Male or Female? (Appendix 3b, figure 10)**

53% of those questioned, that stated they bought Haagen Dazs ice cream, were males and 47% females. This portrays that both sexes view on the product, as Haagen Dazs ice cream is not aimed at either males or females.

**Question 11: Age Group?**

43% of those questioned were within the age group of 18-35. This is especially true as Haagen Dazs focuses its marketing promotional strategies towards that age. It was seldom the case that people within this age group had not heard of the product, and it is also interesting to note the number of older adults who had only heard of Haagen Dazs through their children. It is also important to say that it was the older age groups who had not heard of Haagen Dazs.

**Question 12: Occupation?**

Occupations varied widely throughout all socio-economic groups. The majority of the interviewees that bought Haagen Dazs have a reasonable disposable income. This
complements the idea that Haagen Dazs is marketed towards the higher socio-economic groups.

STRATEGY

The tools we are going to examine are the starting points of the strategic level mapping of the MIXMAP model. These consists of the Product Life Cycle (PLC), Boston Consulting Group Matrix (BCG), and Porter's Three Generic Strategies.

The Product Life Cycle (PLC)

The product life Cycle, is a marketing tool first introduced by Raymond Vernon in 1966. The PLC is a marketing tool that can be used to help companies anticipate changes in consumer tastes and competition. The PLC concept can be applied to a Product class (ice cream), a product form (super premium ice cream) and a brand (Haagen Dazs). The PLC framework proposes that once the product or service reaches the market, it enters a four-stage lifecycle. The framework assumes that all products go through all the stages, and will finally fade from the market. A product’s sales and profits will change over time. Czinkota, Rivoli and Ronkainer, 1992 explain this evolution well. 'In the introduction sales are low and profits are also low because of the expense of product introduction. The growth stage is characterised by profit increases and rapid sales growth. Sales and profits stabilise in the maturity stage as the market is exploited and competition evolves. Finally, the decline stage occurs as both sales and profits deteriorate.'

Haagen Dazs ice cream in the UK market is positioned at the growth stage of the PLC. This is illustrated on the next page.
Haagen Dazs ice cream was introduced into the UK in 1989 and by the beginning of 1997 it had achieved a UK market share of 35% of premium ice creams. Since the launch of its initial product Haagen Dazs has extended its product range introducing ice cream bars and sticks along with new and more exotic flavours. Prices are high but Haagen Dazs has chosen to penetrate the market with a skimming strategy with its super premium ice cream (high price and high quality).

Encyclopedia of Consumer Brands, 1994 highlights that Haagen Dazs had achieved such a position by entering into the introduction stage and then into the growth stage via the following strategies. "The company built its customer awareness using an unconventional marketing strategy by shunning media promotions in favour of the word-of-mouth advertising." Consequently consumers' awareness of the product was low but Haagen Dazs' image was high. Sales promotion has effectively been reduced to take advantage of the heavy consumer demand. The company used sales promotion as a way to launch its products in UK market.

Within the UK market, Haagen Dazs is at present in the growth stage. It is time for expansion both in terms of product range and in heightening the consumers awareness while at the same time retaining their present customer base.
The Boston Consulting Group Matrix (BCG)

The Boston Consulting Group Matrix seen below, was invented by the Boston Consulting Group in conjunction with General Electric in 1972. It develops the growth share matrix setting the market growth rate on the vertical axis against relative market share on the horizontal axis. This is illustrated below.

**Figure 3: The Boston Consulting Group**

![BCG Matrix Diagram]

Kotler and Armstrong, 1994 state that the BCG matrix is divided into four quadrants, each indicate an area of business. This is clearly indicated below.

**Quadrant 1: Question mark** according to Kotler, 1997 are businesses that operate in high growth markets but have low relative market shares. Most businesses start off as question marks as the company tries to enter a high growth market in which there is already a market leader. Because of growth, these products require more cash than they are able to generate on their own, since they have a low share of the market. A Question Mark requires a lot of cash because the company has to spent money on plans, equipment, and personnel to keep up with the fast-growing market, and because it wants to overtake the leader.
**Quadrant 2:** Evans and Berman, 1992 define Star as a leading Single business unit (high market share) in an expanding industry (high growth). The major goal is to sustain the firms' differential advantages in the face of rapidly rising competition. A star can generate substantial profits but requires large amounts of resources to finance continued growth. Market share can be maintained or increased by intensive advertising, product introductions, greater distribution and/or price reductions.

**Quadrant 3:** When a market's annual growth rate falls to less than 10%, the star becomes a **cash cow** if it still has the largest relative market share. A cash cow due to the high market share is highly profitable. The company does not have to finance a lot of capacity expansion because the markets' growth rate has slowed down. And since the business is the market leader, it enjoys economies of scale and higher profit margins. The company uses its cash cow businesses to pay its bills and support other businesses. If this cash cow starts losing relative market share, the company will have to pump enough money back into it to maintain market leadership. If it uses its cash to support its other businesses, its strong cash cow may devolve into a dog.

**Quadrant 4:** Dogs, according to Kotler, (op.cit.) are businesses that have weak market shares in low growth markets. They typically generate low profits or losses although they may generate some cash. Their poor competitive position condemns them to poor profits. Because growth is low, there is little potential for gaining sufficient share to achieve a viable cost position. Usually they are not users of cash. Their earnings are low, and the reinvestment required just to keep the business together eats its cash inflow. The business, therefore, becomes a "cash trap" and is likely to regularly absorb cash unless further investment in the business is rigorously avoided. An alternative is to convert dogs into cash, if there is an opportunity to do so. Dogs often consume more management time that they are worth and the general recommendation is to divest form these businesses.

**Haagen Dazs** ice cream is therefore positioned as a star product, or a market leader in a high growth market. As stated in Mintel Marketing Intelligence, May 1995, Bulk ice cream dominates the market, accounting for 45% of value sales in 1994. Its value share is now falling, with a strong growth in sales of premium ice creams, such as
Haagen Dazs. The product is different from other competitors in the ice cream market and its expansion into other product lines is helping them retain their position at the top of this market segment.

With recent movement into the UK ice cream market by Ben and Jerry's home-made ice cream, Alpen Zauber and Frusen Gladje, along with the supermarket own brands, competition in the super premium ice cream market has increased dramatically, but along with this the market itself has also expanded.

PORTER'S GENERIC COMPETITIVE STRATEGIES.

Michael Porter, 1985, in his book Competitive Advantage outlines that a central questions in competitive strategy is a firm's relative position within its industry. Positioning determines whether a firm's profitability is above or below the industry average. A firm that can position itself well may earn high rates of return even though industry structure is unfavourable and the average profitability of the industry is therefore modest.

From this model Porter identified two major marketing planning concepts, competitive advantage and competitive scope. He concluded that three main strategies exist:

1. Cost Leadership
2. Differentiation
3. Focus

Quadrant 1: Differentiation Focus Strategy. This is the ideal quadrant to be in. Product differentiation is high while relative unit costs are low.

Quadrant 2: Differentiation. Distinctive from other products on the market by virtue of either design, features or reliability. They have a relatively high cost.
Quadrant 3: Cost Focus Strategy. Not an ideal segment to be in because differentiation is low while the costs is high. The result might be the inability to reach minimum efficient scale.

Quadrant 4: Overall Cost Leadership. Companies in this quadrant are mass producing, reducing costs through investment in technology and economies of scale. Products have low relative unit costs and low differentiation.

The three generic strategies, together with Haagen Dazs' positioning in the market are illustrated below.

Figure 4: The Generic Competitive Strategies

![Differentiation vs. Relative Costs Matrix]


Porter's model of competitive advantage would seem to suggest that for market entry either a cost leadership or a differentiation strategy ought to be used. Haagen Dazs ice cream is a product of high differentiation within the market. For example, the product differs in that it has no artificial ingredients or flavours, its possesses 16% butterfat compared to 12-14% from competitors and it has very little air in the product compared to 50% from competitors.
The ice cream is also packaged differently. Instead of using large cartons like the mass producers, Haagen Dazs is manufactured in smaller pint size containers. Consequently, the relative unit cost of the product is more, but by charging approximately 50% more than regular ice cream producers, Haagen Dazs is able to make a higher profit per unit. The other competitors in the premium segment of the market are similarly priced (except for the supermarket own brands) and therefore rely on their reputation and marketing strategies to attract the consumer.

Therefore according to Porter, Haagen Dazs would be located in quadrant 2 of the matrix.

TACTICAL MAPPING

From the results observed in both primary and secondary research, the elements and variables for the marketing mix were established.

Elements and variables, as seen in table 1, have been identified through secondary research. Moreover, the relevant elements, two most important variables, and the quadrant position in the matrix have been achieved and identified through both primary and secondary research.

The analysis of the marketing mix was carried out by comparing the company's positioning of itself in relation to what its consumers actually think of it.

Through the development of the MIXMAP, which follows, we can observe that the company has placed itself in a rather more desirable or utopian position than realistic. However, in order to stay dynamic, it should rearrange its strategy with the aim of approaching the view of its consumers. Two sets of MIXMAP models have been created to represent the company's position (where they believe they are situated) and the consumers view (where they actually are in the market).
The * indicates the position of the company according to Haagen Dazs and the consumer in relation to variables and elements.

**Product**

It is necessary to know what the product is and what differentiates it from that of the competition. We have to deal with questions such as: Why should people buy this product?

Haagen Dazs' ice cream offers high quality in terms of ingredients and wide flavour range. Even the name was designed to give a "continental cachet" to the product. Therefore, although the brand image is a very relevant variable and should be kept in mind, primary and secondary research identified that the two most important variables were considered to be quality and flavour range.

<table>
<thead>
<tr>
<th>Haagen Dazs' View</th>
<th>Consumer's View</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Quality</td>
<td>High Quality</td>
</tr>
<tr>
<td>*</td>
<td>2</td>
</tr>
<tr>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>3</td>
</tr>
</tbody>
</table>

These matrices show that both the company and the consumer agree that Haagen Dazs' ice cream offers a high quality product, which is backed up by a large range of different flavours.

Hence, we can observe that the company has achieved a consistent view in accordance with its consumers. This though does not mean that the company can ignore the
product element. They must stay dynamic by constantly diversifying its product range.

**People**

This variable was chosen to determine the sort of people who would be willing to buy Haagen Dazs ice cream.

The results from the research indicate that the sex-group variable would not be a major factor to keep in mind because Haagen Dazs ice cream is targeted towards and consumed by both males and females.

However, the age group is highly relevant because different ages have different lifestyles and hold different views about when and why they would want to eat ice cream.

The second variable to consider is the socio-economic group. The importance of this factor is that with a differentiated product, such as Haagen Dazs, a higher price level is involved implying that people with a higher income will be more likely to buy a luxury ice cream than people with a low income. (Haagen Dazs cannot be classed as an essential food).

With this mix it is impossible to place the company at an exact point. It is necessary to analyse the product in terms of bands.

The company has targeted the ice cream at consumers between the ages of 18 to 35. This was also reflected in the consumer questionnaire with the majority of people who bought Haagen Dazs being in this age group. The same can be said about the targeting of socio-economic grouping of middle to high-class people (i.e. affluent people). However, from the consumer questionnaire we observed that people from a low-middle class group also buy Haagen Dazs. Therefore, there is a scope here for a certain degree of expansion towards this group.
Haagen Dazs is at present targeting its product at younger consumers but there is scope for attracting older consumers. This may require different marketing strategies as different age groups will purchase the product for different reasons.

Price

Haagen Dazs has been deliberately developed as a high price, high profit ice cream. The combination of its ingredients, manufacturing and packaging process make it more expensive to produce, but as Mattus believed, consumers will pay more for a high quality product.

Such a statement indicates the consumers' willingness to pay a higher price if it represents good value for money. Therefore, price level becomes our most important variable of the price matrix. It is followed by value for money as a consequence of the above.
Haagen Dazs believes that although price levels are higher than those of the competition, the quality and the differentiation of the product offer good value for money. In fact, this view was recently reinforced by an increase in prices of £0.30 per pint-size tub.

However, the consumers' view differs believing that the value for money of Haagen Dazs is not sufficient.

This difference in opinion could present a threat to Haagen Dazs that could lead to a reduction in market share.

In order to attain the desired position, Haagen Dazs must change its pricing strategy by either reducing prices or introducing such strategies as discounting or special offers.

![Haagen Dazs' View vs Consumer's View Diagram]

**Place**

Haagen Dazs' channels of distribution cover a range of outlets from specialist and delicatessen shops to supermarkets and places such as the Warner Bros. cinemas with whom Haagen Dazs has strategic alliances. Therefore, the number of outlets required to distribute Haagen Dazs ice cream effectively must be considered.
The other variable to consider is the availability of stocks, i.e. how easily can the different flavours be found throughout the outlets.

<table>
<thead>
<tr>
<th>No. of Outlets</th>
<th>Stocks</th>
</tr>
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<tbody>
<tr>
<td>High</td>
<td>2</td>
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<tr>
<td></td>
<td>1</td>
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<tr>
<td>Low</td>
<td>3</td>
</tr>
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<td></td>
<td>4</td>
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</table>

Haagen Dazs' View

<table>
<thead>
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<th>No. of Outlets</th>
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<td>Low</td>
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Consumer's View

Haagen Dazs believes that the number of outlets and the stock availability of the product are high due to an increase on these over the past few years. However, the consumer indicates that not only is the number of outlets not sufficient but also the stock availability is limited in their few existing channels of distribution.

In order to satisfy the consumers' needs, it is necessary for Haagen Dazs to increase the number of outlets through more strategic alliances and within those outlets, an expansion of shelf space is necessary to increase the number of different flavours that can be made available to consumers.

**Promotion**

Haagen Dazs undertakes a number of promotional activities. These are necessary in order to encourage consumers to buy Haagen Dazs ice cream. The main two promotional activities in which it is involved are media and sponsorship.

This position can be explained because media promotion now encompasses television, cinema and magazines throughout the country whereas sponsorship is very
regionalised with it mainly occurring in the South East and London. Here Haagen Dazs' opinions appear to correspond with those of the consumer with regards to promotion.

There is a different type of inconsistency here, which highly affects Haagen Dazs when establishing its positioning through matrices. The distribution element for Haagen Dazs is situated in a different quadrant in comparison to the other elements.

This means that Haagen Dazs has to develop its promotional activity further in order to be consistent and reach quadrant 2. It must be done by slightly improving its media advertising and by increasing its sponsorship activity, especially in the North of the country.

**Image / Awareness Matrix**
This matrix was mapped to provide a combination of both the product and promotional matrices to relate how aware the consumer is towards the brand name.

Once again the company has overstated its position in the market from the point of view of the consumer. Haagen Dazs' situation in the matrix shows that many consumers are not aware of the product, whilst those who are aware recognise the high image and quality.

CONCLUSIONS & RECOMMENDATIONS

- Haagen Dazs are positioned consistently in the same stage or quadrant, that being quadrant or stage 2 in the strategic models.
- Inconsistencies occur in the tactical MIXMAP models between the elements themselves and between the company and consumer's viewpoint. In order to be successful in the long term these inconsistencies must be rectified.

Promotion

- Sponsor more events in the North. Opportunities for sponsorship may exist such as the Commonwealth Games to be hosted by Manchester in 2002. This will ensure that Haagen Dazs move into quadrant 2 of the promotional MIXMAP as illustrated below:
**Product**

To remain ahead of the growing competition it will be necessary to continue to increase their promotional spend and create new flavours.

As illustrated below, the product is presently situated in quadrant 2 of the product MIXMAP and is consistent with its strategy.

![Product MIXMAP Diagram]

**Price**

- Change their pricing tactics by either:
  1. Reducing prices
  2. Discounting
  3. Special offers

This will change the consumers' perception of the product leading them to believe that the product is better value for money. The price MIXMAP will then show Haagen Dazs to be in Quadrant 2:

![Price MIXMAP Diagram]
**Place**

- Increase the number of outlets through more strategic alliances.
- Increase stocks within those outlets.

This will continue the consistency locating Haagen Dazs in terms of place in Quadrant 2:

![Place Diagram]

**People**

- Continue to target young affluent consumers.
- Extend the target market to older consumers to increase potential sales. This will continue the process of consistency, with a movement towards quadrant 2. Haagen Dazs is unlikely to move into the low socio-economic groups due to the price of the brand.

![People Diagram]
By analysing Haagen Dazs' case study it is possible to identify what Haagen Dazs should do in order to meet the consumer requirements and achieve consistency. Their successfulness requires meeting both strategies and tactics at quadrant 2. Therefore, consistency and organisational flourishment is achieved.

By following the above recommendations congruence within these models will be achieved and Haagen Dazs pint-size tubs will be marketed more effectively and efficiently.
APPENDICES
APPENDIX 1

QUESTIONNAIRE

This questionnaire is based only on Haagen Dazs' ice cream products. Sorbets, yogurts and bars are excluded.

PROMOTION

1. How important are the brand name and advertising slogans in portraying the companies image?

Range: 1 (of paramount importance) to 5 (unimportant)

1 2 3 4 5

*   ___  __  ___  ___

2. (Please place a cross in the matrix where you feel your company is positioned to other companies in the luxury ice cream market.)

3. PRODUCT

(Please place a cross in the matrix where you feel your company is positioned to other companies in the luxury ice cream market.)
4. **PRICE**

(Please place a cross in the matrix where you feel your company is positioned to other companies in the luxury ice cream market.)

5. Does discounting play an important role in your marketing strategy or was it used in the past as a method of penetrating the market and gaining recognition?

Discounting was used in restaurants when Haagen Dazs first entered the UK market. It is now rarely used.

6. **PLACE**

(Please place a cross in the matrix where you feel your company is positioned to other companies in the luxury ice cream market.)

7. **PEOPLE**

Towards which sex group(s) are your products primarily targeted at?

Male

Female

Both
8. Towards which socio-economic group(s) do you target your product?

- Lower Class
- Lower Middle Class
- Middle Class
- Upper Middle Class
- Upper Class

9. At which age group(s) is your product primarily aimed at?

- 10-18
- 19-24
- 25-30
- 31-35
- 36-40
- 40-50
- 50+

10. Is your product affected significantly by seasonal trends?

- Yes
- No

11. (Please place a cross in the matrix where you feel your company is positioned to other companies in the luxury ice cream market.)
THE BOSTON GROUP MATRIX

12. (Please place a cross in the matrix where you feel your company is positioned to other companies in the luxury ice cream market.)

<table>
<thead>
<tr>
<th></th>
<th>High</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Market Growth</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Low Market Growth</td>
<td>1</td>
<td>4</td>
</tr>
</tbody>
</table>

13. (Please place a cross in the segment where you feel that your company is presently situated)

PORTER'S MODEL

14. (Please place a cross in the matrix where you feel your company is positioned to other companies in the luxury ice cream market.)

<table>
<thead>
<tr>
<th></th>
<th>High</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Image</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Low Image</td>
<td>1</td>
<td>4</td>
</tr>
</tbody>
</table>
Appendix 2

Which of the variables below are the most important for Haagen Daz in relation to the appropriate elements of the marketing mix. (If other please specify)

**PRODUCT**
- Quality *
- Flavour Range *
- Brand Image ___
- Ingredients *
- Other ___

**PRICE**
- Discounting ___
- Price Level *
- Value for Money *
- Relativity ___
- Other ___

**PLACE**
- Number of Outlets *
- Product Availability *
- Stocks ___
- Location ___
- Other ___

**PROMOTION**
- Media *
- Public Relations ___
- Sponsorship *
- Sampling ___
- Other * Word of Mouth

**PEOPLE**
- Age *
- Social Group *
- Sex ___
- Lifestyle *
- Other ___
APPENDIX 3a

CONSUMER QUESTIONNAIRE

1. Have you heard of Haagen Dazs ice cream? Yes / No
   (If No then go to question 10-12)

2. Have you ever bought Haagen Dazs ice cream? Yes / No

3. How often do you buy Haagen Dazs ice cream?
   - First time __
   - Daily __
   - Weekly __
   - Monthly __
   - On special occasions __

4. Where do you usually buy Haagen Dazs ice cream?
   - Newsagents __
   - Supermarkets __
   - Video __
   - Cinema __
   - Haagen Dazs shops __
   - Other (please specify) _______________________

5. Why do you buy Haagen Dazs ice cream?
   - Quality __
   - Variety of flavours __
   - Reputation __
   - Other (please specify) _______________________

6. Do you find Haagen Dazs' availability limited? Yes / No

7. How did you discover Haagen Dazs ice cream?
   - TV __
   - Bill boards __
   - Newspapers/Magazines __
   - Radio __
   - Cinema __
   - Word of mouth __
   - Shop displays __
   - Other (please specify) __

8. Where did you last see a Haagen Dazs ice cream advertisement?
   (please specify) _______________________

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9. In your opinion does Haagen Dazs ice cream represent good value for money?  
   Yes / No

10. Sex  
     Male / Female

11. Age Group:
    - 10-18
    - 19-24
    - 25-30
    - 31-35
    - 36-40
    - 40-50
    - 50+

12. Occupation: ____________________
SECTION B
## CONTENTS

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<td>The Edward Elgar handbook of research</td>
<td>1-15</td>
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<tr>
<td></td>
<td></td>
<td>To be published 2002/3. C Vignali</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>&quot;McDonalds and the Marketing Mix&quot;</td>
<td>The British food Journal</td>
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“An Action Research Approach for Internationalising small business”,
The Edward Elgar handbook of research  To be published 2002/3.

C Vignali
AN ACTION RESEARCH APPROACH for INTERNATIONALISING SMALL BUSINESS

Keywords
Action research, Internationalisation, Entrepreneurship, Heuristic devices, Positivism, Phenomenology, Matrix marketing, Management process.

ABSTRACT

In the tradition of Reg Revans the guru of Action learning, common sense is always the best approach to any management process. It is vital that management needs to learn during the process, helping themselves from comments made by all stakeholders. A rational decision during this process, with a rational conclusion must be the paramount aim. 'There can be no action without learning and no learning without action. [R.Revans.1998 pg. 14]. Without application all research is artificial.

However, some argue that the process of managerial decision-making, a major aspect of the strategic planning procedure SMEs, has become more problematic because modern management, more than ever before, is faced with an immense complexity of tasks in an increasingly volatile business environment. For many years writers have been suggesting that organisations should focus and rely on the fundamental formal models and techniques of strategic planning.

On the other hand, we must acknowledge the problem that, there has been a lack of agreed academic tools to facilitate practical understanding about the nature of management research. Heuristic devices, commonly known as management tools are usually misconceived and misunderstood. A clear understanding and their regular use can only benefit the management process. This article develops the methodology used in operationalising heuristic devices as practitioners extend their use of the Marketing mix in developing their strategic process. In this process they always face problems and the answers always cause concern. This article develops a model, which defines the use of the heuristic devices and allows action and review. The qualitative approach in action research was analysed in a series of case studies, which formed the basis of the research materials used in SMEs.
THE MARKETING MANAGEMENT PROCESS, ACTION RESEARCH INTEGRATING HEURISTIC DEVICES in SMEs.

Introduction

Planning systems were expected to produce the best strategies as well as step-by-step instructions for carrying out those strategies so that the doers, the managers of business, could not get them wrong. As we now know, planning has not exactly worked out that way. (Mintzberg 1994a, p. 107)

Mintzberg’s view on marketing planning, although articulated in a “certain cynicism of tone” (Mintzberg 1994b, p. 4), reflects existing critical discussions concerning the marketing theory in general, and strategic planning and marketing models in particular. There seems to exist doubt about the effects of the nuisances of marketing theory and planning. These are reflected in McDonald’s statement: “…it is necessary to reiterate that marketing theory is not practised in industry” (1992, p. 8). However, one major part of the strategic planning process is the application of marketing models, especially in non-mathematical form as Heuristic Devices. These models have been widely discussed and analysed in theory and were frequently included into management education. It is argued that the power of these devices as managerial tools is high and well known. (Vignali, Schmidt and Davies, 1994, p. 965) Therefore not the models themselves but rather the process of applying them is seen as the major stumbling stone for successful planning.

The research method adopted in this article is likely to be tied to certain assumptions about how to observe and understand people’s behaviour and ideas. Currently, there are two dominant paradigms striving for dominance in the social sciences. The first, older one, is positivism? The basic belief of this paradigm is the existence of a truth or objective reality waiting to be discovered by social scientists. The discovery of this reality and the general causal laws that govern behaviour is characterised by a detached, neutral, and objective approach to research. Positivism is derived from the natural sciences and therefore reflects the assumptions and methodologies prevalent in this area; for example the quantitative analysis of data. However it is argued that positivistic methods were mainly developed for the verification and not the generation of new theory. (Easterby-Smith ET al, 1999, p. 32). Susman and Everet (1978, pp. 584.) present four elements to support this argument. Firstly, organisations are artefacts, created by human beings to serve their ends and they obey laws that are affected by human purposes and actions. Secondly, organisations are systems of human action in which the means and ends are guided by values. Thirdly, empirical observation and logical reconstruction of organisational activities are not sufficient for a science of organisation because organisations are planned according to their members’ conceptions of the future. These conceptions do not have a truth-value in the positivistic sense. Furthermore, organisations can be understood experientially by organisational researchers and need not be supported empirically or validated logically to find the truth of many propositions. Fourthly, organisations can be legitimate objects of scientific inquiry only as single cases without considering whether such cases are subsumable under general laws. Knowledge about what actions are appropriate for problem solving need not be derived by reference of a general category of similar organisations from which we know what the best action to take is on average.

The second school of thought to consider is phenomenology. The starting point is the idea that reality is socially constructed and given meaning by people rather than objectively determined. Hence the task of the researcher should not be to gather facts and measure how often certain patterns occur, but to appreciate the different constructions and meanings that people place upon their experience. This could be aligned to a process more associated with Action Research.

The aims of this article are to test the appropriateness of the current Heuristic Marketing Devices process and the development of a new model based on these findings. Therefore, derived from the preceding discussion, one part of the article includes positivistic aspects in order to evaluate and test existing theory. The second part, the generation of new model, follows a phenomenological methodology in order to be able to establish new aspects. A more defined action research approach with SMEs in mind.
Literature on action research

Action research, "research into practice, done by practitioners, for practitioners" is seen as a way of investigating professional practice via continuously developing sequences of 'action' and reflection (Zuber-Skerrit, 1996, p. 5; p. 13). Action research is an approach, which aims at both, taking action and creating knowledge or theory about the actions.

A majority of authors trace the invention and introduction of the term 'action research' back to Kurt Lewin, a social scientist, who first developed the action research concept in the 1940s to respond to the increasing problems he perceived in the social sciences (Coghlan and Brannick, 2001, p.4, R.Revans 1998) However, some authors claim that the practice of action research is a good deal older than the actual term noted by Lewin. Warmington (1979, p. 1) for instance illustrates research projects in the late '20s and early '30s which due to his view, had most of the traits that are said to be characteristic of contemporary action research.

In reflecting on Lewin's work, Argyris (1993) identifies and summarises four "core themes" of his particular approach to social inquiry:

1. **Lewin took an approach to integrate theory with practice and connected all real life Problems, with theory.**
2. **He designed research by framing the whole and then differentiating the parts.**
3. **He saw the researcher as an inventor and emphasised that one could only understand something when one tried to change it.**
4. **He changed the role of those being studied from subjects to clients that help to produce more valid knowledge.**

Action research, in the traditional (Lewinian) sense, can be seen as an approach to research that is based on a collaborative problem-solving relationship between researcher and client, which simultaneously aims at the solution of a perceived problem and the generation of new knowledge. Probably best known and most cited is Rapoport’s (1980, p. 499) definition of action research, which also pays attention on action research being a practical and collaborative undertaking within an acceptable ethical framework:

"Action research aims to contribute both to the practical concerns of people in an immediate problematic situation and to the goals of social science by joint collaboration within a mutually acceptable ethical framework."

Within the attempts to characterise action research, some academics make claims on its characteristics that go well beyond those made by Lewin himself (Peters and Robinson, 1984, p. 116). The following figure illustrates the key features given by eleven salient authors writing about action research:
The Action Research Process adopted in the SME sector

In Lewin's original contribution, he suggested a scheme of how to perform an action research project. His idea of action research implied several cycles of analysis, fact-finding, conceptualisation, reconceptualisation, planning and evaluation to be carried out simultaneously to generate knowledge and find practical (workable) solutions (Dickens and Watkins, 1999, p. 133). Lewin emphasised the necessity of continuous research activities to unravel the problem gradually as new data is gathered and interpreted and the understanding of the problem is enhanced during the research process (Gronhaug and Olson, 1999, p. 9).

In compliance with the Lewinian model of action research authors like Zuber-Skerrit (1996, p. 96) or Coghlan and Brannick (2001, p. 16) argue that action research projects in organisational contexts typically move through several distinct stages within a cycle, from the initial problem identification to its final solution. Coghlan and Brannick (2001, p. 17) furthermore suggest pursuing a 'pre-step' which has to be undertaken in order to understand the external and internal driving forces relating to the project. The three main stages diagnosing, planning, and action taking and evaluation follow this initial 'pre-step'.

A multitude of definitions of Action Research exist and various authors combine different attributes and characteristics with it. There is, in addition, a controversy about the recognition of Action Research as a scientific method. This discrepancy stems partly from the insufficient definition in Lewin's seminal work. Furthermore, differing underlying meta-theoretical views on the world and the nature and purpose of science, manifested in differing worldviews, paradigms, or orientations, exists. These ideas strongly influence perceptions concerning the nature of science, the subjective-objective dimension and the explicitness of long-term conflicts in society. In other words, the assessment of the scientific nature of Action Research strongly depends on the worldview or paradigm the assessor supports.
Subsequently, a brief overview about the two major, and extreme, paradigms in social sciences, positivism and phenomenology is displayed and Action Research is located in this theoretical framework. Thereby, the designation “positivism” will be used vicariously for all terminologies pertinent to this worldview, or orientation (e.g. all approaches to science that consider scientific knowledge to be obtainable only from sense data that can be directly experienced and verified between independent observer, see: Susman and Evered, 1978, p. 583). The same applies for the term “phenomenology”.

Positivism has a long intellectual history dating back to the late 15th and early 16th century where a strong faith in rationality existed (Deshpande 1983, p. 102), and is connected to the work of Bacon (1561-1626) and Descartes (1596-1650), (McLaughlin, 1993, p. 182). The perception of everyday scientific reality was in terms of human senses – if a phenomenon could not be seen, heard, touched, smelled, or tasted, then it could not exist The extreme positivism point of view man is a passive responder and reality is conceived as a concrete structure. In this perspective, knowledge can be created “at distance” (Gronhaug and Olson, 1999, p. 7). This positivist conception of science dominated the physical, biological, and social sciences for more than hundred years is at a later stage linked to the work of the French mathematician and philosopher Auguste Comte (1798-1857). He used the term “positive” to refer to the actual in comparison to the imaginary (Susman and Evered, 1978, p. 582) and argued that society could be studied by using the same logic of enquiry as that employed by the natural sciences. (McLaughlin, 1993, p. 182) Two assumptions underlie this paradigm; firstly, that reality is external and objective and secondly, that knowledge is only of significance, if it is based on observations of this external reality. (Easterby-Smith, Thorpe and Lowe, 1999, p. 22) They follow from some implications, partly put forwarded by Comte:

1. Independence: the observer is independent of what is being observed;
2. Value-freedom: the choice of what to study, and how to study it, can be determined by objective criteria rather than by human beliefs and interests;
3. Causality: the aim of social science should be to identify causal explanations and fundamental laws that explain regularities in human social behaviour;
4. Hypothetical-deductive: science proceeds through a process of hypothesising fundamental laws and then deducing what kinds of observations will demonstrate the truth or falsity of these hypotheses;
5. Operational: concepts need to be operationalised in a way which enables facts to be measured quantitatively;
6. Reductionism: problems as a whole are better understood if they are reduced into the simplest possible elements;
7. Generalisation: in order to be able to generalise about regularities in human and social behaviour it is necessary to select samples of sufficient size;
8. Cross-sectional analysis: making comparisons of variations across samples can most easily identify such regularities. (Easterby-Smith, Thorpe and Lowe, 1999, p. 23),

Furthermore the positivist view in the social sciences is the primary discipline and, although the philosophy is recognised as a separate discipline, it is seen as parasitic upon the findings of science. In addition, there is a fundamental distinction between fact and value: fact being the product of science, whilst value represents an entirely different and inferior order of phenomena. This reflects the underlying assumptions displayed above. There exist, however, various nuances represented by the many schools of positivistic thought, and the short description given in this paper does not do justice to all of them.
Largely in reaction to the application of positivism to social sciences, another paradigm has arisen. The primary objective of this worldview, termed phenomenology\(^1\), is the direct investigation and description of phenomena as consciously experienced without theories about their causal explanation and as free as possible from unexamined preconceptions and presuppositions. Vico (1668-1744), for instance, argued that one could not study man and society in the same way as one studied inanimate nature (McLaughlin, 1993, p. 191). This paradigm therefore stems from the view that the world and “reality” are not objective and exterior, but that they are socially constructed and given meaning by people. This so-called “phenomenology” or “idealism” was strongly influenced by authors like Husserl, Brentano, Hegel, Schleiermacher, and Weber in the nineteenth century. Weber, for example, was more concerned with the mind as the creator of reality. (Deshpande, 1983, p. 102) One should therefore try to understand why people have different experiences, rather than search for fundamental laws and external causes to explain their behaviour (Easterby-Smith, Thorpe and Lowe, 1999, p. 24).

The differences between the phenomenological paradigm, which incorporates qualitative methods, and positivism, which follows a quantitative approach, are discussed subsequently. Reichardt and Cook state that

“...The quantitative paradigm is said to have a positivistic, hypothetical-deductive, particularistic, objective, outcome-oriented, and natural science world view. In contrast, the qualitative paradigm is said to subscribe to a phenomenological, inductive, holistic, subjective, process-oriented, and social anthropological worldview.” (1979, p. 9, 10, in: Deshpande, 1983, p. 102).

Denzin and Lincoln(1994,p.11.) indicate that there are five interpretive paradigms that structure qualitative research: Positivist/postpositivist, Constructive, Feminist, Ethnic, Marxist, and Cultural. Each interpretive paradigm makes particular demands on the researcher, determining the questions posed and influencing the decisions made. The authors further argue that qualitative research involves the collection of a variety of empirical materials and the application of a wide range of methods (ibid. p.2.) The qualitative researcher is therefore equalled to a Bricoleur, being multimethodological in focus and putting togethere a series of practices that provide solutions.

\(^1\) Heidegger, for instance, questioned the word “phenomenology” and traced it back to the meanings of the Greek concepts of \textit{phainomenon} and \textit{logos}. Phenomenon is “that which shows itself from itself,” but together with the concept of logos, it means “to let that which shows itself be seen from itself in the very way in which it shows itself from itself.” This definition is based on Aristotle’s work.

(http://www.britannica.com/eb/article?eu=115435&tocid=68556#68556.toc)
The following illustration reflects major differences between the positivistic and the phenomenological paradigm:

<table>
<thead>
<tr>
<th>Differences between Positivism and Phenomenology</th>
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<tbody>
<tr>
<td><strong>Basic beliefs:</strong></td>
</tr>
<tr>
<td>The world is external and objective</td>
</tr>
<tr>
<td>Observer is independent</td>
</tr>
<tr>
<td>Science is value-free</td>
</tr>
<tr>
<td><strong>Researcher should:</strong></td>
</tr>
<tr>
<td>Focus on facts</td>
</tr>
<tr>
<td>Look for causality and fundamental laws</td>
</tr>
<tr>
<td>Reduce phenomena to simplest elements</td>
</tr>
<tr>
<td>Formulate hypotheses and then test them</td>
</tr>
<tr>
<td>Work outcome-oriented</td>
</tr>
<tr>
<td>Analyse – Particularistic approach</td>
</tr>
<tr>
<td><strong>Question of Validity:</strong> Does an instrument measure what it is supposed to measure?</td>
</tr>
<tr>
<td><strong>Question of Reliability:</strong> Will the measure yield the same results on different occasions (assuming no real change in what is to be measured)?</td>
</tr>
<tr>
<td><strong>Question of Generalisability:</strong> What is the probability that patterns observed in a sample will also be present in the wider population from which the sample was drawn?</td>
</tr>
</tbody>
</table>

Source: Easterby-Smith, Thorpe and Lowe, 1999, p. 27 and 41; Deshpande, 1983, p. 103

This figure displays the “pure” versions of each paradigm. Although the basic beliefs may be incompatible in theory, when it comes to actual research techniques often middle between both approaches is applied. (Easterby-Smith, Thorpe and Lowe, 1999, p. 26; McLaughlin, 1993, p. 181)

Deshpande (1983, p. 107) states that several scholars have noted that quantitative methodologies — therefore following the positivistic paradigm — emphasise reliability (frequently to the exclusion of validity), while qualitative methodologies emphasise validity while downplaying reliability.

Authors with a phenomenological background have published several attacks on positivism. One of the strongest arguments has been on its assumptions of value-freedom. Authors like Habermas have pointed out that any form of knowledge is an instrument of self-preservation. Human interests condition the way we enquire into, and construct our knowledge of the, world. The positivistic claim for independence of values and interests can therefore be questioned in practice. Another aspect, important for the further discussion about Action Research, is the ability of the paradigms to generate and test theories. We could argue that the probably most telling and fundamental distinction between the paradigms is on the dimension of verification versus discovery. He furthermore states that quantitative methods — and therefore the positivist paradigm — have been developed most directly for the task of verifying or confirming theories and qualitative methods — the phenomenological approach — were purposely developed for the task of discovering or generating theories (Deshpande, 1983, p. 105).
Mintzberg (1979, p. 584) emphasises the importance of theory development and the application of exploratory research in contrast to a focus on "rigorous research methodologies". He states that "there would be no interesting hypothesis to test if no one ever generalised beyond his or her data" and that "the field of organisation theory has ... paid dearly for the obsession with rigour in the choice of methodology". (1979, p. 584 and 583)

Another point of critique is the increasing discrepancy between theory and practice. The often-cited "ivory tower" (Byrne, 1990, p. 50; Rapoport, 1990, p. 506; Simon, 1994, p. 1; etc.) describes this "estrangement of academic research from business practice" (Simon, 1994, p. 5) over the last years. Byrne (1990, p. 1) cites the dean of a business school arguing that 80 per cent of management research may be irrelevant. The BAIN Commission on Management Research, as an answer to ensure research's distinctive contribution, demanded an increased collaborative dialogue between researchers and practitioners and emphasised the development of research on topics of critical importance to organisations and the practice of management. (McLaughlin and Thorpe, 2000, p. 6f.)

**Literature on Heuristic Devices**

The literature examines the strategic marketing management and planning process. Thereby, emphasis will be put on the limitations connected to this work. Next, the use of Heuristic Devices to support strategic decision-making will be analysed. This article is written in, and for, the marketing scholar. Therefore, it is assumed that the readers of this article are familiar with the strategic management process. Due to the constraints of this work, emphasis was placed on the analysis of Action Research, as this is seen as a fairly 'new' topic in marketing. Consequently, the following discussion will only briefly reflect the existing literature on strategic planning and the use of Heuristic Devices.

**Strategic marketing management and planning**

Strategic marketing management is widely reflected in the contemporary literature and there are various differing descriptions of this topic. Greenley (1989, p. 46) summarises several descriptions ranging from 'broad means of achieving given aims', 'fundamental means or schemes', 'crucial and central issues to the use of the marketing function', to 'the grand design to achieve objectives'.

Proctor and Kitchen give a rather broad definition:

"Strategic management is about steering an organisation so that it avoids the various threats that can exist in its environment while allowing it to take advantage of any opportunities that resent themselves." (Proctor and Kitchen, 1990, p.4).

Decision-making is at the heart of strategic management. (Wilson, and Gilligan, 1997, p. 6) Detailed descriptions of the nature and different modes of strategic decisions are intensively discussed elsewhere (McDonald, 1996, pp. 12 ff.) It is suggested that strategic planning is superior to an unplanned approach to strategy definition. The paramount aim of strategic planning is the maximisation of success, in the form of increased and sustainable competitive advantage, (Easton, 1988, p. 31) by systematically analysing possible futures. However, it is unlikely that one single idea has long-standing impact on a firm's fortunes since ideas are soon copied and the competitive advantage is soon eroded. (Proctor and Ruocco, 1992, p. 50) This counts especially, because the marketing environment in which the company manoeuvres is becoming increasingly complex in terms of competition and fussy market boundaries.

---

2 The integration of marketing as part of a market oriented business philosophy has led simultaneously to a greater proximity of marketing and management concepts. Furthermore, by organising and integrating all of the company's outside-oriented activities strategic marketing supports the strategic management process. (Jüttner and Wehrli, 1994, pp.42) Therefore, in this article strategic marketing management and strategic management will not be distinct.
The process of strategic marketing planning follows the steps analysis, planning, decision-making (or implementation) and control. Several sub-steps expand these steps by different authors. However, there are various critical voices, probably culminating in Mintzberg’s (1994a) “The Rise and fall of Strategic Planning”. (Nicholls, 1995, p. 4)

Marketing theory has been criticised as being of little use for practitioners. There is a wide discussion about the “ivory tower” of academia (Byrne, 1990, p. 50) which is concerned with the estrangement of theory from practice. It is furthermore argued, that many non-academic voices, for example senior business people, consultants and journalists, are listened to in preference to marketing academics. The theoretical underpinnings of marketing thoughts are, hence, coming under an increasing threat and often they are being perceived as lacking any relevance for the modern business world. (Hill and McGowan, 1998, p. 70)

The use of Heuristic Devices to support strategic decision making used in the SME sector

Procedures for deriving solutions from models are either deductive or inductive. A deductive process describes the movement from the model to a solution in either symbolic or numerical form. Such procedures are supplied by mathematics; for example, the calculus. An explicit analytical procedure for finding the solution is called an algorithm. Even if a mathematical model cannot be established or solved, and many are too complex for solution, it can be used to compare alternative solutions. It is sometimes possible to conduct a sequence of comparisons, each suggested by the previous one and each likely to contain a better alternative than given in any previous comparison. Such a solution-seeking procedure is called heuristic. Inductive procedures involve trying and comparing different values of the controlled variables, this can happen in iterative steps, reaching successively improved solutions until either an optimal solution is reached or further progressing cannot be justified in iterative steps.

Heuristic Marketing Devices, therefore, are models, which can be used by the practitioner in order to receive comparably quick solutions to a complex marketing problem. The results do not need to be mathematically correct; the strength of these models lies in their simplicity and their ability to model complex, sometimes even dynamic situations.

Greenley (1989, p. 46) displays four major bases that are used in the literature to explain the detail of marketing strategy. These are the marketing mixes, the product life cycle, market share and competition, and positioning. In addition, special strategies for both international and industrial markets are proposed.

Vignali et al. argues that the power of simple devices as managerial tools is well known. (Vignali, and Davies, 1994, p. 965) The authors highlight the example of the 4Ps, developed by McCarthy, and the Boston Consulting Group Matrix. In addition, McDonalds highlights the Ansoff Matrix, Market Segmentation, Product Life Cycle Analysis, Portfolio Management, and “a host of techniques” revolving around the four basic elements of the marketing mix, the 4Ps. (McDonald, 1992, p. 9)

These models are widely explained and analysed in the existing literature (see for example: Kotler, P. 2000, Baker, Wilson, 1997; etc.) Furthermore, the advantages and limitations of these models are frequently discussed elsewhere. Therefore, no deeper analysis of the existing models shall be displayed here.

The combination of AR and heuristic devices

Although on both topics, Action Research and Heuristic Marketing Devices, a multitude of literature is available; no concept of the combination of both approaches exists. This is partly determined by the different worldviews, which are prevalent in both approaches. Whereas Action Research is similar to the phenomenological paradigm, the marketing scholar very much reflects the positivistic philosophy. The marketing scholar has derived knowledge from the social sciences and therefore devoted to reductionism objectivism, rigour (McDonald, 1992, p. 8) and mainly quantitative methods are applied. (Hunt, 1994, p. 13). The limitations of this paradigm have been extensively discussed in the literature and there has been a call for the use of phenomenological methods in marketing (see for instance Hunt, 1994, p. 13; McDonald, 1992, p. 8). The limitations of current marketing practice have an impact on both, academics and practitioners. One for example is, the inability of positivistic approaches to
generate new theories. Hunt argues that currently there are no original contributions of marketing to the strategy dialogue; rather concepts developed in the 1950's and 1960's are borrowed (Hunt, 1994, p. 14). Furthermore it is seen that 'marketing's job' is to apply the theories of other disciplines to marketing phenomena—according to the "applied science" notion. This results in a lack of new theory, which reflects newer developments and an increasingly dynamic, volatile and aggressive environment. Therefore, practitioners are unable to rely on the academic developments of marketing in order to facilitate their strategic and tactical decision-making.

In addition, it is argued that the use of existing models by practitioners is only limited. McDonald argues that the application of marketing theory in practice is practically non existent. He gives three reasons for this: Companies have never heard of the theory, companies have heard of it but do not understand it or companies have heard of it, have tried them and found that they are largely irrelevant. (1992, p. 8f.)

Nevertheless, the existing Heuristic Marketing Devices can offer practitioners powerful tools when applied adequately as can be seen by various case studies in which these models were applied under supervision of academics or consultants.

Action Research, on the other hand, is being increasingly applied in various business areas and has proved to offer several advantageous characteristics, which are superior to traditionally applied methods. However, Action Research also bears limitations, which have to be considered.

This leads to the challenging question, if it is possible to merge both approaches and utilise the advantages and existing expertise of both principles while trying to compensate the individual limitations of each principle. The result could be an advanced model—exploiting the benefits of positivism and phenomenology—with synergistic effects exceeding the benefits of a basic model.

CONCLUSION

As outlined in this article, Heuristic Marketing Devices are often applied following a process of analysis, planning, and control. Thereby, a real world problem usually exists and triggers off the research process. However, as concluded above, not all application processes of marketing models encompass the control aspect. The main steps beginning with the existence of a real world problem are analysis/diagnosing, planning the action, taking action, and finally reflecting on and evaluating the action taken.

One signpost for the solution of this problem could be the development of another approach to problem solving on the practical level and theory generation in an academic sense. This is paramount for the management of SMEs.

The procedure described below is believed to offer an appropriate way of researching the main questions this article is concerned with. It shall guide the reader and show what steps will be followed to investigate the possibility of combining both, heuristic devices and action research, in one integrative model.
Basically, action should be divided into three major parts, *Theoretical Analysis, Practical Analysis and Model Integration*, which are depicted in the subsequent figure:

The steps are repeatedly carried out, until a "best" solution is found. After researching a large number of companies, the Author in the following model distinguishes and combines 2 different processes followed by action researchers and practitioners utilising heuristic devices.

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The Action Research/Heuristic device process

These steps are repeatedly carried out, until a "best" solution is found. After researching a large number of companies, the Author in the following model distinguishes and combines 2 different processes followed by action researchers and practitioners utilising heuristic devices.
Finally this model clearly identifies the importance of both heuristic devices and the action research cycle. The extended Heuristic/action model integrates both the practical application and phenomenology approach, to create a common sense approach to the management process of decision-making.
ABOUT THE AUTHOR

He is the Case study editor of the British Food Journal and Co Editor of Management Case Quarterly. He is section Leader of the consumer studies courses at Manchester met and is also research Leader with 15 students registered for higher degrees by research. This autumn sees the publication of a strategic marketing text in Croatian and a marketing text in New Zealand. The author has over 100 publications in matrix marketing.

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C. Vignali (2001)
McDONALD'S: "THINK GLOBAL, ACT LOCAL" - THE MARKETING MIX

Keywords:
McDonald's, Internationalisation, Globalisation, Marketing Mix, Matrix Marketing, Strategic & Tactical MIXMAPPING, Glocalisation

Abstract

Focuses on the marketing mix of McDonald's. Highlights how the company combines internationalisation and globalisation elements according to various fast food markets. Using the effect of strategical and tactical models, the case illustrates the effect of McDonald's on the global environment and how they adapt to local communities. Describes future franchise plans for McDonald's.

Introduction

McDonald's Background

Two brothers, Richard and Maurice McDonald founded McDonald's in 1937. The brothers developed food processing and assembly line techniques at a tiny drive-in restaurant east of Pasadena, California.

In 1954, Ray Kroc a milkshake mixer salesman, saw an opportunity in this market and negotiated a franchise deal giving him exclusive rights to franchise McDonald's in America. Mr Kroc offered a McDonald's franchise for $950 at a time when other franchising companies sold restaurant and ice-cream franchises for up to $50,000. Mr Kroc also took a service fee of 1.9% of sales for himself plus a royalty of 0.5% of sales went to the McDonald brothers. The McDonald's brothers sold out for $2.7 million in 1961.

McDonald's first international venture was in Canada, during 1967. Shortly afterwards, George Cohon bought the license for McDonald's in eastern Canada, opening his first restaurant in 1968. Cohon went on to build a network of 640 restaurants, making McDonald's in Canada more lucrative than any of the other McDonald's outside of the U.S.

The key to the international success of McDonald's has been the use of franchising. By franchising to local people, the delivery and interpretation of what might be seen as US brand culture is automatically translated by the local people in terms of both product and service.

McDonald's now has over 20,000 restaurants in over 100 countries, around 80% are franchises.
Globalisation Vs Internationalisation

Globalisation involves developing marketing strategies as though the world is a single entity, marketing standardised products in the same way everywhere. Globalised organisations employ standardised products, promotional campaigns, prices and distribution channels for all markets. Brand name, product characteristics, packaging and labelling are the easiest of the marketing mix variables to standardise.

Globalisation of markets requires total commitment to international marketing; it embodies the view that the world is a single market. For example, Nike trainers, Levi's jeans and Coca-Cola have all crossed global borders, however, even there, some tailoring of the message is visible.

Internationalisation involves customising marketing strategies for different regions of the world according to cultural, regional and national differences to serve specific target markets. In order to standardise the marketing mix, the strategy needs to group countries by social, cultural, technological, political and economic similarities.

Ohmae (1989) states that “large companies must become more global if they hope to compete. They must change from companies that treat their foreign operations as secondary, to companies that view the entire world as a single borderless market”. Levitt (1983) suggests that as markets become increasingly similar and more global, the key to success lies in the ability to be able to globalise.

Czinkota et al (1995) believes that multinational companies should have to find out how they must adjust an entire marketing strategy, including how they sell and distribute, in order to fit into new market demands. “Altering and adjusting the marketing mix determinants is essential and vital to suit local tastes, meet special needs and consumers non-identical requirements”. (Czinkota ibid.)

However, Taylor (1991) supports the view that companies should use both internationalisation and globalisation elements to create a competitive advantage, “it is important to heed the maxim, think global, act local. The firm must ensure that its structure fits in with its international environment, while at the same time, have the internal flexibility required to implement its strategic goal”.

The debate between these two schools of thought is continuous and as trade barriers throughout the world diminish and we move towards a single economy, more firms seem to be entering the international arena. “Growing internationalisation of tastes and buying patterns has made the development of global and regional brands more feasible” (Doyle, 1994). As a result of this, organisations are experiencing a change in focus from developing into a global company over time to being a “born global”. Born Globals operate on a world-wide scale from birth rather than developing with the business.

The concept of “think global, act local” has become the business phrase of the 20th century and increasingly topical when looking at the debate between internationalisation and globalisation. Crossing borders, both physically and
electronically, is becoming increasingly vital in order for even the smallest businesses to remain competitive.

The Marketing Mix

McCarthy (1975) formulated the concept of the 4 P's - product, price, promotion, and place marketing mix. For many years these have been used as the principle foundation on which a marketing plan is based. However, with particular attention being paid to services marketing in recent years, theorists have identified additional variables which could be added to the 4Ps. Lovelock (1996), recognised the following variables as an integral part of the marketing mix: process, physical, and people.

It is these 7P's that we will use in analysing the marketing mix of McDonald's:

- **PRODUCT** - features, quality, quantity
- **PLACE** - location, number of outlets
- **PRICE** - strategy, determinants, levels
- **PROMOTION** - advertising, sales promotion, public relations
- **PEOPLE** - quantity, quality, training and promotion
- **PROCESS** - blueprinting, automation, control procedures
- **PHYSICAL** - cleanliness, decor, ambience of the service

**Product**

One of the aims of McDonald's is to create a standardised set of items that taste the same whether in Singapore, Spain or South Africa. McDonald's learned that although there are substantial cost savings through standardisation, being able to adapt to an environment ensures success. Therefore the concept of "Think global, act local", has been clearly adopted by McDonald's.

Adaptation is required for many reasons including consumer tastes/preferences and laws/customs. There are many situations where McDonald's adapted the product due to religious laws and customs in a country, for example, in Israel after initial protests, Big Macs are served without cheese in several outlets, thereby permitting the separation of meat and dairy products required of kosher restaurants. McDonald's restaurants in India serve Vegetable McNuggets and a mutton-based Maharaja Mac (Big Mac), innovations that are necessary in a country where Hindus do not eat beef, Muslims do not eat pork, and Jains (among others), do not eat meat of any type. In Malaysia and Singapore, McDonald's underwent rigorous inspections by Muslim clerics to ensure ritual cleanliness; the chain was rewarded with a *halal* ("clean", "acceptable") certificate, indicating the total absence of pork products.

There are also many examples of how McDonald's adapted the original menu to meet customer needs/wants in different countries. In tropical markets, guava juice was added to the McDonald's menu. In Germany, beer is sold as well as McCroissants. Chilled yoghurt drinks are available in Turkey, espresso and cold pasta in Italy.
Teriyaki burgers are sold in Japan, vegetarian burgers in the Netherlands. McSpagetti has become increasingly popular in the Philippines. McLaks (grilled salmon sandwich) are sold in Norway, McHuevo (poached egg hamburger) in Uruguay. In Thailand, McDonald’s introduced the Samurai Pork Burger with sweet sauce. These are all examples of how McDonald’s has adapted their product offer in international environments.

Irrespective of variations and recent additions, the structure of the McDonald’s menu remains essentially uniform the world over: main course burger/sandwich, fries, and a drink - overwhelmingly Coca-Cola. The keystone of this winning combination is not, as most observers might assume, the Big Mac or even the generic hamburger. It is the fries. The main course may vary widely, but the signature innovation of McDonald’s - thin, elongated fries cut from russet potatoes - is ever-present and consumed worldwide by all McDonald’s customers, irrespective of their religious beliefs or political stance! It is understandable, therefore, why McDonald’s has made such a fetish of its deep-fried potatoes and continues to work on improving the delivery of this industry winner.

Quality

Quality Assurance teams are responsible for monitoring the quality of McDonald’s food products, both in the restaurants and at suppliers at all stages of production. This involves a continuous round of visits, inspections and audits, announced and unannounced, to all production facilities, distribution centres and restaurants. Visits even extend to secondary suppliers such as farms, to monitor crops growing in the field or to inspect seeds prior to planting.

Every supplier manufactures to very tight specifications, which detail the exact quantity and quality of raw ingredients and the dimensions of the finished product. The specifications also stipulate extensive checking procedures. In addition to studying all production run records which are sent to McDonald’s by suppliers, McDonald’s regularly take samples of stock at distribution centres to ensure that they conform to specifications.

The quality controls continue when the food arrives at restaurants. No delivery is accepted until a series of quality and safety checks are completed. All restaurant staff receive comprehensive training in food safety and hygiene and food preparation procedures. This is a global practice and is one of the distinguishing features of McDonald’s as a fast-food restaurant.

Place

McDonald’s currently has over 24,500 restaurants in 116 countries across the world.
Table 1:

McDonald's Restaurants by area 1994-1998

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>12,472</td>
<td>12,380</td>
<td>12,094</td>
<td>11,368</td>
<td>10,238</td>
</tr>
<tr>
<td>Europe</td>
<td>4,421</td>
<td>3,886</td>
<td>3,283</td>
<td>2,595</td>
<td>2,195</td>
</tr>
<tr>
<td>Asia/Pacific</td>
<td>5,055</td>
<td>4,456</td>
<td>3,633</td>
<td>2,735</td>
<td>2,168</td>
</tr>
<tr>
<td>Latin America</td>
<td>1,405</td>
<td>1,091</td>
<td>837</td>
<td>665</td>
<td>505</td>
</tr>
<tr>
<td>Other</td>
<td>1,447</td>
<td>1,319</td>
<td>1,175</td>
<td>1,017</td>
<td>880</td>
</tr>
<tr>
<td>Systemwide Restaurants</td>
<td>24,800</td>
<td>23,132</td>
<td>21,022</td>
<td>18,380</td>
<td>15,950</td>
</tr>
</tbody>
</table>


McDonald’s continues to focus on managing capital outlays more effectively through prudent and strategic expansion. In 1998, the company added 1,668 restaurants systemwide (whether operated by the company, franchisee or joint venture), compared with 2,110 in 1997 and 2,642 in 1996. In 1999, McDonald’s expects to add about 1,750 restaurants with a continued emphasis on traditional restaurants primarily in locations outside the U.S.

McDonald’s realise the potential for growth in international markets and plan to benefit from lessons that they learned in the U.S. For example, they used to add 300 - 400 restaurants a year, every year in the U.S. regardless of circumstances. It was a strategy that created a gap between them and the competition. However, they realise looking back that they could have built even more restaurants at a time when competition wasn’t so great. This would have meant that a lot of those “other” restaurants could have been McDonald’s. They have applied this lesson to their rapidly growing international business, especially in markets where competition is not so strong. For example, McDonald’s added 415 restaurants in Japan accounting for 25% of systemwide restaurant additions in 1998. Longer term, markets like China, Italy and Mexico are expected to represent a growing proportion of restaurant additions. Although this strategy is an example of globalisation, it is still clearly a glocal focus as McDonald’s can now share ideas, best practices and human resources across borders thus further enhancing their competitive advantage and strengthening their leadership position.

Price

McDonald’s have realised that despite the cost savings inherent in standardisation, success can often be attributed to being able to adapt to a specific environment. This is indeed the case with their implementation of their pricing strategy which is one of localisation rather than globalisation.

Illustrated below is a table of comparative Big Mac prices (flagship brand of McDonald's), from around the world.
Table 2:

<table>
<thead>
<tr>
<th>Country</th>
<th>Price of Big Mac</th>
<th>Cost in UK £</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>$2.65</td>
<td>£0.87</td>
</tr>
<tr>
<td>South Africa</td>
<td>R7.80</td>
<td>£0.92</td>
</tr>
<tr>
<td>America</td>
<td>$1.89</td>
<td>£1.13</td>
</tr>
<tr>
<td>Korea</td>
<td>2600won</td>
<td>£1.13</td>
</tr>
<tr>
<td>India</td>
<td>Rs80</td>
<td>£1.19</td>
</tr>
<tr>
<td>New Zealand</td>
<td>£3.65</td>
<td>£1.20</td>
</tr>
<tr>
<td>Turkey</td>
<td>500.000TL</td>
<td>£1.25</td>
</tr>
<tr>
<td>Japan</td>
<td>280yen</td>
<td>£1.27</td>
</tr>
<tr>
<td>Spain</td>
<td>375psts</td>
<td>£1.44</td>
</tr>
<tr>
<td>Brazil</td>
<td>2.95reais</td>
<td>£1.52</td>
</tr>
<tr>
<td>Ireland</td>
<td>IEP1.85</td>
<td>£1.52</td>
</tr>
<tr>
<td>Switzerland</td>
<td>4.02Francs</td>
<td>£1.58</td>
</tr>
<tr>
<td>Germany</td>
<td>DM4.90</td>
<td>£1.58</td>
</tr>
<tr>
<td>Italy</td>
<td>L4800</td>
<td>£1.59</td>
</tr>
<tr>
<td>Austria</td>
<td>ATS 34</td>
<td>£1.61</td>
</tr>
<tr>
<td>Belgium</td>
<td>105Francs</td>
<td>£1.66</td>
</tr>
<tr>
<td>Denmark</td>
<td>DKK19.95</td>
<td>£1.80</td>
</tr>
<tr>
<td>England</td>
<td>£1.81</td>
<td>£1.81</td>
</tr>
</tbody>
</table>

Source: World-wide Web

The table succeeds in highlighting the point that McDonald's has had to come up with different pricing strategies for different countries. More importantly, rather than just having a different pricing policy for the Big Mac in these listed countries, McDonald's has had to select the right price for the right market. The highest comparative price for the Big Mac is that in our own country, England, but why is that the case? How do McDonald's come to their pricing decision?

**Pricing Decisions**

For each country, there is a rigorous pricing process that is used to determine the price for that particular market. The process, as described by Vignali (1999), is listed below:

1) Selecting the price objective
2) Determining demand
3) Estimating costs
4) Analysing competitor's costs, prices and offers
5) Selecting a pricing method
6) Selecting a final price

The process above sets out the basic framework that allows McDonald's to set localised pricing.

McDonald's overall pricing objective is to increase market share. In each country, they look at the demand for their product as a barometer for setting price. In the USA for example, a Big Mac with fries costs the equivalent of a Chicago office worker's
earnings during 14 minutes. However, elsewhere, a meal like this is perceived as a luxury, as opposed to a normal product, and would cost a lot more relative to earnings. In Nigeria for example, a corresponding meal would represent 683 minutes of work for someone living in Lagos. Thus, depending upon the perception of price by the consumer, then will the price of the McDonald’s product be determined.

This can further be explained by looking at Vignali’s tactical model for mixmapping.

**Figure 1: Product MIXMAP**

By looking at the Product MIXMAP, it is clear that although placed in the same box, the consumer in Lagos perceives the McDonald’s products as having more quality than the consumer in Chicago. Therefore, in Lagos, the consumer will be more willing to pay a higher price relative to their earnings, hence, McDonald’s price their goods accordingly.

This pricing strategy doesn’t always work successfully though, as was the case in the USA in 1997 when McDonald’s was losing domestic market share. To combat this, they had to lower prices in an attempt to increase revenues. Similar efforts had also to be made in Japan for the same reason, proving once more the importance of correct price setting.

The official stance on McDonald’s pricing policy is highlighted in the company’s mission statement where it states that the most fundamental element of determining price was:

> "Being in touch with the pricing of our competitors allows us to price our products correctly, balancing quality and value".

Therefore, it is possible to conclude that by looking at other competitors in each country, McDonald’s can set the appropriate price for their products. In New Delhi, India, McDonald’s was looking at market penetration in October 1996, and set price
through looking at “Nirula’s”, a local food chain. They used this local example as a guideline to what the Indian would perceive as an acceptable price and hence, what they should charge.

A comparative survey of prices was carried out in Hong Kong in June 1994, demonstrated that McDonald’s is equal or cheaper in price to that of its competitors in the fast food sector. The remarkable thing is however, that not only are McDonald’s competitive in the fast food sector but their prices remain competitive to other food purveyors. In Hong Kong for example, an average “value meal” is less than half the price of a simple noodles meal!

**Figure 2: The Product Life Cycle (Kotler) as a determinant of PRICE**

It is also important to look at the life cycle of a product/brand before setting price as then it is possible to select a pricing strategy from this.

![Product Life Cycle Diagram](image)

The PLC pictured above is a further example how the McDonald’s pricing strategy is one of glocalisation. The comparison is made between the markets in USA and China who are at contrasting stages of the Product Life-Cycle. If we use the example of the Big Mac, as illustrated in Table 2, we can see that in terms of the English pound, in the USA, the Big Mac is priced at £1.13 and in Japan, it is priced at £1.27. This is explained because the US market is in the decline stage of the Product Life-Cycle and so has to cut prices to re-establish lost revenue, as was the case in 1997. On the other hand, the Japanese market is in its growth to maturity phase and so can price the Big Mac higher with greater success in terms of profitability.
Promotion

Promotion, or the marketing communications mix, was seen by Kotler (1994), as consisting of 5 major tools: advertising, direct marketing, sales promotion, public relations and publicity and personal selling. Using these tools, McDonald’s looks to localise their marketing communications strategy as they need to consider the enormous range of cultural and other differences that they would be faced with in each country. It would be naive of them to ignore the various local markets and the factors which may effect the performance of their product in them. They also need to analyse consumers’ attitudes towards their product, usage patterns and ethnic, moral and religious considerations in that environment. Although the idea is to promote McDonald’s as a global image, McDonald’s focuses on the needs of the communities they are entering. In a communications context, the maxim “brand globally, advertise locally” (Sandler and Shani, 1992), is the McDonald’s promotional strategy. To understand this more fully, further exploration of the key elements of the promotional mix, appropriate to McDonald’s, must be examined.

Advertising

McDonald’s have a wide range of advertising campaigns in various countries. For example, in the UK, they use the England footballer Alan Shearer as a figurehead to promote their hamburgers whereas in France they use Fabien Barthez, the French international goalkeeper. The point is that the image they are trying to convey is the same, McDonald’s just use different personalities in different cultures to get their message across.

This point can further be illustrated by the diagram below which is Sandler and Shani’s (1992) classification of brand/advertising decisions.

**Figure 3: Classification of Brand/Advertising Decisions**

<table>
<thead>
<tr>
<th>Advertising</th>
<th>Standardised</th>
<th>Non-Standardised</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standardised Brand Name</td>
<td>Strategy 1</td>
<td>Strategy 2</td>
</tr>
<tr>
<td>Non-Standardised</td>
<td>Strategy 3</td>
<td>Strategy 4</td>
</tr>
</tbody>
</table>

Source: Sandler and Shani, 1992

The McDonald’s advertising strategy would be positioned in Strategy 2 as McDonald’s concentrate on standardising their brand name but localising their advertising campaign. Examples of this are listed below:

In East Asia, McDonald’s could not have had the success they’ve experienced without their appeal to younger generations of consumer, children and teenagers. The
A further example of McDonald’s acting more locally was when in Beijing, China, the company’s male mascot, Ronald, was paired with a female companion known as Aunt McDonald, whose job it was to entertain children. Once more, this shows how McDonald’s paid particular attention to the specific market, knowing full well that this new female companion would only be successful in certain international fast food markets and not work on a global scale.

In contrast, in Hong Kong, McDonald’s has made great efforts to present itself as a champion of environmental awareness and public welfare, as they see this as an
important attribute to the local consumer. A leaflet comparing the Hong Kong fast food industry saw McDonald’s adverts as:

"promoting McDonald’s as a local institution, with a clear stake in the overall health of the community".

Public Relations

A feature of the localisation of McDonald’s in Beijing is that, in contrast to the American practice of substituting technology for human workers, the Beijing McDonald’s relies heavily on personal interactions with customers. In everyday operations, one or two public relations staff in each outlet, are available to answer customers’ questions. Each restaurant assigns five to ten female receptionists to take care of children and talk with parents. The whole courtesy issue is such a big thing in the Far East and so McDonald’s has to pay particular attention to this. There would be no need for customer public relations officers in the UK as the British have a completely different mentality and would be more than happy to just eat their meal and leave the restaurant.

There are certain times though when McDonald’s do adopt a global strategy. In January 1997, McDonald’s announced a global alliance with Walt Disney which allowed them to share exclusive marketing rights from everything from films to food, for the next ten years. This has led to McDonald’s producing toys in their “happy meals” for films such as “A Bug’s Life”, “Toy Story” and the latest Disney offering, “Tarzan”. In this instance, there is no need for McDonald’s to act local, as Walt Disney has a world-wide appeal that does not need altering for different communities. Similarly, another global public relations exercise is the Millennium Dreamers Global Children’s recognition programme which is being presented in conjunction with McDonald’s, Walt Disney and UNESCO. Young people from all over the world have the opportunity to express their hopes, dreams and plans for the future.

Sports Sponsorship

McDonald’s sponsors a vast array of sports, both on a national and a global scale.

Globally, McDonald’s enhance their brand name with such associations as The Olympic Games and The World Cup, the two biggest sporting events in the global calendar. McDonald’s paid an estimated £20m for the right to use the official logo of the international football event. The global nature of the event allows advertisers to produce an international campaign and with an estimated 2 billion people watching the World Cup, the McDonald’s message is easily conveyed. The Olympic Games has also been a valuable advertising tool, for as Brad Ball (Senior Vice President of McDonald’s USA) puts it, “The Olympic Games has reinforced our reputation as a truly global brand”.

Nationally, McDonald’s targets specific events to which it would like to be associated with. In the USA, McDonald’s has strong links with the NBA (National Basketball Association) and NASCAR racing, two hugely popular sports within America.
McDonald’s recognises that these sports are only popular within the USA and so choose just to sponsor these sports within the US boundaries and not on a global scale.

Community Relations

McDonald’s concentrates on helping “seek solutions for the problems facing children and families today” (Ken Barun, President and CEO of Ronald McDonald House Charities). There are 160 local RMHC’s in 27 countries all aimed at the specific needs of improving the lifestyles of under-privileged children. They attach this global problem by addressing the problems locally.

People

“A blend of US human resource practices and host country norms”.

A new McDonald’s opens somewhere in the world every eight hours. Two thirds of the 1,200 to 1,500 new restaurants which the company opens annually are outside the USA. The firm has more than a million employees, and estimates that the figure will double in the next few years.

Before entering a country for the first time the human resource department has a list of questions that must be answered. These include:

- What are the labour laws?
- Would McDonald’s be able to establish part-time and flexible work schedules?
- Is there a maximum number of hours an employee can work?

McDonald’s then adapt to each individual situation, therefore one could describe the process as glocal.

The company is strongly committed to staffing locally and promoting from within. This means that McDonald’s has managers who understand both the corporate and local cultures. The emphasis when recruiting is that the applicants are customer focused; the right attitude is seen as more important than technical ability. The company believes that the best way to stand out from the crowd is to satisfy all of the customers, all of the time. This is emphasised in recruitment advertising and continues in preliminary screening, this is standard the world over and another clear example of a globalisation strategy.

There is a hamburger university in Illinois, USA. The main course is in advanced operations, this is designed for managers, assistant managers and prospective franchisees. It provides training in 22 languages. Although the course teaches a standard practice to be used in restaurants world-wide, and teaching is adapted to suit the needs of overseas students. There are additional training centres in Munich, Tokyo, Sydney, London and mainland China. The training centres teach managers such details as the temperature at which hamburgers should be cooked and how to inspect restaurant facilities to ensure quality standards are met. Managers are also
taught how to give performance reviews, how to listen and what to do if a person becomes defensive. Managers, in turn, pass the details on to their staff.

Within the restaurant structure in the UK there are three main levels of recruitment at McDonald's: hourly paid employees, Junior Business Managers and Business Management Trainees.

• The Management Development Programme is for recruits who are at least 21 and who have some management experience. It offers a direct route into management following an intensive and structured training programme. Training in business management begins with an intensive training course which teaches the basics of restaurant operation. This is followed by a series of training courses designed to back up skills learnt in the restaurant and to develop management, communication and leadership skills. All managers follow the Management Development Programme.

• The Junior Business Management Programme is open to A Level school leavers and is combined with day release for study in a recognised business qualification such as BTEC, HNC, HND or a degree. The two year programme is restaurant-based, and involves management skills and practical experience.

These two programmes are globally observed and adapted locally in terms of qualifications.

In many countries, just building a restaurant and finding food that will meet company standards requires hiring an entire network of support services such as engineers, construction workers and agricultural experts. This is to ensure that the restaurant will meet McDonald's standards and is an example of how McDonald's uses globalisation.

Process

There are 25,000 McDonald's restaurants in over 100 countries. The procedure for making the food is identical everywhere. This epitomises globalisation, McDonald's standards have to be met world over. For example, one out of two fries must measure 75mm, meat for Big Mac's weight 45 grammes and is 20% fat, buns are between 9.5 - 9.8 cm diameter and 6cm high.

Suppliers have to meet all the specifications and demands that McDonald's sets them, if they cannot do this McDonald's vertically integrate. For example in Russia the beef available did not meet standards so they set up their own source of supply for the restaurant.

The procedures for making the food in the restaurants are identical globally, each restaurant has the same kitchen layout. Local adaptation is again apparent as different international McDonald's have slightly different menus therefore new food preparation techniques are used.

The point of purchase at McDonald's is again standardised globally. Many company's operating globally discover language translation problems and therefore cannot use
systems globally. McDonald’s overcame this problem by using pictographs, employees world-wide ring up sales on machines that display symbols of Big Macs, french fries, or colas instead of words or numerals. Software links price and total items.

One key to McDonald’s success is the constant push to speed up production without sacrificing consistency. Corporate goals include the filling of walk-in orders within 90 seconds and a guarantee that customers will never have to wait more than three and a half minutes at drive-thru windows. Company representatives monitor performance by making surprise visits to McDonald’s outlets every quarter.

**Physicals**

“To focus on consistent delivery of quality, service and cleanliness through excellence in our restaurants”.

This is the McDonald’s message in every franchise throughout the world. The customer knows that whatever McDonald’s they enter, that the message of a family environment will still be conveyed. It just depends on where you are in the world as to how that message is broadcast.

This can be shown once again by using Vignali’s tactical mapping process:

**Figure 5: Physical MIXMAP**

![MIXMAP Diagram]

This promotional MIXMAP shows the global standards that McDonald’s tries to maintain in terms of cleanliness and service. The service aspect is the variable that is adapted to local communities, like the example of China where the interior walls in the local restaurants are covered by posters and slogans emphasising family values.
A further example of McDonald's standardisation was when Philip T. Walton, Marketing Executive of McDonald's USA, was taken on a tour of a kitchen in a Beijing McDonald's. He said: "I went on three such tours at different locations, and all were identical".

In 1994, McDonald's changed their advertising slogan to: "There's nothing quite like a McDonald's".

This saw McDonald's attempting an image change as they adopted a more personal approach to their customers, trying to talk "to" them rather than "at" them. This was again a bid by McDonald's to add to the whole "McDonald's experience" and to add to their image as a global brand.

The traditional American value of "Service with a smile" is embodied into the staff at McDonald's restaurants throughout the world and is now characterised as an expectation of the McDonald's consumer. It's these expectations that McDonald's has to try to continue to meet to keep their competitive advantage in the fast food sector.

Summary: Globalisation or Internationalisation?

After analysing the marketing mix of McDonald's, it is clear that the company can be said to be "Glocal", i.e. combine elements of globalisation and internationalisation. McDonald's have achieved this through applying the maxim, "Think global, act local" (Ohmae, 1989), to all the elements of the marketing mix.

McDonald's have been so successful in performing globalisation, that they see the way forward as continuing to expand into these international markets adopting this approach. This can best be explained in utilising the Boston Consultancy Group Matrix.
McDonald’s reach this conclusion by the fact that in the USA, their own domestic market, they are a *cash cow* and have a lower market growth than in the global market. Globally, they are positioned as a *star* brand and have the ability to obtain a higher market growth and hence, profitability.

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