

ECOLE DES HAUTES ETUDES COMMERCIALES
HEC Alger

Master dissertation

Marketing department

Topic:

**The impact of the marketing
strategy on a company's sales
performance**

**Study case: Bisma Distribution
LLC**

Elaborated by:

Amina BELKHARCHOUCHE

Supervised by:

Professor Ali HAMMOUTENE

5th Promotion

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Abstract

The most important objective of any company is to ensure short and long-term profitability, a goal which can only be achieved with high sales volume, and in a fiercely competitive environment, managers are now trying to develop the most appropriate and adequate marketing strategy and improve their sales performance in order to boost their sales and gain a greater market share.

Despite the obvious link between the two concepts of the marketing strategy and sales performance, managers still debate on whether these two concepts influence each other in any way, and if they do, what are the internal and external environmental factors that affect their relationship.

The aim of this study is to prove that the marketing strategy has a positive and significant influence on the sales performances and to identify the factors that moderate the association between these two concepts.

Key words: Marketing strategy, sales performance, Internal and external environment

Résumé

L'objectif le plus important de toute entreprise est d'assurer une rentabilité à court et à long terme, un objectif qui ne peut être atteint qu'avec un volume de ventes élevé, et dans un environnement hautement compétitif, les managers essaient de développer la stratégie marketing la plus conforme et adéquate et d'améliorer leurs performances commerciales afin d'augmenter leurs ventes et gagner une plus grande part de marché.

Malgré le lien évident qui se trouve entre les deux concepts de la stratégie marketing et de performance commerciale, les managers se demandent toujours si ces deux facteurs influencent l'un et l'autre, et s'il existe un lien, quels sont les facteurs environnementaux internes et externes qui affectent cette relation.

Le but de cette étude est de prouver que la stratégie marketing a une influence positive et significative sur la performance commerciale et d'identifier les facteurs qui modèrent l'association entre ces deux concepts.

Mots-clés: stratégie marketing, performance commerciale, environnement interne et externe

ملخص

إن الهدف الأهم لأي شركة هو ضمان الربح على المدى القصير والبعيد ، وهذا الهدف لا يمكن تحقيقه إلا من خلال تحقيق حجم مبيعات مرتفع ، وفي بيئة تنافسية شديدة ، يحاول المدراء الآن تطوير أنسب إستراتيجية تسويقية وتحسين أداء المبيعات من أجل تعزيز مبيعاتها والحصول على حصة أكبر من السوق

على الرغم من العلاقة الواضحة بين مفهومي إستراتيجية التسويق وأداء المبيعات ، إلا أنه لا يزال المسوقون يتناقشون حول ما إذا كان هذان العاملان يؤثران على بعضهما ، و ما هي العوامل البيئية الداخلية والخارجية التي تؤثر على هذه العلاقة

الهدف من هذه الدراسة هو إثبات أن إستراتيجية التسويق لها تأثير إيجابي وهام على أداء المبيعات ولتحديد العوامل التي تميز العلاقة بين هذين المفهومين

الكلمات المفتاحية: إستراتيجية التسويق ، أداء المبيعات ، البيئة الداخلية والخارجية

Dedication

To my wonderful family,

*And the person who always believed in me even when I did not
believe in myself, my other half Mohamed ALLAOUA .*

Acknowledgments

None of this work would have been possible without the support of these people who mean the world to me;

First, I would like to render thanks to my supervisor, M. Ali HAMMOUTENE, who was not only an incredible professor but a big inspiration and the reason behind my dedication and ambition.

To my family for their everlasting support,

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And to all my friends and loved one who have always believed in me.

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General introduction

While Strategies are classified into three hierarchical levels, corporate, business and functional, the market level one focuses on how a company is going to grow and the different tools used to achieve this goal, whether through market penetration, market development, product, service development, or diversification?

Throughout the years, strategic marketing authors have made considerable efforts to understand the nature of strategy formulation at the marketing level and tried to establish the best plan to elaborate an efficient strategy that enables a company to achieve its objectives in terms of sales volumes with the minimum of risk. And even though using a marketing strategy and plan of present and future activities has been proved to be vital, many managers are still not well aware of its importance, instead, they rely on their competitive advantages to stay relevant in the market.

It is evident that the environment that is constantly changing affects the marketing strategy, therefore managers should consider every changers that occurs when establishing a suitable marketing strategy that will assure the achievement of their objectives, in order to avoid any unpleasant surprises.

Based on theoretical and empirical advances, strategic marketing authors have been able to understand the nature of this strategy and have assumed that it is affected by different internal and external factors and affects other marketing components such as product-planning, pricing, branding policies and channels of distribution. However, there are modest agreements as to how the marketing strategy affects sales performance.

So far not much attention has been given to the performance implications of marketing strategies in the marketing literature, as such, the contribution of this research will include:

- A detailed explanation of the marketing strategy key elements.
- A demonstration of the effect that marketing strategies have on sales performance.

Moreover, we have decided to deal with this subject from our perspective and find the answers that every marketing manager is curious to know; so with the full desire of diving into a very complicated subject in Algeria, that we have chosen the following master's dissertation theme: "The conception of the marketing strategy and its impact on sales performance?"

Through this research study we will try and provide answers to our main question which is: “how does the marketing strategy affect sales performance?”

A number of questions rise from the main one:

1. What are the challenges of elaborating a marketing strategy?
2. Does the marketing strategy have an influence on sales performance?
3. What are the main factors that affect the relationship between the marketing strategy and sales performance?

In order to answer these questions we have postulated these three hypotheses

1. The main challenges that we can face while elaborating a marketing plan are choosing the convenient positioning for the brand and ensure long, medium and short term profitability.
2. The marketing strategy has a significant and positive influence on sales performance
3. The main factors that affect the relationship between the marketing strategy and the sales performance are: Transformational Leadership, Demand Uncertainty and Competitive Intensity.

Our purpose is to verify our assumptions. To well cover our theme we have opted for different methods of research, the first is the descriptive method that will serve us to cover all the theoretical aspects of our research topic, we will carry out this latter through a thorough bibliographic research and a review literature from various academic works and other documentary sources. Then we will use an analytical method, through a qualitative study based on semi-structured interviews conducted with Bisma Distribution marketing managers, and finally, we will do a Chi square test to verify one of the hypotheses

Our research work is divided into three (3) chapters structured as follows:

The first chapter will be dedicated to developing the marketing approach and introduce the marketing discipline and its operation mode, through both the logistic and operational approach.

In the second one, we will present two concepts that are attached to the core, the marketing strategy and sales performance.

Finally, the last chapter will aim to bring together the two parts presented in this dissertation, the theoretical and practical one and to bring elements of answers to our main question, we're going to start by presenting the company in which we had the internship, then analyze a series of interviews that we've had with its marketing managers.

Chapter 01
The marketing approach

Chapter one: The marketing approach

In order to succeed in a market, it is a must for the company to understand each element of it, work on maximizing its sales volume and act in a way that assures its financial and economical profitability.

The marketing tasks achieved in a company can be divided into two types: the logistic activities and operational activities.

The logistic activities must be accomplished before the product is commercialized or introduced to the market, thus, this later will not miss its launch and will assure the objectives that are attached to it. It includes market researches, segmentation and targeting.

An operational activity consists on making the flow of decisions based on the results of the logistic activities; here we talk about positioning, whether it's the position of the product in the market compared to its competitors or the place that it occupies in the consumer's mind. To complete this task, the company must take actions on field, which explains the name, operational activities.

In this chapter, we will develop the marketing approach and introduce the marketing discipline and its operation mode

Section1: The market study approach

The first time that logistic studies have been carried out was in the military field, during the gulf war, the US army had only five soldiers responsible of logistic studies for a single soldier on the ground, by elsewhere in companies, these studies aim to learn more about a market in order to be able to explore it with minimal risks. This process begins by the studies of market through which the company collects the desired information, and then comes the analysis and interpretation of the data collected before we proceed to the segmentation of the market; finally the company makes its choice of targeting among the different segments of the market that it has been able to identify.

1. Market research

Market research is the process of gathering information about your market, customers and competition. It can help you to learn more about the people you want to sell your product or service to; what they want, need, believe or how they act. It will allow you

to identify and analyze the market need, size and your competition. It can be used to determine the feasibility of your product or service, identify how to promote your product or service, and develop a competitive strategy.

As a business owner, you are gathering market research every time you speak to a client or check out the prices of your competition. By formalizing the process, you can gather a great deal of information about your products and services, customers and marketplace.

You can gather the information yourself through a customer satisfaction questionnaire or by hiring a professional market research firm. No matter what your budget is, some form of market research is possible and can be very helpful when making business decisions. Overall, it allows you to make informed decisions about your business and be more responsive to your customer's needs. The Regional Business Centre has a Research Officer on staff that can assist and guide you with your market research needs.¹

1.1. The marketing information system

The marketing information system is a tool used to control the marketing activities, we have decided to include it in this chapter due to its attachment to the sources of information of the company.

1.1.1. Definition

The systemic theory defines the enterprise as a set of systems and sub-systems. Among one of its sub-systems, we find the sub system of information. This latter is defined as a:

*"The set of means and procedures organized to collect, store, process and disseminate information ready to answer the needs of the marketing service in order to define an effective commercial policy"*²

The information that contains a marketing information system must be: precise, reliable, objective, current, relevant, available and adapted to the recipient. The objective of a (MIS) is to collect the relevant information and make it accessible to all the services of the company.

¹http://www.regionalbusiness.ca/images/pdfs/market_research_guide.pdf , consulted on February 1st , 2018 at 10:05am.

²Marie Camille debourg, pratique du marketing, deuxième édition, Ed Berti, Alger 2004, page 67

1.1.2. The establishment of the marketing information system

As we cannot improvise the competitive intelligence, we must organize and establish a (MIS), which will keep us aware of what the environment reserves for us. In order to establish it, we need to go through these six steps:

- Define the available information;
- Define the methods of work used in different services of the Company;
- Identify targets to study: (5+1) forces of Porter³;
- Designate the actors who are going to make the data analysis;
- Collect the desired information on the chosen target;
- Exploit and disseminate the information in the company so that it is accessible by all.

It is often recommended to use computerized databases in order to make the information system more flexible to the changes that occur.

1.1.3. Sources of information

The sources of information are multiple and variable in quality. There are two classifications and each contains two kinds of information. We have the internal and external sources, the primary and secondary sources.

- Internal Sources: exist within the enterprise, emanate from the different services;
- External Sources: Outside of the company, must be built;
- Primary Sources: Information that have not been used already and are specific to the company;
- Secondary Sources: Information to the scope of the company and its competitors.

In order to properly monitor its competitors and to follow the technological watch, it is imperative to the leaders of the company to multiply the sources of information.

³“Strategic analysis tool of the company’s competitive environment”, Elaborated by the author, Mr. E. Porter.



Figure (1-1): Market research tools

Source: regionalbusiness.ca

1.1.4. The structure of the marketing information system

The structure of a SIM is described in Figure .1. To the left of the chart, we find the environment macro-marketing to monitor and where comes from data, messages, rumors, etc.

These data flows are picked up by one of the three sub-systems of collection of the information: The internal accounting system, the system of information or intelligence and the search system⁴

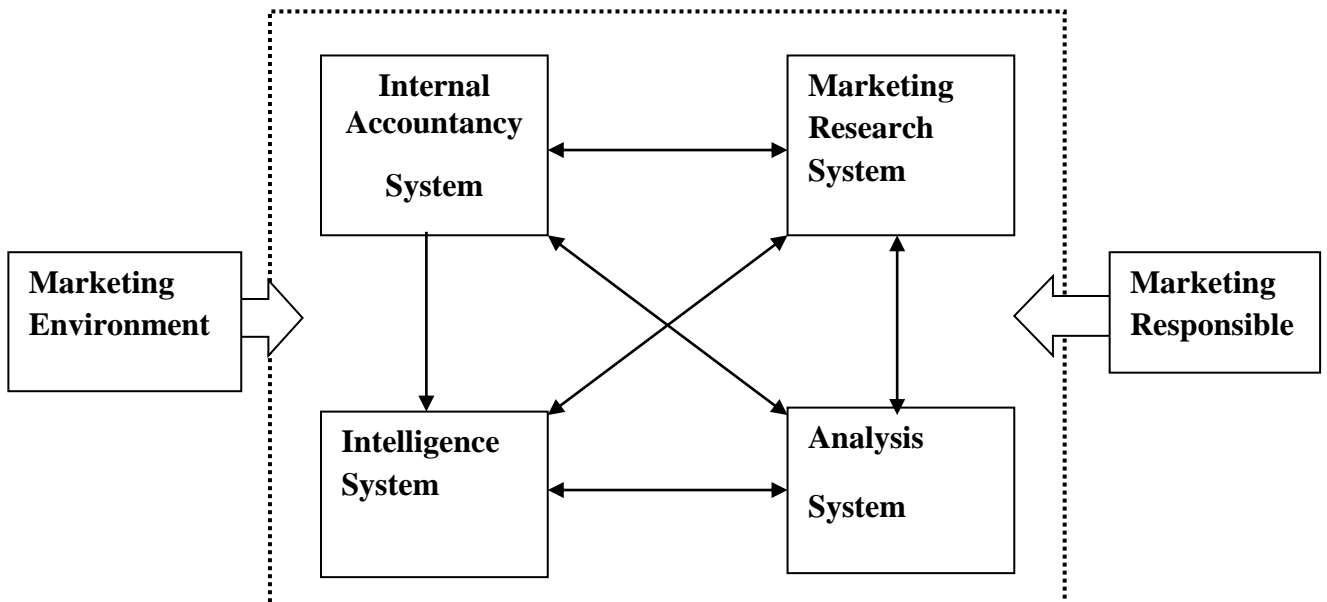


Figure 02- Structure of a marketing information system⁵

Source: Personal assessment

⁴ Jean-Jacques Lambin Chantal de Moerloose « du marketing Stratégique et opérationnel à l'orientation-marché », 7th edition, DUNOD, page 55.

⁵ Figure established personally based on collected information.

1.2. Typology of market studies

When a company needs to conduct a market study it is faced with a multitude of typologies of studies. Each of the market studies has advantages and disadvantages; however, the company must choose the one that introduces it to many more benefits in terms of sought information, the budget that it is willing to allocate and of the time limits that it is able to accept. There are five types which are the following:

1.2.1. The documentary studies

Through documentary studies, the company collects secondary information categories. we distinguish external studies and internal studies.

- The internal studies: revolve around the analysis of sales statistics, of Representatives' reports, archives, clients' files, studies that had already been carried out, invoices, etc.
- The external studies: consists of collecting information that is already available in the services of specialized agencies, the Chamber of Commerce, NSOS, CNES, INAPI, and CREAD.

The information provided by the documentary studies is bounded, anonymous and do not necessarily provide the firm with the desired information. However it is of a lesser cost and immediate availability.

1.2.2. Quantitative research

Quantitative research is concerned with the measurement of a market and can include calculation of the market brands, distribution levels and so on. Such quantitative data is required to some level of accuracy (though not in all cases to very high levels) and the methods used must be capable of achieving this.

In consumer markets at least, quantitative information is almost always based on extrapolating from a sample to the general population or market, and the research design and particularly the sampling methods must be sufficiently rigorous to allow this.

1.2.3. Qualitative research

Qualitative information is rather harder to define but the emphasis is on 'understanding' rather than simple measurement – advert A is recalled better than advert B

(quantitative information), but how does A work as an advert and why is it more effective than B? (Qualitative information).

Much qualitative research is concerned with empathizing with the consumer and establishing the meanings he or she attaches to products, brands and other marketing objects. Another focus is motivation.

For example, why does one product rather than another meet consumer needs and what are these needs that are being met? Qualitative research is conducted amongst a sample, but in this cases usually a small one, since there is no attempt to extrapolate to the total population. In the case of attitudes to brands, for example, qualitative research may determine that there is a specific view held about the brand, whereas quantitative research would tell us what proportion holds that view.

Quantitative and qualitative researches are often complementary, and in a research design both may feature. The qualitative element frequently takes place at the front end of the study, exploring values that need measuring in the subsequent quantitative phase. The 'qualitative' research may offer a diagnostic understanding of what is wrong, while the 'quant' research provides hard data across different respondent groups that can lead to specific recommendations with measures that can be used as controls to determine the effectiveness of actions.

1.2.4. Panels

*"A panel is a permanent sample of representative static units of the population observed, which is used to collect information constantly updated on the behavior, opinions, habits, etc."*⁶

This definition shows us that a panel allows you to make a dynamic analysis of a given variable. The information gathered from a panel allow, in particular, to know the habits of consumption and its evolution, check the fidelity of buyers, analyze the competitors, check the evolution of market shares, follow sales force actions , forecast sales, and finally make predictions.

One distinguishes panels of:

- Consumers: fixed sample of household or individual interviewed on their purchases
- Distributors: fixed sample of retailers informing on their purchases, sales, inventories

⁶P, Ed Nathan, « *marketing, stratégies et pratique* », Amerein France 2001, page 78

- Hearing: frozen sample of viewers who follow the television programs
- Mixed: permanent samples of households interviewed the crates of stores a panel regardless of its nature, it is the best tool of information because it not only contains information from an official source, it allows to follow the evolution of the variables.

1.2.5. Sample surveys

A survey is to choose a sample that is both comprehensive and representative of the base population and then to the query. The investigation happens as follows:

- Formulation of relevant issues that are also adapted to the questionnaires;
- Choice of the convenient administration method : in the street, at home, at work, etc;
- Gathering of results: Seizure of results after having examined the answers;
- Check the representativeness of the sample chosen by extrapolating the results acquired;
- Achieve the sort by: following the criteria of the questioned, we make a filtered sort, flat or CROSSOVER;
- Data Analysis: segmentation results in function of the sorting;
- Presentation of results: express the conclusions by a report.

Sample surveys must highlight the conclusions and allow taking a decision. The Reliable results of the survey are a function of the error accepted and the size of the sample which must exceed the seventh of the base population. If this latter is 5%, and the results of one of the questions are of 55%, for samples of 100, 1000, and 10000, this result is located respectively in the Intervals 45-65, 52-58, 54-56⁷

2. Segmentation

*"Segmenting a market is to identify the distinct subsets and homogeneous of clients that can be selected as a target to achieve using a marketing mix specific"*⁸

To segment a market, is to divide the consumers into separate groups, so as to have in a same group, consumers who have the same characteristics (age, sex, habits and frequencies of purchases, culture, geographical belonging, etc.).

⁷ Source of exemple : Marie Camille debourg, « *pratique du marketing* », 2nd edition, editor : Ed Berti, page 72

⁸Marie Camille Debourg, «*pratique du marketing* », 2nd edition, editor : Ed Berti, 2004, page 52

2.1. Types of market segmentation and how to segment with them

There are three ways to classify what the customer wants. It is known as needs, wants and demands. However, to decide the needs, wants and demands, you need to carry out segmentation first. And in segmentation, the first step is to determine which type of customer will prefer your products.

Accordingly, that customer will be from your targeted segment. Who would want your product and whether it falls in the needs segment, the wants segment or the demands segment. Once you decide the product you are going to make, then you decide on the market segmentation.

There are 4 different types of market segmentation and all of them vary in their implementation in the real world. Let us discuss each of them in detail.

2.1.1. Demographic segmentation

Demographic segmentation is one of the simplest and widest type of market segmentation used. Most companies use it to get the right population in using their products. Segmentation generally divides a population based on variables.

Thus demographic segmentation too has its own variables such as Age, gender, family size, income, occupation, religion, race and nationality.

Demographic segmentation can be seen applied in the automobile market. The automobile market has different price brackets in which automobiles are manufactured. For example – Maruti has the low price bracket and therefore manufactures people driven cars. Audi and BMW have the high price bracket so it targets high end buyers.

Thus in this case, the segmentation is being done on the basis of earnings which is a part of demography. Similarly, Age, life cycle stages, gender, income etc can be used for demographic type of market segmentation.

2.1.2. Behavioral segmentation:

This type of market segmentation divides the population on the basis of their behavior, usage and decision making pattern. For example – young people will always prefer Dove as soap, whereas sports enthusiast will use Lifebuoy. This is an example of

behavior based segmentation. Based on the behavior of an individual, the product is marketed.

This type of market segmentation is in boom especially in the smart phone market. For example – Blackberry was launched for users who were business people, Samsung was launched for users who like android and like various applications for a free price, and Apple was launched for the premium customers who want to be a part of a unique and popular niche.

Another example of behavioral segmentation is marketing during festivals. Say on Christmas, the buying patterns will be completely different as compared to buying patterns on normal days. Thus, the usage segmentation is also a type of behavioral segmentation.

2.1.3. Psychographic segmentation

Psychographic segmentation is one which uses lifestyle of people, their activities, interests as well as opinions to define a market segment. Psychographic segmentation is quite similar to behavioral segmentation. But psychographic segmentation also takes the psychological aspects of consumer buying behavior into accounts. These psychological aspects may be consumers' lifestyle, his social standing as well as his AIO. Do refer more to Activities, interests and opinions.

Application of psychographic segmentation can be seen all across nowadays. For example – Zara markets itself on the basis of lifestyle, where customers who want the latest and differential clothing can visit the Zara stores. Similarly Arrow markets itself to the premium office lifestyle where probably your bosses and super bosses shop for the sharp clothing. Thus, this type of segmentation is mainly based on lifestyle or AIO.

2.1.4. Geographic segmentation

This type of market segmentation divides people on the basis of geography. Your potential customers will have different needs based on the geography they are located in.

In the article on geographic segmentation, i have explained how people who are located in non municipal areas might require a RO water purifier whereas those located in municipal areas might need UV based purifiers. Thus, the need can vary on the basis of geography.

Similarly in cold countries, the same company might be marketing for heaters whereas in hot countries, the same company might be targeting air conditioners. Thus, many companies use geographic segmentation as a basis for market segmentation.

This type of segmentation is the easiest but it was actually used in the last decade where the industries were new and the reach was less. Today, the reach is high but still geographic segmentation principles are used when you are expanding the business in more local areas as well as international territories.⁹

2.2.Choice of criteria

Effective segmentation is achieved when customers sharing different patterns of demand, are grouped together and where each group or segment differs in the pattern of demand from other segments in the market, theoretically, the base(s) used for segmentation should leads to segments that are:

- 2.2.1. **Measurable/Identifiable:** Here, the base(s) used should preferably lead to ease of identification in terms of who is in each segment; it should also be capable of measurement in terms of the potential customers in each segment.
- 2.2.2. **Accessible:** Here, the base(s) used should ideally lead to the company being able to reach selected market targets with their individual marketing efforts.
- 2.2.3. **Meaningful:** The bas(s) used must lead to segments which have different preferences or needs and show clear variations in market behavior and response to individually designed marketing mixes.¹⁰

2.3.Strategic domain of activity (SDA):

A domain of strategic activity, in the terminology of the corporate strategy, is defined as a subset of an organization to which it is possible to allocate or withdraw the

⁹"4 Types of market segmentation and how to segment with them", Hitesh Bhasin, March 2, 2018, web, consulted on April 22nd, 2018;

¹⁰ Andrew WHALLEY,"*Strategic marketing*", Andrew Whalley and Ventus publishing Aps, 2010, page 75

resources in an autonomous manner. A domain of strategic activity can also be defined as the set of products or activities, often homogeneous, for which the company may constitute a competitive advantage.

2.3.1. DAS Characteristics

In optical marketing, one generally uses the word segment to identify a grouping of consumers having common characteristics. In addition, the strategic term of sphere of activities this is used to identify a grouping of products characterized by:

- Specific markets;
- Specific competitors;
- Specific technologies.

2.3.2. DAS Evaluation

Matrix BCG makes it possible to evaluate the balance of a company's portfolio and to position the activities according to two dimensions:

- The growth rate of the market (or of the strategic sphere of activity): is measured, for the past, starting from the statistical data available. It makes it possible to judge dynamism of the activity.
- And the relative market share held by the company measured by its relative weight compared to its main competitor. It is measured by the division of the relationship between the market share of the company (or the sales) - expressed in turnover - on that of the most important competitor (or the average of those of the whole of the competitors) an idea of the competitive position of the company gives. Relative share of the market held by the company = Proper market share of the company considered/Market share of its main competitor If the market share is lower than 1 (average ratio): it is known as weak. If the market share is higher than 1: it is known as strong. Once two determined measurements (growth rate and relative market shares, model BCG makes it possible to locate on a matrix the whole of the activities of the company.¹¹

¹¹<https://www.marketing-etudiant.fr/matrice-bcg.html> , consulted March 07th, 2018, at 22:01

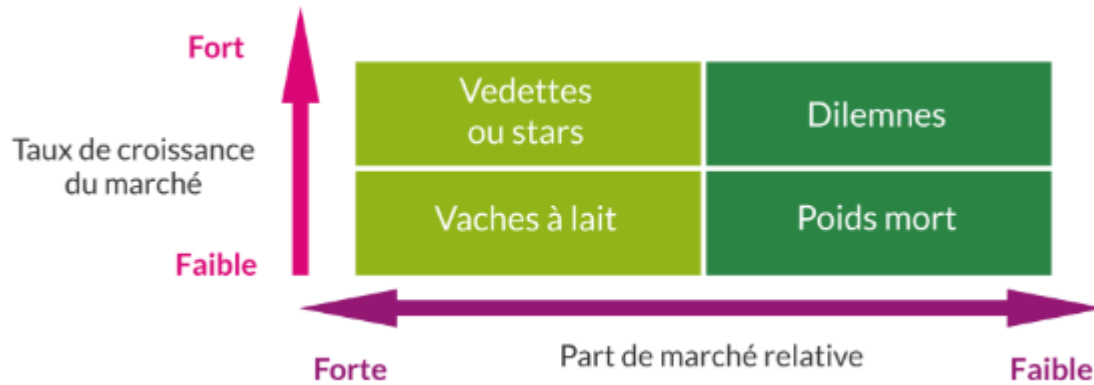


Figure (1-3): BCG Matrix

Source: www.marketing-etudiant.fr

3. Targeting

Our choice of targeting should generally depend on several factors.

- First, what is the existing level of competition and how good at serving customer needs are they? The greater the numbers and better they are able to meet customer needs the more difficult it will be for another business to also be a success.
- Secondly, how large is the segment, and how can we expect it to grow? (Note that a downside to a large, rapidly growing segment is that it tends to attract competition).
- Thirdly, do we have strengths as a company that will help us appeal particularly to one group of consumers? Firms may already have an established reputation.
- Fourthly, are we able to actually communicate with the segment?

Section 2: The operational approach

1. Positioning

In a nutshell, a company should well position itself in the market and in its customers' spirits, once it succeeds in doing that, she would have gained a reputation and an identity.

1.1. What is positioning

After segmentation and market targeting, the next important step in developing an effective marketing strategy is product positioning. Product positioning refers to the way in which an organization sets itself apart in the market and how its products and

services are perceived by the target market as a whole; this incorporates the concept of all stakeholders of the company.

To compete successfully in a target market, an organization must have a form of differential advantage. Taking Porter's work we know that this has to take one of three formats - cost leadership, differentiation or focus. Positioning is about the communication of the overall value proposition such that it creates and maintains this clearly to customers, thus creating a distinctive and ideally unique, place in the market for the organization.

To be effective, the basic value proposition of Treed by an organization must be something that is relevant to the target market, it must be differentiated from the competition and it must be sustainable and communicated clearly to that market. This aspect fits more closely with differentiation as a generic strategy option and this in part helps to explain the proliferation of brands, products and services.

Indeed differentiation at product, brand or corporate level, is now regarded as a key element of establishing a sustainable market position. The differentiating variable may be actually - based on the physical attributes and features of the product, or perceived - based on the image of the product or the supplier; as is the case with many services. Differentiation may occur with different elements of the marketing mix; it may involve attributes which give customers more benefits than the competition; it may, for example, stem from a unique brand image or superior service.

1.2. Positioning and perception

The concept of positioning has two dimensions:

➤ What the organization wishes to achieve (how it wants its products to be viewed by consumers). This will involve deciding where the organization wants to compete and how it sets about competing.

➤ What consumers actually believe about a particular product or service?

A company or products' competitive advantage may exist not only in relation to the features, attributes and benefits of the product itself, but may also relate to its perceived image. Most successful positioning results often stem from products that possess favorable connotations or perceived positive value.

Indeed Rise and Trout (1981) suggest that it is the perceived image and attributes of an organization or product/service which is important in the battle for the

minds of target customers. Summarizing Rise and Trout state that positioning can be achieved within three major concepts;

- Functional positions
- Solve problems
- Provide benefits to customers o Get favorable perception by investors and lenders
- Symbolic positions
- Self-image enhancement
- Ego identification
- Belongingness and social meaningfulness o Affective fulfillment
- Experiential positions
- Provide sensory stimulation o Provide cognitive stimulation

This encompasses the fact that what customers actually believe or perceive will directly influence the purchase decision. If positioning is successful, then the position which an organization seeks to achieve and what customers perceive should be the same, or at least so close that there is no significant disparity.

Before an organization establishes a successful position in the marketplace, four key considerations are important; clarity, consistency, credibility and competitiveness (Jobber, 1995) - The 4C positioning framework;

- Clarity - the positioning idea must be clear with regard to both the target market and the basis of competitive advantage.
- Consistency - In order to break through the 'noise' level of competing messages, a consistent message and image is necessary.
- Credibility - the position chosen must be credible in the minds of the target groups.
- Competitiveness - Any successful market position is dependent on having a distinctive value proposition which is not being offered by the competition.

1.3. Perceptual mapping

"A Positioning Strategy results in the image you want to draw in the mind of your customers, the picture you want him/her to visualize of you what you offer. in relation to the market situation, and any competition you may have".¹² Ries and Trout (1981).

In understanding product positioning, it is important to remember that what is being positioned is not simply the product itself but rather the total product offering.

Any firm must understand its own situation in terms of the 4C framework in order to formulate a positioning strategy; an organization must first identify the features of products (including its own) which are currently being offered in the target market. It must also, through marketing research, establish which features are considered to be important by consumers. This provides the basic information for a positioning strategy.

There will typically be a variety of attributes to consider and many of these will relate to image as much as to physical characteristics. Having identified the attributes of products/services that consumers consider to be important, further survey work can be undertaken to identify the extent to which these attributes are present in the available products (both the organization's own products and those of the competition).

This is frequently represented on a product positioning map or perceptual map, figure twenty-four, which visually depicts consumer perceptions and then prioritizes brands in relation to those perceptions.

1.4. Strategies for product positioning

In developing a positioning strategy, the organization is attempting to create a unique place for its product in the minds of stakeholders. To be successful positioning requires a thorough understanding of the organization's capabilities (5Ms framework) and the needs of the target market such that a clear differential advantage can be identified and effectively communicated. There are a number of positioning strategies which an organization can adopt and these may be used independently or together.

1.4.1. Positioning in relation to attributes

This involves positioning the product on the basis of very specific attributes such as performance, durability, quality reliability, style and design.

¹² Ries and Trout (1981).

1.4.2. Positioning in relation to the user/usage.

This can involve positioning the product according to the occasions when it is used or commonly in relation to specific types of users or specific user lifestyles.

1.4.3. Positioning in relation to competitors.

This approach emphasizes comparison to competing products. Three possible approaches include:

1.4.3.1. Positioning directly against competitors

This involves presenting the product as having all or more of the important features of the competing product at a comparable or lower acquisition cost. This is an aggressive and risky positioning strategy that challenges the competition *head-on*, but also offers considerable benefits in sales and profit terms if successful. The effective implementation of such a positioning strategy is dependent on production efficiencies and innovative marketing.

1.4.3.2. Positioning away from competitors

This involves positioning the product as having quite distinct or different features/attributes but fulfilling the same consumer requirements; same benefits.

This incorporates some aspects of Porter's Five Forces model in terms of substitute products and can be used to overcome entrenched barriers to direct market entry.

1.4.3.3. Positioning in relation to a different product class

This entails positioning products in relation to competing offerings from a different but related product class. The rationale behind this approach to positioning is that it should enable the organization to attract consumers who might not otherwise have considered purchasing a product of this nature.

For example, the recent advertising for Clover positions the product as being better than margarine and without the negatives of butter - so it's 'in the middle'.¹³

¹³Andrew WHALLEY, "Strategic marketing", Andrew Whalley and Ventus publishing Aps, 2010, page 76-84

2. Means of action

Means of action represents the tools and resources that a company should use in order to stand out in the market and gain a big market share.

2.1. Product

Among the components of the marketing mix, the product is certainly the most important for the consumer, since it represents what it wishes to acquire.

For the company, it is the materialization of the marketing strategy and the work performed by the employees.

The constant multiplication of the offer requires companies to perform a work more and more pushed on the products. This part will allow us to examine all facets of a product: life cycle, standardization, brand, line, range, packaging, design, and quality. We also analyze the different strategies specific to the product.

2.1.1. The concept of product

In the marketing context, the concept of the product evolves regularly. Thus we can distinguish three different approaches to the product:

- The technical product: A set of technical features and technology.
- The service product (= torque consumer/product according Kotler): A set of profits to the user (" more-conditioning", services related to the purchase, ASS...). It is a vision of the product oriented toward the profits that the consumer is going to withdraw from the purchase of this product (in a competitive system where all products are worth more or less technically).
- The market product: homogeneous subset of the overall market, the intersection of a product and its corresponding market.

2.1.2. Product classification

A classification is an exhaustive list of criteria for determining homogeneous categories of products.

We can thus classify the products into several large families.

- Goods of final consumption, which can be subdivided in several ways :

- Food and non-food products,
 - Banal products (purchased regularly as the log) and anomalous products (purchased less frequently as clothing),
 - Sustainable products (a TV) and non-sustainable (a journal).
- Industrial products (raw materials, supplies, spare parts, intermediate products).
- The property of equipment: Main equipment (buildings, machines...) and accessory (tools, office equipment...).

2.1.3. Product life cycle

It is obvious to say "any product is born, grows and then dies." This parallel between a product and the biological cycle is yet real.

We can define the life cycle of a product such as the analysis of the major stages of his life, the design up to the final decision to remove from the market.

It materializes the life cycle of a product by a curve called trend of life: it is the dynamic representation of his life, i.e. the evolution of its potential application in time.

2.1.3.1. The phases of the life cycle of a product

Each phase is characterized by its rate of growth, its sales, its profitability, debt, the degree of development of the product, the speed of development of the market, the strategies adopted for each element of the mix...

- Each phase may have a more or less long depending on the product or service.
- Do not confuse the life cycle of a product (for example, the new 4 × 4 Peugeot 4007, launch phase in 2007) and the life cycle of the class of products corresponding (that of the automobile, in phase of maturity).
- Do not confuse product and brand: the life cycle of a brand is often different from that of the product which the door (Example: In the case of multi-products, a mark is scope by many different products, born at different periods of time).
- The concept of life cycle is not to call into question. By contrast, its representation, the curve of life (with its shape "traditional" in s) is not always verified (many products have the curves well different).

2.1.4. Methodological study plan of a product

2.1.4.1. Presentation

- The name of the product,
- Usefulness of the product (needs met, expected services),
- Situation of the product in a nomenclature,
- Situation of the product in a sector, a branch, an industry,
- The product market, segmentation.

2.1.4.2. Technical specifications

- Composition, manufacturing formula,
- Manufacturing process,
- Quality, standardization,
- Footprint,
- Companies producing (type, geographical location, concentration).

2.1.4.3. Commercial specifications

- Brand
- Packaging,
- Handling, storage,
- Labeling,
- Design,
- Range,
- Channels of distribution,
- Transportation,
- Merchandising,
- Price (mode of calculation, structure),
- Advertising, POS, promotion,
- Methods of sale,
- Associated services (warranty, After sale services...).

2.1.4.4. Life of the product

- Life cycle,
- Evolution,

- Future.¹⁴

2.2.Price

Pricing is one of the most important elements of the marketing mix, as it is the only element of the marketing mix, which generates a turnover for the organization. The other 3 elements of the marketing mix are the variable cost for the organization;

- Product - It costs to design and produce your products.
- Place - It costs to distribute your products.
- Promotion - It costs to promote your products.

Price must support the other elements of the marketing mix. Pricing is difficult and must reflect supply and demand relationship. Pricing a product too high or too low could mean lost sales for the organization.¹⁵

2.2.1. The objectives sought

The pricing policies vary according to the objectives sought by the company. There are two strategies that companies generally use in businesses:

- A strategy for skimming: Push the price to a very high level and take advantage of the innovation;
- Strategy of Penetration: To lower prices and to think only of the volume to drain.

These two strategies must be practiced in the short term because, first, the Company does that take advantage of the ignorance of the consumer and second, it cannot withstand the prices decline in the long term, this being made just to be able to penetrate the market. As for the image of the company, the price must be at the service of the positioning of the products in the mind of the consumer.

¹⁴ Claude Demeure, « *Aide mémoire marketing* », dunod edition , page 122-128

¹⁵ <http://www.learnmarketing.net/price.htm> , consulted on march 24th, 2018 at 07:50pm

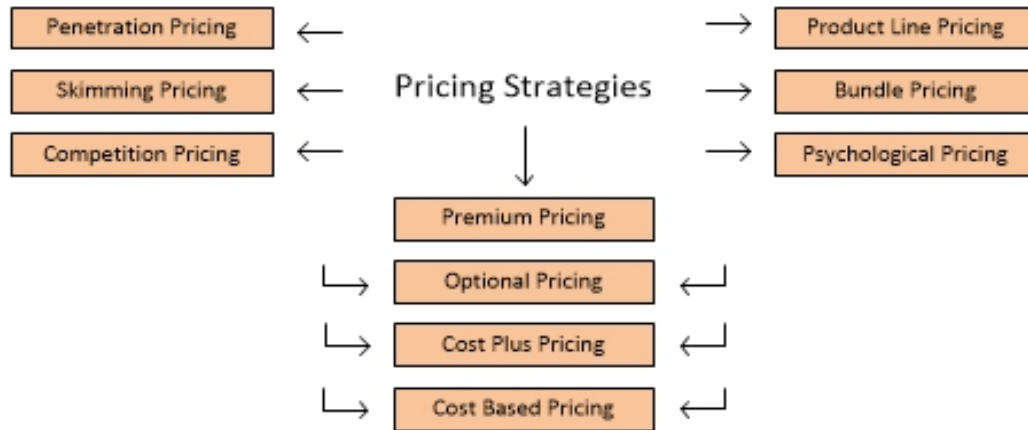


Figure (1-4): The pricing strategies

Source: www.learnmarketing.net

2.2.2. Break even analysis

The Break Even Point in your business is the point at which your sales revenue is equal to your total expenses. At that point you neither make money, nor do you lose any. This point is where your business has sold enough products or services to pay for all costs.

The break-even can also be used to evaluate a business expansion or any other business expenditure. You are simply asking how much additional revenue will be required to cover the additional cost. There are some key definitions necessary to determine the break-even for the business. They are:

- Fixed Costs (Overhead): are costs that do not vary directly with sales. Utilities, salaries, advertising, office supplies and telephone are just a few examples. They do not have to be the same every month. What is important is that you pay them regardless of sales made.
- Variable Costs (Cost of Goods) are the actual costs of making the product or providing the service. They can include materials, shipping and contract labour. Capacity governs your output. It can be measured in units of production, billable hours, or sales volume.

Now we will display how to calculate the break-even point.

Break-Even Point = Fixed Expenses / Gross Margin

For example: Selling Price \$ 5.00 / unit

Cost of Good \$ 3.00 / unit

Fixed Expenses \$10,000

Gross Margin (difference between selling price and cost of goods sold, expressed as a percentage) = (Selling Price – Cost of Good)/ Selling Price

$$=(5.00\$ - 3.00\$) / \$5.00$$

$$= 2.00\$ / 5.00\$$$

$$= 40\%$$

Break-Even Point = Fixed Expenses / Gross Margin

$$= \$10,000 / \$25,000$$

$$= 0.40$$

This demonstrates that you need \$25,000 in sales (or 5,000 units) in order to break-even.

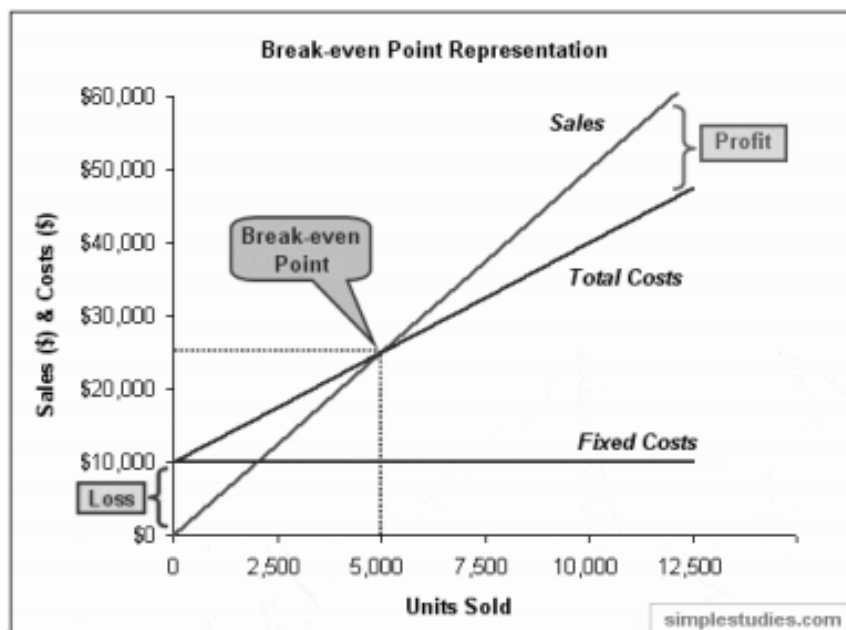


Figure (1-5): The break-even point

Source: simplestudies.com

2.2.3. Pricing factors

Pricing should take the following factors into account:

1. Fixed and variable costs
2. Competition
3. Company objectives
4. Proposed positioning strategies
5. Target group and willingness to pay

An organization can adopt a number of pricing strategies, the pricing strategy will usually be based on corporate objectives.

2.2.4. Types of pricing strategies

The Pricing Strategy table below provides the definition for ten different pricing strategies and an example to explain each pricing strategy.

2.2.4.1. Penetration Pricing

Here the organization sets a low price to increase sales and market share. Once market share has been captured the firm may well then increase their price

For example, a television satellite company sets a low price to get subscribers then increases the price as their customer base increases.

2.2.4.2. Skimming pricing

The organization sets an initial high price and then slowly lowers the price to make the product available to a wider market. The objective is to skim profits of the market layer by layer.

For example, a games console company reduces the price of their console over 5 years, charging a premium at launch and lowest price near the end of its life cycle.

2.2.4.3. Competition Pricing

Setting a price in comparison with competitors. In reality a firm has three options and these are to price lower, price the same or price higher than competitors.

For example, some firms offer a price matching service to match what their competitors are offering. Others will go further and refund back to the customer more money than the difference between their price and the competitor's price.

2.2.4.4. Product line pricing

Pricing different products within An example would be a DVD manufacturer offering different DVD recorders with different features at different prices e.g. A HD and non HD version.. The greater the features and the benefit obtained the greater the consumer will pay. This form of price discrimination assists the company in maximizing turnover and profits the same product range at different price points.

2.2.4.5. **Bundle Pricing**

The organization bundles a group of products at a reduced price. Common methods are “buy one and get one free” promotions or BOGOFs as they are now known. Within the UK some firms are now moving into the realms of buy one get two free can we call this BOGTF I wonder?

2.2.4.6. **Premium pricing**

The price is set high to indicate that the product is "exclusive". Examples of products and services using this strategy include Harrods, first class airline services, and Porsche.

2.2.4.7. **Psychological pricing**

The seller here will consider the psychology of price and the positioning of price within the market place.

2.2.4.8. **Optional pricing**

The organization sells optional extras along with the product to maximize its turnover.

2.2.4.9. **Cost Plus Pricing**

The price of the product is production costs plus a set amount ("mark up") based on how much profit (return) that the company wants to make. Although this method ensures the price covers production costs it does not take consumer demand or competitive pricing into account which could place the company at a competitive disadvantage.

2.2.4.10. **Cost based pricing**

This is similar to cost plus pricing in that it takes costs into account but it will consider other factors such as market conditions when setting prices. Cost based pricing can be useful for firms that operate in an industry where prices change regularly but still want to base their price on costs.

2.2.3.11. Value Based Pricing

This pricing strategy considers the value of the product to consumers rather than the how much it cost to produce it. Value is based on the benefits it provides to the consumer e.g. convenience, well being, reputation or joy.

Firms that produce technology, medicines, and beauty products are likely to use this pricing strategy.¹⁶

2.3. Place

In the marketing mix, the process of moving products from the producer to the intended user is called place. In other words, it is how your product is bought and where it is bought. This movement could be through a combination of intermediaries such as distributors, wholesalers and retailers. In addition, a newer method is the internet which itself is a marketplace now. Through the use of the right place, a company can increase sales and maintain these over a longer period of time. In turn, this would mean a greater share of the market and increased revenues and profits.

Correct placement is a vital activity that is focused on reaching the right target audience at the right time. It focuses on where the business is located, where the target market is placed, how best to connect these two, how to store goods in the interim and how to eventually transport them.

2.3.1. Distribution channels

A distribution channel can be defined as the activities and processes required to move a product from the producer to the consumer. Also included in the channel are the intermediaries that are involved in this movement in any capacity. These intermediaries are third party companies that act as wholesalers, transporters, retailers and provide warehouse facilities.

2.3.1.1. Types of distribution channels

There are four main types of distribution channels. These are:

¹⁶<http://www.learnmarketing.net/price.htm> , consulted March, 24th, 2018 at 22:24.

2.3.1.1.1. Direct



Figure (1-6): Direct distribution

Source: www.cleverism.com

In this channel, the manufacturer directly provides the product to the consumer. In this instance, the business may own all elements of its distribution channel or sell through a specific retail location.

Internet sales and “one on one meetings” are also ways to sell directly to the consumer. One benefit of this method is that the company has complete control over the product, its image at all stages and the user experience.

2.3.1.1.2. Indirect

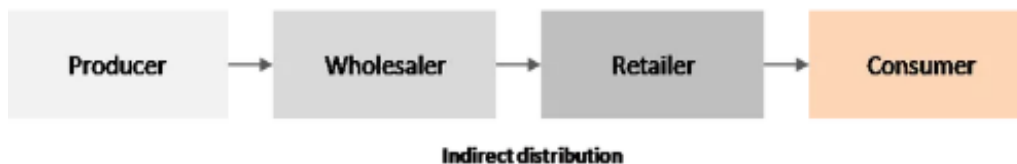


Figure (1-7): Indirect distribution

Source: www.cleverism.com

In this channel, a company will use an intermediary to sell a product to the consumer. The company may sell to a wholesaler who further distributes to retail outlets. This may raise product costs since each intermediary will get their percentage of the profits. This channel may become necessary for large producers who sell through hundreds of small retailers.

2.3.1.1.3. Dual distribution

In this type of channel, a company may use a combination of direct and indirect selling. The product may be sold directly to a consumer, while in other cases it may be sold

through intermediaries. This type of channel may help reach more consumers but there may be the danger of channel conflict. The user experience may vary and an inconsistent image for the product and a related service may begin to take hold.

2.3.1.1.4. Reverse channels

The last, most non tradition channel allows for the consumer to send a product to the producer. This reverse flow is what distinguishes this method from the others. An example of this is when a consumer recycles and makes money from this activity.

2.3.2. Types of intermediaries

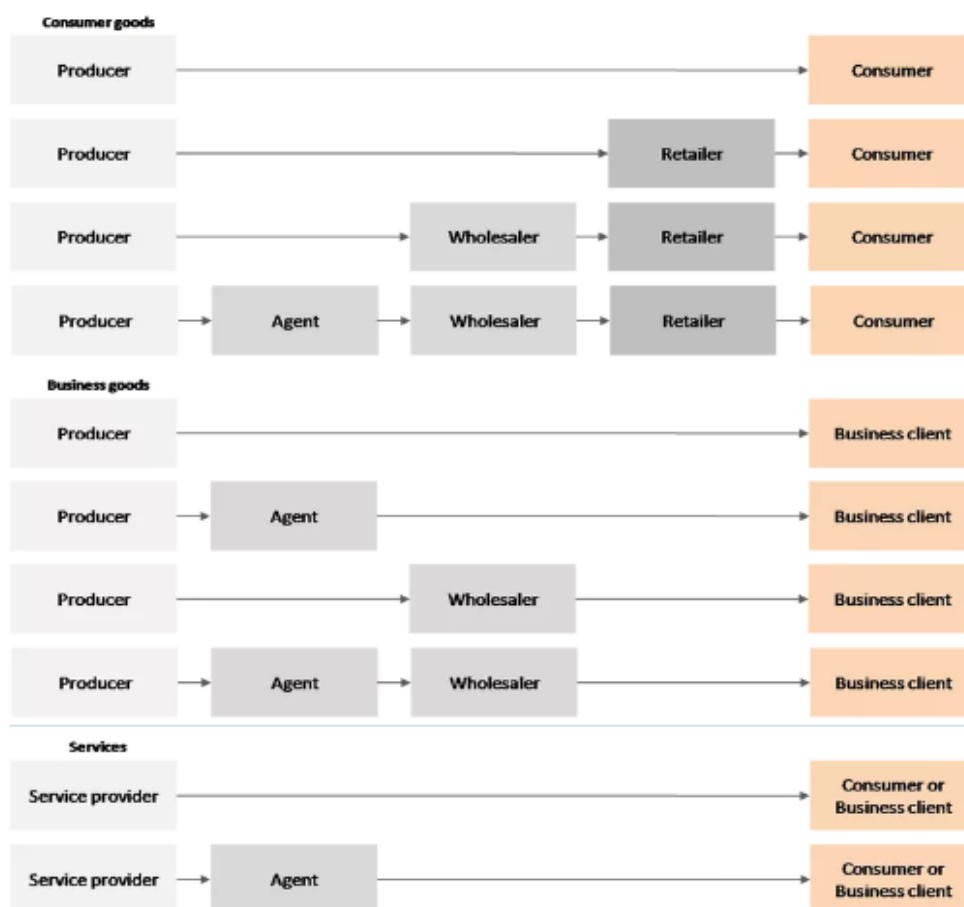


Figure (1-9): Type of intermediaries

Source: www.cleverism.com

Distribution channels intermediaries are middlemen who play a crucial role in the distribution process. These middlemen facilitate the distribution process through their experience and expertise. There are four main types of intermediaries:

2.3.2.1. Agents

The agent is an independent entity who acts as an extension of the producer by representing them to the user. An agent never actually gains ownership of the product and usually make money from commissions and fees paid for their services.

2.3.2.2. Wholesalers

Wholesalers are also independent entities. But they actually purchase goods from a producer in bulk and store them in warehouses. These goods are then resold in smaller amounts at a profit. Wholesalers seldom sell directly to an end user. Their customers are usually another intermediary such as a retailer.

2.3.2.3. Distributors

Similar to wholesalers, distributors differ in one regard. A wholesaler may carry a variety of competition brands and product types. A distributor however, will only carry products from a single brand or company. A distributor may have a close relationship with the producer.

2.3.2.4. Retailers

Wholesalers and distributors will sell the products that they have acquired to the retailer at a profit. Retailers will then stock the goods and sell them to the ultimate end user at a profit.¹⁷

2.3.3. Distribution strategies

Place refers to distribution or the methods and location you use for your products or services to be easily accessible to the target customers. Your product or service dictates how it should be distributed.

2.3.3.1. Selling Directly

Direct selling can be a good starting point, especially if the product supply is limited or you only sell seasonal products. One advantage of selling your products directly is you get a more personal feel of the market because you interact directly with the customers so you can easily adapt to the changes.

¹⁷<https://www.cleverism.com/place-four-ps-marketing-mix> , consulted on march 25th, 2018 at 18:35.

Another is that you control your product's pricing and the methods on which it should be sold. Distribution methods may include, but are not limited to, door-to-door, retail, e-commerce, mail order, or on-site. You need to have a retail interface with the target customers if you want to sell directly. You can sell either electronically or in person. If this requirement will not work for you, you might need to consider selling through a reseller or an intermediary.

2.3.3.2. Selling Through a Reseller

If you want to have wider distribution for your product, you can sell it through a third party, either a retailer or wholesaler, who will then resell the product to their customers. This distribution strategy also reduces the pressure of running a distribution system.

Reseller sales also reduce the storage space required for product stocks. However, you will lose personal contact, and even company identity in some cases, with the customers since they will be talking now to your resellers. Some resellers may request that your product be sold under their own brand.

Intermediaries can also be specific about supply flow before they can handle your products for reselling. They would want the product available for distribution all year round. This can put a lot of stress on the production line, especially if you only produce seasonally. But if you can agree to that, you might consider selling through intermediaries as your distribution strategy.

2.3.3.3. Market Coverage

Market coverage refers to how wide or varied you want your products to be distributed. This applies to either direct sales or through intermediaries. There are three types of market coverage that you may want to adopt.

2.3.3.4. **Intensive distribution**

This ensures the widest distribution possible for your product or service. You sell your products in as many locations or markets as possible. And oftentimes, you need to lower your prices.

This is the method most commonly used by large businesses or manufacturers to reach customers nationwide or even globally. Examples of products effectively distributed using this distribution strategy are convenience products or things we buy regularly, like candy or chewing gum.

2.3.3.5. **Selective distribution**

You may also want to sell only to a few select businesses or customers. This is called selective distribution and is the strategy commonly used for selling upscale products and is sold by resellers who deal only with high-quality products. It's easier to establish consumer relationships using this distribution strategy as compared to intensive distribution.

2.3.3.6. **Exclusive distribution**

This strategy restricts your product distribution to only one reseller. The reseller will have exclusive rights to sell your product or service, and in return, you may also be the sole supplier. This works more effectively with specialty products that you can promote as prestigious because you are the sole supplier and the intermediary is the sole reseller.

2.3.3.7. **Other Factors to Consider**

The product sales volume and its characteristics will influence what inventories you should maintain and also how the products should be transported. You may opt to ship in large volumes across countries or do it via retail to single individuals.

If you're into manufacturing, you need to carefully monitor the total costs by considering every factor required in production like the acquisition of the materials and the distribution strategy you choose to use.

Each of the distribution strategies has its own characteristics, advantages, and disadvantages. Choose one that best applies to your product and business.¹⁸

2.4.Promotion

As part of the marketing mix, promotion includes all activities that involve communicating with the customer about the product and its benefits and features. Once a company has worked on the product and price elements, it is time to start a conversation with the consumer about the product. This includes raising awareness through different mediums to increase sales, as well as to create and foster brand loyalty.

Information provided to the customer at this stage helps them in making purchase decisions regarding the product. Often, there is substantial cost associated with promotional activities. But since the result is often an increase in sales or customer loyalty, there is thought to be long term return on this investment. There are many ends that a company may try to reach through a promotion including but not limited to an increase in sales, acceptance of new products, brand equity creation and brand positioning, addressing competitor actions and rebranding.

2.4.1. Role of promotion in the marketing mix

Promotion is the communication aspect of the marketing mix. It is creating a channel for conversation with the targeted consumer base. Through promotion, the company aims to attract the customer's attention and give them enough information about the product to foster enough interest to motivate them to purchase.

The team tasked with these activities will begin by understanding the dynamics of the target audience and deciding which modes of promotion are likely to help meet targets. Once the channel is decided, information from other elements of the mix is incorporated to ensure that the message sent corresponds to the actual product features, benefits and user experience.

None of the elements of the marketing mix work in isolation. Instead a unified body of information acts as the source for all activities within these 4P's. The available

¹⁸<http://marketingmix.co.uk/place> , consulted March 25th, 2018 at 07:15pm.

information is filtered to include those areas which will be most relevant to the target audience.

2.4.2. Objectives of promotional activities

Different organizations have different expectations from their promotional activities. These expectations are developed into objectives which then shape the selection and execution of these activities. Some possible objectives of promotion for any company may include:

2.4.2.1. Building Awareness

Often, a product or brand may need to create an identity within the market. For the most part, this applies to a new company, a new brand or a new product. But often it may also be needed in times of rebranding or building up a failing product. The aim then is to select those promotional activities that help inform the customer about the company and the product.

2.4.2.2. Creating Interest

If the customer is already aware of the product or has been made aware through some activities, it becomes necessary to move them along to actual purchasing behavior. The aim here is to identify a need that the product fulfills and make sure that the customer recognizes this need as something that is unfulfilled for them.

2.4.2.3. Providing Information

Sometimes, a company may just need to provide necessary information regarding the product, its benefits, features or usage to the consumer. This may be the case if a new product is introduced into the market. Unique features or benefits may need to be explained. In other cases, a new feature on an existing product may need to be highlighted.

In some cases, such as in instances where environmental impact or health scares may be in play, information about a change in business practices and company policy may need to be communicated.

2.4.2.4. **Stimulate Demand**

A company may seek to enhance its sales through promotion. If sales have been lower than usual, then the aim may be to get them back up to target level by re-engaging old customers and encouraging new ones to try a product out. In other instances, the aim may be to increase sales further at certain times of the year such as near a major holiday. Free demonstrations or special deals may be used to reach these ends.

2.4.2.5. **Differentiate product**

In situations where there are many competitors in the market, a company may seek to use promotional activities to differentiate its product in the market and make it stand out from the crowd. The focus here remains on those features, functionalities or benefits that may not be offered by a competitor or may not be offered so well.

2.4.2.6. **Reinforce the Brand**

One basic aim of a promotional activity may be to further strengthen the brand and its place in the market. This helps turn a first time purchases into a life time purchaser. This can also help create advocates for the product from within the customer base.

2.4.3. **Major targets of promotional campaigns**

Any promotional activity is usually designed with a specific target audience in mind. The activity is therefore created using messages, cues and information that they will respond to. Realistically, the major portion of any promotional budget is aimed at this specific targeted audience.

However, there may be important fringe groups who may have an influence over the intended target or stake in the product. Some of these fringe groups may include:

2.4.3.1. **The actual audience**

These are the current customers of the product as well as former customers and any potential new customers. The activity is created for these people specifically.

2.4.3.2. Influencers:

People or organizations that may have their own sphere of influence over the target audience make up this category. If a positive impact is made on these people, they may then use this influence to encourage sales. The media, opinion leaders, Trade associations and special interest groups are some of these influencers.

2.4.3.3. Distribution Channel Members:

The product is handled and provided to the customer through this channel making them an important category of targets. A retailer may choose to display a certain product in a more prominent position than the others if they believe in the product and its benefits.

2.4.3.4. Other Companies:

Communicating with other companies may open up opportunities to collaborate on joint ventures.

2.4.4. The promotional mix

Figure (1-10): The promotional mix

Source : www.cleverism.com

There are five methods that make up a promotional mix. A company may choose to use one or more of these in harmony to ensure a clear, effective and direct message reaches

the customer. The selection of the portfolio of activities may depend on the company's marketing and sales strategies and budget allocations. These five methods are:

2.4.4.1. Advertising:

This mode of promotion is usually paid, with little or no personal message. Mass media such as television, radio or newspapers and magazines is most often the carrier of these messages. Apart from these, billboards, posters, web pages, brochures and direct mail also fall in the same category. While this method has traditionally been one sided, advertisement over new media such as the internet may allow for quick feedback.

2.4.4.2. Public Relations & Sponsorship:

PR or publicity tries to increase positive mention of the product or brand in influential media outlets. These could include newspapers, magazines, talk shows and new media such as social networks and blogs. This could also mean allowing super users, or influencers to test the product and speak positively about it to their peers. This type of advertisement may or may not be paid. For example, sponsoring a major event and increasing brand visibility is a paid action. Sending free samples to a blogger then depends on their discretion and opinion and is not usually swayed by payment.

2.4.4.3. Personal Selling:

Opposite of the one directional promotional methods, direct selling connects company representatives with the consumer. These interactions can be in person, over the phone and over email or chat. This personal contact aims to create a personal relationship between the client and the brand or product.

2.4.4.4. Direct Marketing:

This channel targets specific influential potential users through telemarketing, customized letters, emails and text messages.

2.4.4.5.Sales Promotions:

These are usually short term strategic activities which aim to encourage a surge in sales. These could be ‘buy one get one free’ options, seasonal discounts, contests, samples or even special coupons with expiration dates.¹⁹

3. Positioning Strategies

There are three possible strategies:

3.1.Strategy of imitation

The product or the brand occupies the same position that the product competitor.

- This strategy is infrequent.
- Little recommended due to the strong competition from products leaders
- marketing efforts must be significant and regular

3.2.Differentiation Strategy.

The product is different from those of the competition and difficult to imitate by them.

- This acts on the characteristics of the product, on the image of the product, on the psychological and sociological terms.
- Significant efforts in communication to make known this differentiation and make collect to consumers.

3.3.Innovation Strategy: Seeks a new response to needs partially satisfied and define a new marketing mix

¹⁹<https://www.cleverism.com/promotion-four-ps-marketing-mix> Consulted on March 28th, 2018 at 07:15pm.

Chapter 02
**The marketing strategy and sales
performance**

Chapter 2: The marketing strategy and Sales performance

In the management literature, terms are often mistaken for designating the same concept, words of politics, plan and strategy for example, mean a certain chain of rules and decisions adopted by a company in a defined period of time in order to achieve the sought objectives, however, unlike these two the strategy has a conflicting character. It is generally defined as a “set of means of action used together to achieve certain goals against certain opponents”²⁰ or “the set of decisions and actions relating to the choice of means and the articulation of resources in order to achieve an objective”.

The aim of adopting a convenient marketing strategy is to assure profitability and market share, so in a competitive world where each year thousands of similar products are introduced to the market, companies must have an organized and effective sales performance.

This chapter will develop two concepts that are attached to the core, the marketing strategy with its different elements and sales performance.

Section 1: The Marketing strategy

In this section, we are going to defined the marketing strategy, its key elements and present how important it is and why every company should pay major attention to establishing the most convenient one.

1. The marketing Strategy

Strategy is not necessarily easy to define, and the precise nature of marketing strategy is a subject which is still (perhaps surprisingly) open to debate. The point at which marketing strategy leaves off and corporate strategy begins, and the point at which strategy leaves off and tactics begin, are equally vague and subject to argument.

Because of the rapidly-changing nature of business life, strategy cannot be reduced to a set of simple rules and formulae which can be followed like a route map: strategic planning is a creative process, although some signposts and analysis tools can be applied which will help somewhat.

²⁰ Lendrevie Lindon, Mercator « *Theories and applications of marketing* », Ed Dalloz, 7th edition 2003, page 50

The richness of thinking about strategy, and about marketing strategy in particular, should not be seen as a barrier, but rather as a resource from which creative ideas can flow²¹

1.1. What is a marketing strategy?

Experts have always debated on the true concept of the marketing strategy, some claim that its just a way to achieve the company's objectives, some believe that it is a series of defined steps that managers follow in order to assure short and long term profitability. But what is the true definition of the marketing strategy?

1.1.1. Definition of the marketing strategy

Unfortunately there is considerable disagreement among academics and practitioners about what strategy actually is. Although academics write about it and practitioners do it, there is no consensus about a definition of what it is (and by extension what it is not) here are some examples:

‘Strategies are means to ends, and these ends concern the purpose and objectives of the organization, they are the things that businesses do, The paths they follow, and the decisions they make to reach certain points and level of success’ (Thompson 1997)

‘The positioning and relating of a firm/organization to its environment in a way that will assure its continuous success and make it secure from surprises’ (Ansoff 1984)

‘Strategy is making trade-offs in competing, the essence of strategy is choosing what's not to do, without trade-off, there would be no need for choice and thus, no need for strategy’ (Porter 1994)²²

1.1.2. Types of Market Strategies

Marketing strategies may differ depending on the unique situation of the business. Consider a mix of strategies to make the most of your strengths and capitalize on your competitor's weaknesses. Your chosen strategy should also reflect what your marketing goals are. i.e. increase sales, gain brand awareness, etc. Below are some strategies to consider when planning your marketing approach.

²¹ Blythe, Jim, “Marketing Strategy”, UK Publication, 2002, page 03.

²² Ibid, page 05.

1.1.2.1. Market Leader

If you are the leader in the market, you may expand the total market by increasing the total number of users. Lead the way by finding a new market or creating a new use for an old product. Look for new markets in other demographics or expand into more locations. You also need to defend your current share of the market. You can enhance your product offerings or reduce weak products or services and build those that are strongest. Finally, expand your market share by aggressively attacking your competitor by offering coupons, promoting sales and advertising benefits your competitor doesn't have (i.e. longer hours of operation or more personalized service).

1.1.2.2. Market Challenger

If you are the challenger in the market, look for a small, unmet need that your business can fill.

Specialize in something that is not currently being met in the marketplace. i.e. an eBook reseller who specializes in books on basketball has significantly fewer competitors.

1.1.2.3. Market Follower

A market follower capitalizes on a market already identified and research by your competitors. Watch your competitors for weaknesses, and then provide better solutions such as longer hours or free training. i.e. Full-service restaurants which offer takeout or delivery, interior design service free with purchase of furniture.

1.1.2.4. Market Niche

Becoming a niche marketer enables you to research and respond better to a smaller, fine-tuned segment. This works especially well for small companies who are nimble and able to make quick decisions in reaction to market trends. i.e. serving the demographic of women aged 55 to 70, only consulting to engineering firms with revenues of more than \$5 million

1.1.2.5. Alliance Marketing

You can strengthen your marketing by partnering with a product, service or company that is compatible with your business but is not a competitor. i.e. a child care centre partnering with a dance studio.²³

1.1.3. The marketing strategy process

Having a strong marketing strategy process in place helps to ensure that your marketing activities remain aligned with your business goals, maximizing the business return from your marketing efforts. The picture on the left shows the process for developing and aligning marketing strategy.

These are the steps you should follow to create and execute a winning marketing strategy.

For help in following this 7-step marketing strategy program, check out my eBook "The 7-Step Easy Marketing Strategy Process."

I also offer a hands-on marketing planning workshop where you will learn how to implement this 7-step process to create an effective, data-driven marketing plan.

I'll briefly review each step in turn:

1. Understand Your Customer Develop a clear picture of your target customer using market research and analysis. Understand their pain points and the benefits of your solution.
2. Analyze the Market some basic market research should allow you to find market data such as total available market, market growth (historical numbers and projections), market trends, etc.
3. Analyze the Competition Ask yourself what other choices your target customers have to solve their pain point. Research and assess the strengths and weaknesses of each. Take a look at this article for more info on competitive marketing strategy.

²³"Market research and developing a marketing plan", web, http://www.regionalbusiness.ca/images/pdfs/market_research_guide.pdf, consulted on April 07th, 2018 at 11:39pm.

4. Research Distribution Channels What is the best way to deliver your product or service to your target customers? This will impact your sales strategy and your financials, as well as your marketing mix.
5. Define Your Marketing Mix Check out this article about defining your marketing mix: Product, Price, Place and Promotion.
6. Analyze the Financials Put together your marketing budget and evaluate projected marketing ROI, customer acquisition costs, etc.
7. Review and Revise Continuously evaluate the effectiveness of your marketing strategy, and revise or extend as needed.²⁴



Figure (2-1): The marketing strategy process

Source: www.easy-marketing-strategies.com

²⁴<http://www.easy-marketing-strategies.com/marketing-strategy-process.html> , consulted on March 29th ,2018 at 06:36pm.

1.2. The portfolio of activities

The portfolio of activities of a company is composed of a set of strategic bases which in turn are composed of areas of strategic activities (these are defined in the previous chapter), everything depends on the size of the company, if one is in front of a big box, a DAS can contain a line of the range, a BS groups the products of the same range and the portfolio of activities will contain all the ranges of products of the company.

The areas of strategic activities form of strategic bases, they shall meet to build a portfolio of activities. A portfolio of activity which joins with the external links of the company is what is called the value chain, the nesting of the enterprise value chain, customers and suppliers form the value system of the sector.

1.2.1. couples product/market

This approach concerns not only the instance of the marketing, but it fits into the general policy of the company as well as the hierarchical levels higher. The definition of an activity can be done according to different criteria which depend on the nature of the sector, where the company operates. We can divide the activities according to the following criteria:

- The business: technological criteria related to the process of production of the goods;
- The needs of the consumer: families of products corresponding to the same need;
- The clientele : products responding to one of the needs of the same customer category;
- Couples products/market: it is to cross the needs of clients and their category.

This last approach is the most relevant, it allows, to better target markets, because even the technology of some products is identical, their perception by the consumer is more or less the same or categorically different.

1.2.2. The management of the portfolio of activities

The problem of the portfolio of activities is the distribution of the resources of the company on the different activities so as to maximize the performance of each of them.

The problem thus defined, depends not only on the responsibilities of the men of the marketing, but it concerns the strategic summit in general.

A portfolio of activities includes the current activities and future activities, its management consists in the making of three considerations, namely: the classification of the objectives of the enterprise, in descending order, the assessment of the financial, human and technological resources which are available, finally the evaluation of the various attractions of the areas of the strategic activities of current or future, their actual requests and their profitability potential.

It is in this latter consideration that intervenes the interest relating to the marketing strategy and its contribution to avoid the strategic errors of the general policy of the company.

2. The conception of a marketing strategy

The approach generally followed for the development of a marketing strategy consists of four key stages which are presented in the following four points.

2.1. The Analysis Diagnosis

In the introduction of this memory, we explained that the marketing strategy is inspired by the military field, where the officers of state major does not invest in a battle that after having studied the land combat, analyzed the strengths and weaknesses of the Rival. The marketing strategy is not dissimilar and it is used in virtually the same methods.

2.1.1. Environmental Analysis

The main questions to ask when an analysis of the environment and of the market relate to the following topics:

- The evolution of technological environments, economic and regulatory framework of the market.
- The size, structure and trends of the evolution of the global market and segments
- Factors influencing the consumption behavior and habits of purchase
- The motivations, attitudes and criteria of choice that use consumers
- channels of distribution, the intermediaries, the sales force, its motivations for basis

The analysis of each of the preceding points assumes his turn to ask a lot of questions. The main topics on which can support the business for each question are presented in the first section of the first chapter.

2.1.2. Analysis of the competition

The competition is the main constraint that can threaten the activity of the company. The two aspects on which we can analyze the rival firms are the nature and the way in which they exercise the pressure, and the structure of the direct competition.

For the first aspect, it should be to analyze the main categories which can respond indirectly to the same need as ours, and what is the evolution of these products in terms of volume of sales, market penetration, etc. Concerning the second aspect, it is called upon to take account of the products which are directly competitors, their market shares, their evolution, their manufacturers. We will also to the analysis of the strategies of the rivals, their choice of positioning and their future projects and probable intentions.

2.1.3. Internal Analysis

This analysis will allow the company to do a survey on it even whose objective is to assess the strategic positions it occupies on the different segments and to have a record of current strategies. This internal analysis is to:

- Analyze the quantitative performance and assess the rates of activity, penetration;
- analyze the costs and the profitability of the various products on each of the segments;
- Check the evolution of the reputation of the company close to the clients and potential clients;
- evaluate the resources which the company is prepared to allocate for its products;
- Make an analysis for the marketing mix and current to assess each of its policies.²⁵

²⁵ Hamid BOUAICHE, « *Conception de la stratégie marketing et choix de positionnement* » mémoire pour l'obtention de la licence, Université Abderrahmane Mira- Bejaia, Algérie, 2008, page 82.

2.2. Defining the objectives

Here is a list of some of the objectives that are frequently used, but the list is not exhaustive and others (if they are customer driven) may be added.

The marketing objectives need to be chosen carefully.

There is no hard-and-fast rule but I tend to work on selecting between four (better) and six (maximum) objectives, which, taken together, will create behaviors in the organization that we believe will achieve the business/corporate objective.

It is not a question of any individual marketing objectives; it is a question of the combined effect of all the objectives selected.

For example, selecting apparently conflicting objectives such as:

- Market/segment position
- Product development
- Profitability and
- Innovation

Will promote a marketing plan (and KPIs, see below) that drive the organization towards:

- A branded position
- In selected market segments That require innovative solutions But that also improve profitability and avoids buying market share.²⁶

2.3. The choice of strategic options

2.3.1. Segmentation and Targeting:

This is one of the critical areas of modern marketing, which is just missed completely in the skirmishing between the corporate strategy specialists, large organizational marketers and business school academics.

In today ' s complex and rapidly changing markets it has to be evident that the ' mass market ' is an idea whose day has (definitely) gone.

If the mass market is dead then the segment must be the key to success.²⁷

²⁶ FifieldPaul, "Marketing Strategy Masterclass :Implementing Market Strategies", Editor Editeur: Taylor & Francis Publication, 2008, page87

²⁷ Op.cit, page 88



Figure (2-2): Segmentation and marketing strategy

Source: djsresearch.co.uk

2.3.2. Choice of targets

The answer to this question requires determining in the first place the nature of the targets of our strategies, is it of consumers, purchasers or prescribers that one wants to influence. In the second place their numbers and their respective sizes and finally the criteria of the population of each target which are going to be very interested.

This work is the same as the Targeting presented in the first section of the previous chapter.

2.3.3. Choice of sources of volume

In the point above, we have referred to the choice of targets, in other words the parties that the company will strive to buy its products. The resources of its potential consumers being limited, they do will proceed with the purchase of the product of the company that by having already sacrificed another purchase. These are the other purchases sacrificed by the consumers who are the source of volume or well, the request which will absorb the offer that we will issue.

The sources of volumes or the request of our future supply will result in the abandonment of some of the products marketed by the company itself, potential customers or wider competition.

The respective strategies for each of the sources of volumes are the cannibalization voluntary, direct competition and competition expanded.

2.3.4. Definition of a policy of Brand Name

The Brand Name is a more complex and much more rich, and positioning is a salient feature of a brand image. Define the brand image for a product, means the understanding of its tangible elements and its intangible elements which give him the meaning and the singularity.

This understanding serves two main objectives: the definition of the opportunities and constraints of the marketing mix, and that of the fixing of prospects for development when the perceived image deviates from that desired by the company. A policy of mark must arbitrate between the different alternatives:

- The level of brands; the brand of the product, the company, group, umbrella brand;
- The internationalization of brands, manage the global, local and international brands;
- The extension of the brands of certain products to other products of different markets;
- The revitalization of aging marks, renew, or even the Reposition.

The image of mark may be regarded as an extension or an overrun of the positioning. The latter can be extremely summary and reducer, it is the axis of the retraction of the offer in the mind of the consumer.²⁸

2.4. The elaboration and evaluation of the mix marketing

Even when the general guidelines of the marketing strategy have been clearly defined, in particular as regards the positioning desirable and the Optimal weighting of the components of the mix, the number of possible combinations of policy of product, price, distribution and communication, i.e. the number of marketing mix theoretically possible literally remains infinite.

Among this infinity of marketing-mix that he cannot explore in a comprehensive way, the responsible marketing must attach his choice on the mix the most promising. It is the role of Optimization Methods.

²⁸ Hamid BOUAICHE, « *Conception de la stratégie marketing et choix de positionnement* » mémoire pour l'obtention de la licence, Université Abderrahmane Mira- Bejaia, Algérie – 2008 page 88.

2.4.1. The marketing mix optimization methods

2.4.1.1. Principle

The general principle of optimization methods of the marketing mix is to measure the relations that exist between on the one hand each of the variables of action which are available and, on the other hand, the volume of sales.

This is tantamount to prepare the curves of market response to the different means of action of the marketing. Given that the volume of sales of a product depends not only on its own price and its own effort of communication and distribution, but also of those of its competitors, it is usually in relation to the variables relating to the mix that the optimization models seek to calculate the elasticity of the sales of a product.

Once the defined relationships between the elements of the mix and the market, we will seek, taking into account the means of the company and of the cost, to optimize the profitability of the product.

2.4.1.2. Heuristic methods of marketing mix

The methods of optimization of the marketing mix thus raise a lot of reluctance to their use due to their limits, although they are the subject of the abundant literature. It primarily uses simpler methods say heuristics which allow you to find satisfactory solutions to the problem of wording of the mix but they do not guarantee to find the optimal solution.

The experience is the basis for the development of the models heuristics based on the trial and error to generate a small number of plausible combinations of elements of the mix. The comparison between the combinations envisaged is done as in the optimization models in the light of their likely effect on sales, costs and profitability. But, to the difference of optimization models, these effects are estimated on a relatively subjective and non-calculated with the help of mathematical functions.

The marketing manager will then rely on what his experience tells him and the marketing mix that seems to be satisfactory. It remains to him before adopting it definitively to submit to an evaluation as rigorous as possible.

2.4.2. The evaluation of the marketing mix

The step that follows the development of a marketing mix is the assessment of this mix. It boils down to whether or not this mix will help to achieve the objectives set by the marketing strategy and to what extent it will be. Two components must be considered for this assessment.

- The qualitative evaluation
- The quantitative evaluation.

2.4.2.1. The qualitative evaluation

A default to have the exact recipe for the marketing mix, any combination of the elements of the marketing mix should comply with the four principles of the following bases.

The principle of coherence, the principle of adaptation, The principle of partial superiority, The principle of security.

2.4.2.1.1. The principle of coherence

The principle of coherence requires that each of the elements of the marketing mix is consistent with all other and positioning which they arise. This means first of all that the efforts made in favor of each of the components of the mix are balanced. For example, if for a product, the emphasis is on the advertising campaign a massive and we neglect the means put in place to ensure the distribution of the product in the points of sales, the impact of the campaign would be completely lost.

Each P is therefore in a relationship of complementarity with all other. This means especially that the elements of the mix must not be upset. We cannot sell to high price a product of poor quality or sell to high Price a good product in which the service is faulty.

The large number of interrelationships between the marketing variables therefore requires a great deal of coordination.

The choice of an element often dictates the other: work with retailers requires to co-finance their advertising; the sale by catalog implies a system of order by phone; ...etc. For

all these reasons, it is important to insist on the need to develop a marketing mix including which all elements will integrate harmoniously.

2.4.2.1.2. The principle of adaptation

Second Golden Rule to take into account during the preparation of a marketing mix, is that it must be adapted to the times to the market that it aims and to the company which will apply.

The adaptability with the market is one of the key principles of marketing in general, it is therefore necessary to comply with this rule to the mix. It is also necessary to think a combination of the marketing mix that is adapted to the society. A mix that would be good for a company can prove to be disastrous for another.

A simple example would be the adoption of a policy which requires resources whose firm does not, including financial resources.

2.4.2.1.3. The principle of partial superiority

An important question that must install the marketer at the time to adopt a mix is: "What will be my superiority on the competitor? ». This means that it must not only to coordinate the various P but the customer must also recognize the superiority of the overall offer of the company: more value, lower prices, greater convenience, better communication, etc.

The superiority may well not be the result of a particular component of the mix but privileged links with a particular segment of consumers. We then attend to a superiority which plays by report to a segment of the market in relation to the competition: a small brand of toothpaste, in competition with the major groups, can simply, to retain a place on the market, to offer a partial superiority: be recommended by dentists for its therapeutic qualities.

This aspect of superiority is therefore all the more important for small and medium-sized enterprises in competition with large companies who use however also.

2.4.2.1.4. The principle of security

The fourth rule to observe for the choice of a marketing mix is the principle of security: the strategy adopted must be profitable even if all the optimistic assumptions that

it implies are not realized. In other words, any strategy must include a margin of safety, tolerance.

A combination which could result in significant losses in the event any of these assumptions must be rejected. To ensure the observance of this rule there is place to submit the mix, after its qualitative evaluation, a quantitative assessment to try to anticipate the impact of the absence of the basic assumptions on the expected result. This is what is called the sensitivity analysis of the strategy or the disaster scenario.

2.4.2.2. The quantitative evaluation

Quantitative evaluation is to provide, in an encrypted manner, the results of the application of the marketing mix. To do this, two major methods to use:

- The establishment of budgets;
- The method of the neutral.

The criteria to measure during this assessment, which are also the general objectives that must achieve a marketing strategy, are:

- The volume of sale to achieve;
- The market share to achieve
- The expected financial results.

2.4.2.2.1. the establishment of the provisional budgets

This method is to provide, on a determined period of time, the results of the application of the marketing mix adopted on the sales of the product, its market share and profitability. This profitability is expressed in terms of financial indicators, namely, the gross margin, the different levels of contribution, the performance of the investments, the cash flow, etc.

If the determination of the expenses caused by the various elements of the marketing mix remains relatively easy, the estimate of the expected sales and therefore revenue is a more complicated task. To do this, a few methods can help to do so. For example, the use of econometric models or the achievement of markets-witnesses real or simulated.

However, these methods are costly and cumbersome, it was more often use of reasoned estimates, based more on the expectations of the reactions of the customers, distributors and competitors.

2.4.2.2.2. The neutral method

The development of budgets can be very difficult, if not impossible and very little reliable, view the uncertainties of the future evolution of the market. In this case there, we can use the method of calculation of the neutral: instead of trying to predict the sales and therefore all financial indicators that flow from it, we are content to calculate the volume of sales from which the marketing mix in question would allow to reach the threshold of profitability, acceptable that it is fixed.

This calculation allows assessing the marketing mix by asking if the volume of sales calculated (neutral) is plausible. To be able to calculate the neutral, we must have the following information for a determined period of time:

- The sale price of the product (a)
- Variable costs per unit of production and distribution.(b)
- MB: Gross Margin per Unit = (A-B)
- FF: the amount of fixed costs (overhead and marketing budgets) generated by the mix
- S: profitability threshold Minimum.

Growth Curve annual probable sales for the considered period of time. The volume neutral, for a year, is given by the equation: $V = (S - FF) / MB$ once this point is calculated, we can say that the marketing mix is acceptable if the calculated volume seems plausible (compared to the size of the market, its evolution.).²⁹

Section 2: Companies' Sales Performances

1. Fundamental concepts on sales performance

The sales profession along with the Sales Performance moves faster than ever today. In the blink of an eye, new competitors emerge, products similar to yours are released, and

²⁹ Fadel DRISSI, « *Le marketing mix* », Cycle supérieur de Commerce et d'Administration des Entreprises Institut Supérieur de Commerce et d'Administration des Entreprises , web,<https://nanopdf.com/download/le-marketing-mix-5.pdf> , consultes on March 30th, 2018 at 00 :34am

before you know it, it's a race to the bottom. So, in this competitive world, having a sales organization with an agile sales performance should be your strongest asset.

No matter which industry you're in, what worked a few years ago isn't good enough today. This is no time for trial and error or order taking; this is the time to sell. No function of an organization feels the impact of a rapidly changing marketplace quicker than sales.

As conditions change, sellers need to adapt, act proactively, respond quickly to customer needs, and be ready to take advantage of new opportunities. This means that sellers, sales leaders, and the organizations must have a successful sales performance.

But what is sales performance?

1.1. Definition

Sales performance is the measurement of the number of sales that an employee makes for a business. It helps more people hit quota more often by focusing on tools and processes to help the individual sales and channel personnel.

Sales Performance is also defined as '*the process of overseeing and training employees to advance their sales skills, processes, and results*'. Making sure your sellers are motivated, trained and are in the right territories is critical to your success and every company should be focused on doing just that.

1.2. The importance of sales performance

Effective sales management starts with clearly defined sales performance goals. Translating an organization's business objective into daily activities and tasks is the process side of performance management.

Without clearly defined performance goals, you cannot determine if it is the person or the process that must be coached or changed. In this context, you will define the results that you need from your salespeople, and the activities they need to maintain, in order to create the most productive possible relationship with your associates

1.3. The objectives of sales performance

- A key objective of the sales performance is to educate and motivate salespeople to set goals and satisfy customers.

- It looks at the number of sales made versus the number of customers an employee comes in contact with.
- SPM, basically, is the practice of monitoring and guiding personnel to improve their ability to sell products or services.
- Given the level of involvement required, many organizations opt for Sales Performance Management software to assist with such tasks.
- SPM software typically includes components for goal setting and planning, feedback, skill development and performance review.
- The software can also be used to track information about such things as *sales quotas, territories, incentive compensation, job evaluation and forecasting*.
- SPM involves observing sales practices either manually or with software, comparing to metrics, drawing conclusions, and then implementing changes for advancement and motivating sales reps to perform at the best of their abilities.
- To excel at SPM, one must possess visibility into personnel activity and have a clear understanding of what their people are doing right.
- They must also be able to identify which employee actions can be improved, and again, what motivates sales reps to perform at the peak of their abilities.
- Additionally, there needs to be clarity on the impact of adjustments, which requires a focus on using the correct metrics in order to ensure alignment with the company's overall goals.
- At the end of the day, succeeding in SPM allows companies to get the most out of their people, which in turn improves the bottom line.

1.4. Advantages of Sales Performance

- Interactions are often performance-based.
- The progress of employees is the Aim.
- Allows cheering up of the workers.
- Remunerations for successful employees.
- The lazy and insincere workers are identified as well as removed.
- The company has a documented performance history of the employees.
- Permits worker development in many ways.
- Enhance the performance of both the Individual and the Organization.
- Helps in successful career planning.
- Recruitment and choice of employees by the company managers and authority.

2. Sales performance management

Sales Performance marries the traditional discipline of sales management with a more *rigorous, focused and metrics-driven approach* to optimize resources and improve sales performance. Ultimately, this leads to generating repeatable and predictable revenue.³⁰

2.1. Definition

Sales Performance Management (SPM) is a comprehensive set of tools and methodologies that facilitate effective and efficient administrative processes, influence sales person behavior, and provide enhanced capability to manage sales resources.³¹

2.2. Elements required for Sales Performance

Here are the 5 essential elements that are necessary for SPM, which basically overlays the 5 elements of sales management:

1. Strategy: Involves methodology, communication, execution, and process.
2. Optimization: Involves continuous improvement of sales effectiveness and efficiency.
3. Organization – Involves hiring, training, culture, structure, and compensation.
4. Metrics – Involves measurement of performance improvements.
5. Technology – Involves next generation sales tools that enable higher sales productivity.

SPM applies more focused and advanced strategies, a *more productive organizational structure, next-generation technologies and rigorous metrics* that are benchmarked to produce superior results and offer sustained competitive advantages to the company. Basically, for an agile Sales Performance of a company, these 5 key elements are a must.

³⁰<https://aeroleads.com/blog/what-is-sales-performance> , consulted on April 4th, 2018 at 07:52pm.

³¹<https://salesmanagement.org/web/uploads/pdf/9cfd2ef8d37bf57cf96d08b72618ad1a.pdf> , consulted on April 3rd , 2018 at 09:21pm.

2.3. Key Features of Sales Performance

In order to run an efficient Sales performance in your company, there are few key features about SPM which you must know.

2.3.1. Incentives & Commissions

If you could generate clear, concise plans, complete with spiffs and bonuses, to drive sales behavior as well as introduce program changes rapidly then you could save your company a significant amount of money.

Basically, it automates the compensation process and makes payouts fast, accurate, and easily analyzed. It also improves payment accuracy, boosts productivity, and increases revenue.

2.3.1. Quotas & Territories

SPM ties the creation of sales territories to data to maximize your sales force's productivity.

Hence, it speeds up the distribution of quotas. But you must ensure to define territories in order to deliver more revenue and align corporate targets with the field.

2.3.2. Coaching & Training

The SPM software provides an on-target coaching to help every salesperson perform to their best. It understands what makes top sales performers great and connects customer feedback to provide much richer development plans that make every sales rep a top performer.

Basically, it gives your sales staff an advantage over the competition by expanding their knowledge through training adapted to the way they learn. It keeps them motivated to learn no matter how long they've been with your organization.

2.3.3. On boarding

Sales Performance gives the freshers, the skills and resources they need to become great contributors right away. It makes the sales talent as well as partners productive by generating money as quickly as possible.

It basically guides them through the first few days with the information they need about your company, products, services, processes and everything else they need to know.

2.3.4. Analytics

SPM provides you with the most accurate source of customer data to unlock critical performance insights on your sales, channels, marketing and customers to drive change as well as predict future performance.

It collects data as part of your sales performance management, in order to make meaningful changes to your business and sales results. It also exponentially improves the accuracy of sales forecasting as it basis its accuracy on data and not assumptions.

3. Sales performance management system

3.1. What is Sales Performance Management system?

Sales Performance Management System (SPM) is a system that helps organization drive sale from strategy through to execution while improving efficiency, accuracy and timeliness in administrative processes angle.

3.2. What is the need for sales performance system?

Sales Performance Management System for Mutual Funds is a business solution that assists to preserve information about various activities scheduled for your existing customers and prospects. The system empowers the Relationship Manager to efficaciously manage and monitor his own performance, their team's performance, and their relationship's progress and past interactions.

Progress at different levels of hierarchy can be coordinated by the system. Sales Performance Management System for Mutual Funds expedites to create, modify, maintain, and associate the contacts with the Relationship Managers. Business relationship with contacts can be enhanced by tracking birthdays, anniversaries and other important events associated with them.

Risk related to transfer or exit of relationship manager can be handled by the system. In such cases, all clients and business of that particular Relationship Manager will be assigned to another Relationship Manager.

Sales Performance Management System for Mutual Funds can generate reports, which the user can view, depending on the type of user and privileges the user has. The reports are generated using Business Analytics. Business Analytics consists of all programming modules to analyze data related to enterprise's customers and articulate it, so that better and quicker business decisions can be made. Opportunity and the need to turn customer data into useful information have generally become evident as system is providing quicker and efficient interactivity with customers.³²

3.3.Problem with existing systems

There are various existing CRM systems available, such as Microsoft Dynamics CRM, SugarCRM, SuiteCRM, Salesforce CRM, etc.

The table, given below, summarizes the differences between Salesforce CRM, Microsoft Dynamics CRM, SugarCRM, and SuiteCRM. It can be seen that although Salesforce and Dynamics CRM have the most number of features as required in a good CRM software, they possess little customizability and are costly, which may not be suitable for businesses that have differing requirements.

SugarCRM and SuiteCRM are Open Source Software, which allows them to be customized by developers to suit their needs, but the former has disadvantages.

The Web Application for Sales Performance Management System will be built on top of SuiteCRM, which is the optimal choice considering the comparison shown in the table below.

Although SuiteCRM lacks some functionalities that are offered by other CRM softwares, its advantage of being free and Open Source will be exploited to develop a CRM system to meet the requirements of a Mutual Funds organization. There is no licensing fee or other such costs involved, which reduces development and implementation costs.

³² Dipesh Rane, Nabil Ahmed Mulla, Daanish saraguru,Shabina Sayed, "Sales Performance Management System",International Journal of Computer Applications (0975 – 8887) Volume 162 – No 11,page 25 March 2017, web, consulted on April 06th ,2018 at 10:33pm.

Table 1: Comparison of Existing CRM Systems

Feature	Salesforce Professional	Microsoft Dynamics CRM Professional	SugarCRM Professional	SuiteCRM
Sales Automation	✓	✓	✓	✗
Sales Collaboration	✓	✓	✓	✗
Customer Interactions	✓	✓	✓	✓
Contact Timelines	✓	✓	✓	✗
Lead Generation	✓	✓	✓	✓
Workflow	✗	✓	✓	✓
Email Integration	✓	✓	✓	✓
Email Marketing	✓	✓	✓	✓
Inventory Management	✓	✓	✓	✗
Employee Activity Tracking	✓	✓	✗	✓
Group Calendar	✓	✓	✓	✓
Performance Tracking	✓	✓	✓	✗
Meetings	✗	✗	✗	✓
Knowledgebase	✓	✓	✓	✓
Pricing (10 users per year)	\$9,000/-	\$7,800/-	\$4,800/-	Free
Internal Support Tickets	✗	✗	✗	✗
Access Control	Hierarchical	Hierarchical	Hierarchical	✗
Geographical Access Control	✗	✗	✗	✗
Geotagging (Mobile)	✗	✗	✗	✗
Customizability	✗	✗	✗	✓

Table (2-1): Comparison of Existing CRM Systems

Source: Top Ten Reviews (2015).³³

3.4. Problems in existing systems

The primary limitation of Salesforce CRM is the lack of an immensely customizable Campaign Management module as required by the industry. Since Salesforce expects the Small – and Medium – sized Businesses to purchase a Marketing Automation software to be used for Marketing – related Microsoft Dynamics CRM is a proprietary and comparatively more expensive software, thus reducing the probability of SMB's will buy it. To use a web resource in visualization, Microsoft Dynamics CRM requires you to either use the SDK or import a custom visualization XML.

³³ Top Ten Reviews (2015). "The Best CRM Software of 2016", web, www.toptenreviews.com/business/software/best-crm-software, Date of access: September 9th, 2016, consulted on March 20th, 2018 at 03:18pm.

The learning curve is complex, and as Dynamics CRM has limited plugins to choose from, you may not have some of the same functionality and performance like SuiteCRM through their marketplace of developer plugins. SugarCRM and SuiteCRM are open source CRM software, making it simple for developers in different organizations to tailor the product in accordance to their requirements.

It also allows developed versions of the CRM software to be distributed. SugarCRM, however, has a certain number of limitations, such as no support for free versions, no provisions for Campaign Analysis, and workflows that are not robust. Furthermore, SugarCRM falls short of many features which the developer demands that the users will incorporate from the modules accessible on the developer's website.³⁴

3.5.Regular features in Sales Performance Management

- Sale work flow process management (include sale metrics)
- Quotas and objective management
- Sale data management
- Territory and channel management
- Incentive compensation (to promote or encourage specific actions, employees)
- Sale reporting and analytics

3.5.1. Pay for Performance

With Incentive Compensation Management solutions from IBM, organizations can:

- Reduce errors in over-payments of their pay-for-performance and compensation programs
- Plan, model and easily implement changes to pay-for-performance programs
- Provide increased visibility into pay-for-performance with reports and dashboards/KPIs
- Improve process efficiencies in administrating pay-for-performance programs
- Help ensure retention and coaching of top and bottom performers
- Foster motivation and an overall selling culture by driving sales behaviors
- Enhance adoption and trust with the participants of pay-for-performance programs

³⁴Dipesh Rane, Nabil Ahmed Mulla, Daanish saraguru,Shabina Sayed, "Sales Performance Management System",International Journal of Computer Applications (0975 – 8887) Volume 162 – No 11,page 25-26 March 2017, web, consulted on April 06th ,2018 at 10:50pm.

3.2.2. Sales Operations

- Sales performance management software from IBM helps organizations:
- Align sales strategy with corporate objectives
- View sales effectiveness reports and dashboards/KPIs
- Track and monitor sales team and individual performance
- Manage sales territory definitions, assignments and crediting rules
- Plan, approve and distribute attainable sales quotas
- Collaborate and communicate with the entire sales organization and other lines of business

3.2.3. Territory Management

- Territory management and crediting software from IBM helps organizations:
- Define and manage territory definitions and assignments
- Manage complex sales territories and coverage models
- Create and maintain sales hierarchies (i.e. customers, products, geographic locations, sales people, etc.)
- Manage sales overlays and crediting splits to multiple sales roles/people
- Define and manage crediting eligibility, overrides and assignment rules
- View territory and crediting reports (i.e. Territory Coverage Gaps, ..., etc.), dashboards and key performance indicators/KPIs
- Realign sales territories and easily adopt to market opportunities and changes

3.2.4. Incentive Compensation

- Sales compensation management software from IBM helps organizations:
- Automate sales commission calculations to save administrative time
- Streamline territory management and quota setting
- Automate, track, and control payment disputes with configurable workflows
- Provide scalability for sales organizations with high transaction volumes
- Perform commission forecasting and calculate performance rankings
- Manage sales compensation compliance requirements in highly regulated industries

3.3. Smart features in Sales Performance Management

- How sales are trending in different regions and why
- How incentives are affecting your ability to meet revenue targets
- Which customers are highest value

3.4. Next generation features in Sales Performance Management

- Sales force automation with features like social collaboration, content sharing
- Social performance management

This sale activities must tied to an appropriate work practice and processes, and sale manager can give feedback on specific activities.

3.5. Other requirements

3.5.1. On technology

- Transition to the cloud
- Integrate with other applications: HR, CRM,ERP

3.5.2. On performance, efficiency

- Get the checks out on time
- Make sure they're accurate
- Others

1. Be flexible and nimble (quick, light, agile) for changing priorities
2. Manage complex territories
3. Set accurate quotas
4. Generate enthusiasm
5. Deliver timely and insightful reports
6. Resolve questions and disputes (debate, argue)
7. Do it with lower headcount
8. Analyze impact of new plans
9. Plan for reorganizations

3.6. Sales performance evaluation criteria (Measurement)

Criteria	Sales "wins"	Drawbacks	<ul style="list-style-type: none"> • Few in number; volatility in win % over time • Individual contribution vs. team and brand
	AUM (total or growth)		<ul style="list-style-type: none"> • Wide variance and volatility • Overstates salesperson's contribution?
	Sales activities (finals presentations, etc.)		<ul style="list-style-type: none"> • Activities don't pay the bills • Measure activities, get activities
	Customer feedback		<ul style="list-style-type: none"> • Often qualitative, low sample size • Salesperson attribution issues
	Observed competencies		<ul style="list-style-type: none"> • Competency without activity = no results • Risk of rater biases
Each approach has its limitations, which is why we advise clients to use multiple approaches for institutional sales			

Figure (2-1): Comparison of Existing CRM Systems³⁵

Source: on sales performance management System by Vu Xuan Thuc

When consider the criteria for sale performance evaluation, the results will help to make key policy for organization and define operations in Sales Performance Management system.

3.6.1. Sales performance management approach

- Process driven
- People driven
- Incentives driven

³⁵AUM: Assets under management

3.6.2. Process-driven performance measurement



Figure (2-4): Process-driven performance measurement

Source: On Sales performance management System by Vu Xuan Thuc

3.6.3. People-driven performance measurement



Figure (2-5): Process-driven performance measurement

Source: On Sales performance management System by Vu Xuan Thuc

3.6.4. Incentives-driven performance measurement

	Metric 1	Commissions on 1 st year AUM (or AUM growth, or net flows, etc.)
	Metric 2	Bonus for achieving 100% of AUM sales goal (or AUM market share, etc.)
	Pay mix	Incentives 70%, base salary 30%
	Restrictions	None. Incentives are uncapped.
<ul style="list-style-type: none"> ▪ A clear, direct approach for communicating expectations ▪ Controls cost of sales ▪ Sales opportunity across salespeople affects pay 'fairness' ▪ Undermines ability to 'control' or direct salesperson activities 		

Figure (2-6): Incentives-driven performance measurement

Source: On Sales performance management System by Vu Xuan Thuc

3.7. Return Of Investment (ROI) when deploy Sales Performance Management

3.7.1. Benefits of SPM

- Increase Sales Performance
- Lower Administrative Costs
- Improve Compliance (??? optional)

3.7.2. SPM system cost

Cost for implement and administer and SPM system:

- Up-front costs (software cost – from solution vendor)
- Software licenses (for platform environment)
- Ongoing Support and Administration
- Integration costs

3.7.3. Quantifying Return on Investment

- Operational Efficiency
- Sales Rep Productivity (sale quality, efficiency)

- Reduction in errors and overpayments
- Alignment (adjustment) of incentives to objectives
- Compliance (reduce cost for public company)

3.8. Phases of deploying Sales Performance Management system

Many organizations tend to deploy and evolve SPM solutions through four stages of maturity:

- Process integrity
- Process efficiencies
- Business agility
- And optimization of SPM practices

3.9. Some solution vendors

- **IBM**

IBM Cognos Sales Performance Management

IBM Cognos Sales Performance Management (SPM) delivers measurable improvements for organization's finance, sales, human resources, and IT lines of business. SPM automates the process of calculating and reporting variable-based pay, providing more visibility and accountability into one of their largest variable expenses. With SPM solutions from IBM, you can enable new kinds of compensation plans that drive desired sales behavior, reduce commission cycle times, and eliminate errors in overpayments.

- **Oracle**

Product name: Oracle Sales Cloud Sales Performance Management

- **Features:**
 - Sales productivity tools including Sales Coach, Sales Lightbox, and Whitespace Analysis
 - Compensation plan automation for cash and non-cash incentives
 - Territory modeling with what-if analysis
 - Top-down and bottom-up quota
 - Planning

- Sales performance dashboards with scorecards and leader boards
- **Related products**
 - Oracle Incentive Compensation
 - Oracle Social Cloud
- **Comparison³⁶**



Figure (2-7): Comparison, sales performance management systems of some vendors

Source: Gartner (January 2015)

³⁶ Vu Xuan Thuc, « On Sales performance management System », LinkedIn, Hanoi – Feb 2015, Web, Consulted on April 4th, 2018 at 04:22 pm.

Chapter 03
The impact of the marketing strategy
on sales performance

Chapter 3: The impact of the marketing strategy on sales performance

After studying the key elements of the marketing strategy and the factors that every company should consider before choosing the convenient one, analyzing the sales performance and the sales performance management system used by the managers, we will try in this chapter to prove that there is a significant relationship between the two concepts.

First we will start by explaining the marketing strategy of the original company 'Samsung', then that of Bisma distribution which is Samsung's representative in Algeria and the subject of our case study, and finally we will present a detailed analysis of our case.

Section 1: Presentation of the case study

1. Presentation of Samsung electronics international

Samsung Electronics is a multi-national company, operating world-wide through its 169 subsidiaries, with the corporate management office in Suwon, South Korea (Samsung, 2016). The company has three business divisions: Consumer Electronics (CE): TVs, audio & video devices, monitors, air conditioners, refrigerators, washing machines, dish washers, microwaves and vacuum cleaners; Information Technology & Mobile communications (IM):

Mobile phones, communication systems, and computers; Device Solutions (DS): This is further sub-divided in two segments: 'Semiconductor' (Semicon) for Memory and system LSI (Large Scale Integrated) and 'Display Panels' (DP) for LCD and OLED panels.

As on 31st Dec 2015, Samsung had 325, 677 employees in 80 countries, with 6 design, 34 R&D (research and development), 38 production and 53 sales & distribution centers, strategically located in various parts of the world (Appendix A – Figure 1). After continuous year-on-year growth until 2013 and having achieved record revenues of KRW 228.69 trillion (Appendix B – Table 1), except for a minor blip in 2008 due to the global financial crisis, Samsung Electronics, the flagship company of Samsung Group, started losing market share to competitors in 2014. Revenues decreased by 9.83% and operating income fell by 31.97% in 2014, as compared to 2013. The slide continued for the next 2

years until Q3-2016, and the first signs of a recovery could be witnessed in Q4-2016 (FT, 2017; Samsung, 2017a). Year-on-year revenues increased by 0.60% in 2016 and operating income increased by 10.70%. Out of the three business divisions, only DS (device solutions) was able to withstand the 3 year downtrend, mainly as a result of strong demand within the global semiconductor industry. Samsung's strategy, based on its mission of quality, synergies and internationalization, and focused on 'new product development' and 'speed to market', needs to be re-examined, with a view to develop strategic options for growth and sustainability.³⁷

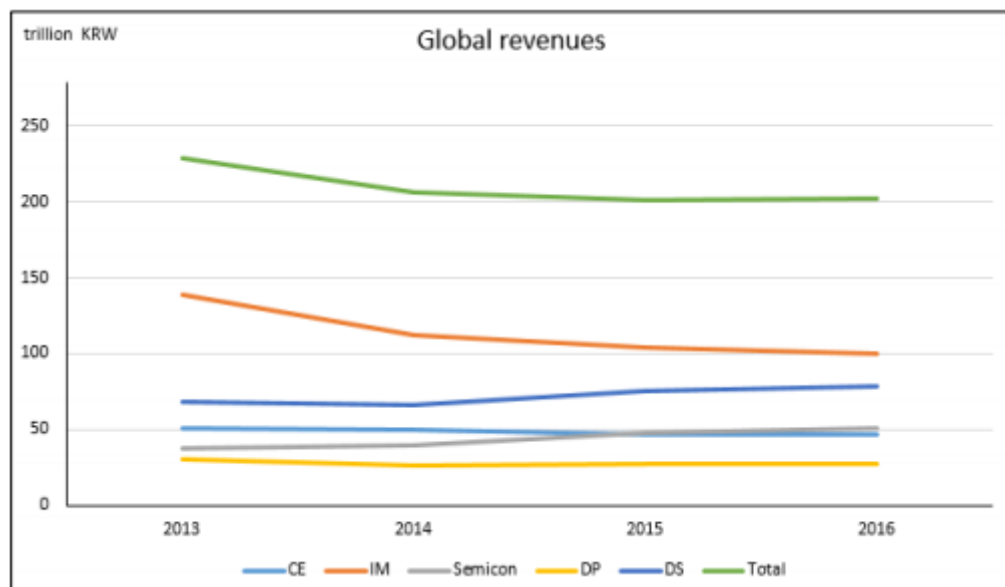


Figure (3.1): Samsung Electronics revenues (Morningstar, 2017; Samsung, 2017)

Source: Analysis of Samsung Electronics' Strategy for the period 2014-2017, and development of strategic options for growth and sustainability, page 02

History:

Since its inception as a small company to export to Taegu(Korea), Samsung has developed up to rank among the world leaders in the electronic, specializing in the devices and digital media, semi-conductors, memory and system integration. Today, its products trace the major milestones in the history of Samsung.

➤ 1938-1969 :The beginnings of Samsung

³⁷Vikram Razdan, "Analysis of Samsung Electronics' Strategy for the period 2014-2017, and development of strategic options for growth and sustainability", Brunel University London, March 2017, page 01

On March 1, 1938, the founding president of Samsung, Byung-Chull Lee, launches in business in Taegu, in Korea, with only 30 000 Won (less than 25 euros).

SAMSUNG (" three stars" in Korean).

➤ **1970-1979:**

Diversification in the industry and electronics .In the 1970s, SAMSUNG lays the foundations of the large company that it will become by investing in the heavy industry, the chemical and petrochemical industries.

SAMSUNG is experiencing a new period of growth with the advent of electronic public. SAMSUNG Electronics, already well established on the Korean market, then begins to export its products. SAMSUNG also acquires 50 per cent of the shares of Korea Semiconductor, thus consolidating the rule of Samsung Electronics in the area of the manufacture of semi-conductors.

➤ **1980-1989:**

Entry on the world market: since then, Samsung has ceased to pursue its own conquest of space, at a pace more sustained than ever.

SAMSUNG LAUNCHES also in the field of computer systems and founded in 1985 Samsung Data Systems (since renamed SAMSUNG SDS), which becomes the leader of the IT services by offering services for the integration and management of systems, council and management of networks.

➤ **1990-1993:**

A competitive business in a technological world in full evolution .At the beginning of the years 1990, high-technology companies are faced with the challenges of size .This period is marked by mergers, alliances and takeovers conducive to the consolidation in a climate of strong competition

➤ **1994-1996:**

A world power is born. In the middle of the years 1990, SAMSUNG revolutionizes its sector of activity by launching on the market of the products of the first order aimed to

meet the needs of its customers and by its commitment to corporate citizenship, while giving priority to the quality.

During this period, 17 different products (semi-conductors, computer screens, TFT LCD screens or lamps color screen) rank among the first five products in terms of shares of the world market in their respective fields and 12 other know them also an excellent success.

➤ **1997-1999:**

Beyond the boundary of the digital. Despite the financial crisis of 1997, which has affected virtually all Korean companies, Samsung is one of the few companies to continue its growth thanks to its position of leader on the market of digital technologies and networks.

From 2000 to today in the forefront of the digital era. The digital era has made its batch of revolutionary changes and opportunities in the global market. To respond, Samsung has relied on advanced technologies, competitive products and constant innovation .at Samsung, we perceive each challenge as an opportunity and we are convinced to be perfectly positioned as one of the world leaders in the sector of digital technology.

1.1. Activity Sectors

Samsung is specialized in several areas of activities ranging from the BTP to petrochemicals.

Here is the exhaustive list of the various companies in the Samsung group:

➤ **Samsung Electronics**

This section of the group deals with the finished products of the company (vacuum cleaners, mobile phones, microwave, hard disk)

➤ **SAMSUNG Electro-Mechanics**

This section manages the various components necessary for the creation of products of Samsung Electronics (modules usb, Bluetooth, or tuners)

➤ **Samsung SDI**

Section Samsung SDI is involved in developing the technologies for Samsung Electronics such as: PDP (Plasma Display Panel) OLED, VFD (Vacuum Fluorescent Display), Liquid Crystal Display (LCD), CRT (Cathod Ray Tube), CPT (color picture tube), CDT (Color Display Tube)

➤ **Samsung Corning**

This section is in charge of the creation of technologies concerning the digital imaging (slabs of LCD, plasma, OLED)

- **SAMSUNG SDS**

Analysts programs to Samsung are grouped in this society.

- **SAMSUNG Networks**

This company is a phone service provider for professionals.

- **SAMSUNG Heavy Industries**

Construction Section of Samsung

1.2. Vision and Mission:

1.2.1. Vision:

Samsung is guided by a vision of its own: To play the role of pioneer in the digital world .In favoring the technological innovation. Today, the firm found the solutions needed to meet the challenges of tomorrow. The technology creates the opportunities... growth opportunities for businesses, prosperity for the people of emerging countries who discover the digital economy and, in a general way, imagination for users .The group is dedicated to the development of leading-edge technologies and efficient processes that create new markets, enrich the daily reality of users and contribute to make Samsung a leader of confidence.

1.2.2. Mission

All activities of Samsung are guided by its mission: to be the best "Digital-Company".To become an international group, Samsung has not hesitated to face the

challenges of face. In the years to come, the staff will continue to meet the many challenges and to find creative ideas to develop the best products and services of their category. This ingenuity will continue to show SAMSUNG track to follow to remain a world society both cost effective and responsible.

1.3.The philosophy of Samsung

Samsung is a global company, and present on the 5 continents.

To keep its position on the current market, Samsung has recourse to a simple method:

The company’s use of existing technologies, modifies, improves and reduces the cost of productions. In addition, the outgoing products workshops Samsung are not necessarily of the finished products: The Company also sells the components that it manufactures to its competitors.

1.4.Financial Profile of Samsung Year 2007

As a world leader, Samsung is at the front for the change, anticipating what the consumers of the world will want tomorrow.³⁸

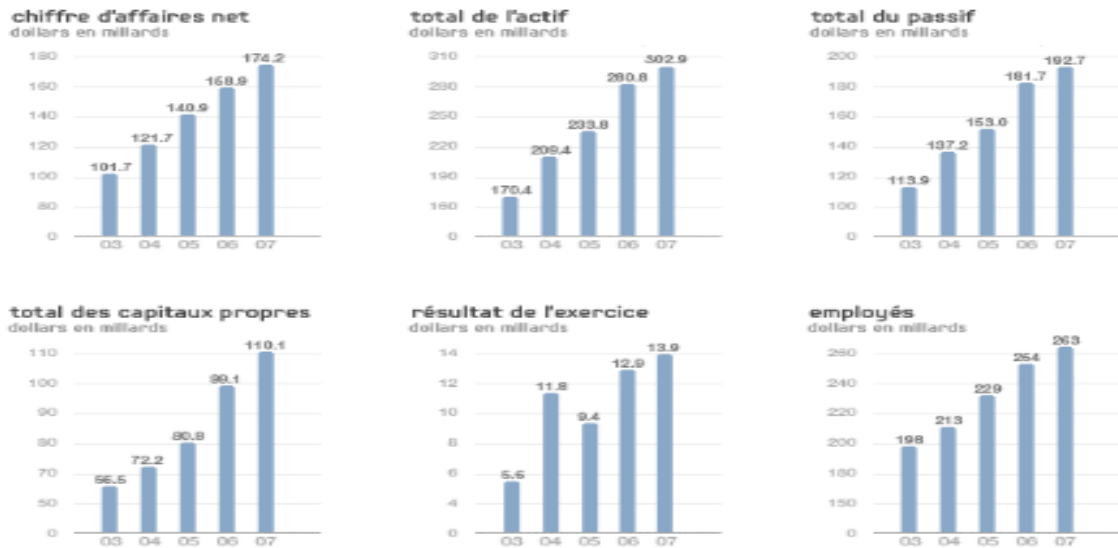


Figure (3-2): Financial profile of Samsung in the year 2007

Source: www.memoireonline.com

³⁸Walid ZOUAKOU, « Stratégie de prix de l'entreprise SAMHA », HIMI, Alger, Ingénieur commercial, 2010, page 84

AMOUNTS IN BILLIONS	DOLLARS	EUROS
Chiffre d'affaires net*	174.2	127.2
Total de l'actif	302.9	205.7
Total du passif	192.7	130.9
Total des capitaux propres	110.1	74.8
Résultat de l'exercice**	13.9	10.1

Table (3-1): Financial overview of Samsung

Source: www.memoireonline.com

2. Analysis of Samsung’s strategy for the period 2014-2017

At the beginning of the year 2014, Samsung’s marketing managers have decided to step up the game and elaborate a more beneficial marketing strategy, with the boom of new competitors especially in the market of smart phones, it has become essential for the company to establish corrective actions in order to keep up with the new technology and to stay relevant in the market.

2.1. Analysis of the external environment

The internal environment of the company is constantly changing, everyday, customers’ needs are growing, technology is evolving and new competitors are introduced into the market, and this instability makes it very hard for companies to assure short and long term profitability.

2.1.1. Market size, growth and turbulence

Samsung Electronics operates within the ‘electronics and computing’ industry, which is characterized by high growth rates (Chien and Gunther, 2008), and high turbulence, driven mainly by the speed of technological obsolescence, and prophecy of the Moore’s Law on doubling of the processor speed every two years (Guarnieri, 2016), meaning that companies in this industry have to invest heavily in R&D and introduce new products on a continuous basis. While the industry growth rates have stabilised, falling in-line with global economic growth rates of 2-3% for 2016-2017 (JEITA, 2017), thereby indicating that the industry is close to reaching maturity, the turbulence in the industry (Lynch, 2015)

remains high due to technological innovations, such as OLED (Organic LED) display panels.

JEITA (2016) has estimated that the ‘production’ component of the industry grew by 2% year-on-year in 2016 to US\$2,610 billion, and expected to increase by 3% in 2017, to US\$ 2,680 billion. Since manufacturing/production accounts for around 50% of the product value, the global market size can be estimated to be US\$ 5,220 billion in 2016.

Samsung’s revenues in 2016 were US\$ 174.05 billion (KRW 201.87 trillion) translating into a global market share of 3.87%. Consumer electronics (2016): Samsung is the market leader in TVs with a global market share of 21.6%, followed by LG at 11.6% (Statista, 2017a). The industry is highly fragmented in other household appliances (refrigerators, washing machines, microwaves etc.), depending upon geographical area, and the market leader’s share is not more than 20% (Electrolux, 2015).

Smartphones (2016): Samsung is the market leader with a global market share of 21%, followed by Apple at 12.5% (IDC, 2017). Semiconductor (2016): Samsung is the market leader with a global market share of 45.3% in DRAM, where 90% of the market is controlled by 3 companies (Statista, 2017b), and again

The market leader with 37.5% in NAND, where the entire market is controlled by 6 companies (Statista, 2017c).

Display panels (2016): LG is the overall market leader. However, Samsung is the market leader in the small display panel category with 23% market share (Statista, 2017d). In the new technology OLED display panel area, Samsung is again the market leader, with more than 90% market share, and competitors are catching up fast, with LG having started a new OLED production facility in Q3-2016 (Oled-info, 2017)

2.1.2. Value chain analysis

The review of the value chain of the ‘electronics and computing’ industry (Figure 3), reveals that ‘manufacturing’ is the maximum value adding activity (approx. 50% of total), and a key area for companies to reduce costs and control product quality. Samsung is ‘contract manufacturer’ in DS business, and ‘vertically integrated’ in CE and IM businesses, including retailing through ‘Samsung Experience Stores’ and servicing through ‘Samsung Care Centres’.

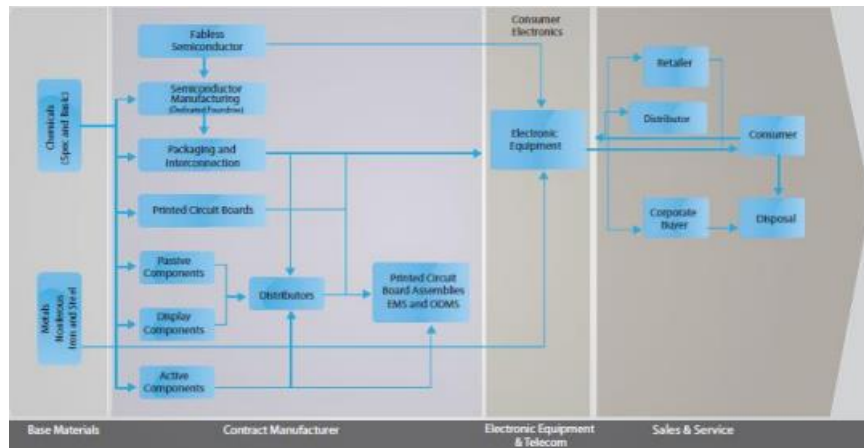


Figure (3-3): Value chain in the ‘electronics and computing industry’
(Capgemini, 2009)

Source: Source: Analysis of Samsung Electronics' Strategy for the period 2014-2017, and development of strategic options for growth and sustainability, page 04

2.1.3. PESTEL analysis

Lynch (2015) suggests use of the PESTEL framework to understand the factors affecting the competitive environment in an industry.

➤ Political:

Mallard (2015) has highlighted the role of governments using political influence to attract foreign direct investment. Thus, political influence will be a major factor for companies like Samsung when setting up production bases in countries, either to obtain favourable tariffs or get excise duty exemptions. Reuters (2017a) have reported that Samsung is under pressure from the US government to set up a production base in USA. The recent arrest of Samsung’s Vice Chairman, Lee Jae-Young (The Guardian, 2017), in a corruption scandal shows that politics plays a significant role in how businesses are run.

➤ Economic:

Consumer electronic products have shorter life-cycles due to the speed of technological obsolescence (Torresen and Lovland, 2007), and companies have to price new products at a high price to be able to breakeven quickly. The consumers in developed countries have the buying power to afford new electronic products.

➤ **Socio-economic:**

The changes in the life-style of consumers, due to the fast pace of modern life, has seen increase in ‘impulse’ buying of products, driven by the sense to achieve instant gratification (Mittal, Sondhi and Chawla, 2015). In addition, Park, Jun and Lee (2015) have concluded in their study that mobile phone shoppers are impulse buyers, and have a high consideration for the product price, since they perceive effort and time spent in buying as a cost.

➤ **Technological:**

Wang and Ahmed (2001) mention that a firm’s dynamic capabilities depend upon market dynamism, and this drives the firm to develop core capabilities over a period of time. The consumer electronics industry is dynamic, driven by technological innovation, especially in mobile products (smartphones, tablets, wearables) and televisions (curved, SUHD, OLED), which means that to achieve core capabilities, companies have to make significant investments in production technology and R&D.

➤ **Environmental:**

Chopra and Wu (2016) mention that the directives like 2003 RoHS (Restriction in use Of Hazardous Substances) in the EU, and increased emphasis on Climate Change, has seen an increase in eco-announcements from companies in the computing and electronics, who are beginning to view the use of eco-friendly materials and systems in their products as a competitive advantage.

➤ **Legal:**

The ‘electronics and computing industry’ is dependent on technological innovation, which means that protecting IP (intellectual property) is a key issue, and companies have to ensure that competitors do not take advantage by copying or imitation. In addition, product safety issues can affect the company’s reputation and impact product sales (Chen, 2004).

Bloomberg (2016) reported that Samsung China have been ordered to pay CNY80 million (US\$ 12 million) to Huawei for a patent infringement.

2.1.4. Key success factors

These are the key factors which contribute to success in an industry, and can either be resources (investment, talent) or competencies (technology, process) which an organization must possess to become successful in the marketplace (Lynch, 2015).

Analysis of the factors influencing the ‘electronics and computing’ industry shows that product affordability, product features, and product quality are the main requirements, and to achieve these, the key success factors are:

- Low cost of production (for contract manufacturing only)
- Investment in production facilities
- High investment in R&D
- Availability of talent (scientists and designers)

2.1.5. Competitive forces

Porter’s 5-forces framework can be used to analyze the market, with a view to understand the competitive landscape (Porter, 1985). Analysis of the competitive forces shows that bargaining power of suppliers is high: as a result of short lead times, and the high level of technical competency required in manufacturing electronic parts, thereby requiring captive suppliers. Since the industry is close to reaching maturity, growth rates have slowed down, with fierce competition (rivalry), especially in consumer electronics and mobile smartphones.

Electronics and Computing industry (2014-2017)		
Competitive force	Impact	Reason
Bargaining power of suppliers	High	Short lead times Captive suppliers
Bargaining power of buyers	Low	Buyers have limited alternative choice for new products
Threat of substitutes	Low	Short life-cycle of products
Threat of new entrants	Low	High investment required for new product development
Rivalry amongst industry competitors	High	The industry is close to reaching maturity stage

Table (3-2): Competitive analysis of the electronics and computing industry using Porter’s 5- Forces

Source: Analysis of Samsung Electronics' Strategy for the period 2014-2017, and development of strategic options for growth and sustainability, page: 06

2.1.6. External Factor Evaluation matrix (Opportunities and Threats)

This is like an ‘external audit’ of a strategy of a company, and the objective is to develop a set of key factors, with a view to find opportunities to benefits from, and identify threats to be avoided. Taking into consideration the PESTEL analysis, key success factors and the competitive forces, an external factor evaluation (EFE) matrix can be developed to categorise all such factors, with weightage and a weighted score (David, 2011). The ratings are given from 1 to 4 (1 – poor response, 4 – excellent response).

The EFE matrix shows that Samsung has achieved a score of 2.70 out of a maximum of 4.00, just above the mean value of 2.50, which means that it has done moderately well in taking advantage of the opportunities and reducing threats, by the following actions:

- Increased production to cater to demand for semiconductors, as sales increased from KRW 37.43 trillion in 2013 to KRW 51.16 trillion in 2016 (Appendix B – Table 3).

Chapter 03: The impact of the marketing strategy on sales performance

- Launched ‘Samsung Experience Stores’ in 2014, in key markets world-wide, with focus on mobile products (smartphones, tablets, wearables), to capitalise on impulse buying behaviour of mobile phone shoppers (Telegraph, 2014).
- New product introductions of Galaxy 7 Edge and Galaxy S8 smartphones, to capitalise on consumer’s interest in technological savvy products.
- Started partnership with Chinese companies to develop Curved TV panels (Bloomberg, 2017) to manage the threat of LG or other competitors entering the OLED market.
- Fast-tracked payments to suppliers to ensure prompt receipt of parts. Days payable decreased from 45.76 to 11.73 over a three year period from 2013 to 2016.

Samsung Electronics (2014–2017)				
	Key external factors	Weight	Rating	Weighted score
Opportunities				
1	Demand for electronics and computing products rose by 2% in 2016 and to rise 3% in 2017	0.20	3	0.60
2	Technology savviness of consumers	0.15	4	0.60
3	Impulse buying behaviour of mobile phone shoppers	0.05	4	0.20
4	Higher buying power of consumers in developed countries	0.05	3	0.15
5	Increase in per capita income in developing countries	0.05	2	0.10
6	Consumer’s preference for eco-friendly products in developed countries	0.05	1	0.05
7	Established regulation on IP rights in US and Europe	0.05	1	0.05
Threats				
1	Increase in bargaining power of ‘captive’ suppliers	0.10	4	0.40
2	LG started production of OLED display panels in Q3-2016	0.10	3	0.30
3	Loss of brand value as a result of recall of Galaxy Note 7 smartphone in 2016	0.05	2	0.10
4	Economic slow-down in Europe as a result of BREXIT and ensuing economic uncertainty	0.05	1	0.05
5	Reputational damage on losing patent infringement case to Huawei in 2017	0.05	1	0.05
6	Possible increase in cross-border tariffs for exports of parts to USA	0.05	1	0.05
Total		1.00		2.70

Table (3-3): EFE Matrix for Samsung Electronics

Source: Source: Analysis of Samsung Electronics' Strategy for the period 2014-2017, and development of strategic options for growth and sustainability, page: 07

2.2 Analysis of the internal environment

2.2.1 Resource based view

For industries where the external environmental is changing rapidly, a resource based view based (RBV) on the firm’s capabilities provides a much more stable way in developing a firm’s strategy (David, 2011; Zhuang, 2006). Although the external environment in the ‘electronics and computing’ industry is not changing rapidly, there is turbulence in the market as a result of technology innovation (OLED technology), and thus RBV can help in identifying the empirical characteristics, based on resources which are valuable rare, hard to imitate, or not easily substitutable (also called VRIN characteristics). Only those resources which display strength in all four VRIN characteristics would offer a competitive advantage to Samsung Electronics.

Samsung Electronics (RBV)						
Resources		VRIN characteristics (High-5, Low-1)				Competitive advantage
		Valuable	Rare	Inimitable	Non-substitutable	
Design	Product design centres	5	2	2	2	No
	R&D centres	5	3	3	5	Yes
	Scientists and Designers	5	4	5	5	Yes
Manufacturing	Production bases	5	1	3	2	No
	Supplier network	3	2	3	2	No
Sales & Service	Distribution network	4	1	2	2	No
	Retail network	1	1	1	1	No
	After sales service	3	1	2	2	No
Corporate	Management and Leadership	4	1	3	2	No
	Brand value	5	3	5	5	Yes

Table (3-4): Resource Based View for Samsung Electronics

Source: Analysis of Samsung Electronics' Strategy for the period 2014-2017, and development of strategic options for growth and sustainability, page: 08

2.2.2. Samsung Electronics’ competitive advantage

The outcome of the RBV analysis (Table 5) shows that Samsung Electronics’ competitive advantages are as under:

- Technology research and product development capability, with 34 R&D centres in various parts of the world.
- Human resources talent, with 50,000+ research scientists, engineers and product designers (Samsung, 2017c), comprising 16% of the employee work-force.
- Brand value of “Samsung” as a super brand, with a valuation of US\$ 51.81 million and ranked 7th in the world in 2016 (Interbrand, 2016)

2.2.3. Internal Factor Evaluation matrix (Strengths and Weaknesses)

This is like an ‘internal audit’ of a strategy of a company, and the objective is to develop a set of key factors, with a view to find the strengths to capitalise on, and weaknesses to be overcome. The internal factor evaluation (IFE) matrix can be developed to categorise all such factors, with weightage and a weighted score (David, 2011). The ratings are given from 1 to 4 (1 – poor response, 4 – excellent response). The IFE matrix (Table 6) shows that Samsung has achieved a score of only 2.35 out of a maximum of 4.00 (Table 6), below the mean value of 2.50, which means that it did not capitalize on strengths and could not overcome weaknesses adequately. Samsung took a few actions, such as:

- Increased pace of new product introductions in the CE business in 2015, with launch of the French Door Refrigerator and the Add Wash Washing machine, targeted at the US market, thereby resulting in 80.14% year-on-year rise in operating profits of CE division in 2016.
- Maintained the pace of new product introductions in IM business, with launch of Galaxy Edge 7 in 2015 and Galaxy S8 in 2017. Even after the disastrous roll-out of Galaxy Note 7 in 2016, Samsung was able to stabilize the sales revenues in its IM division since year on-year revenues decreased by only 3.13% in 2016.
- Increased focus on ‘contract manufacturing’, resulting in increased revenues in its Semicon (semi-conductors) business segment (2014 to 2017).

Samsung Electronics (2014–2017)				
	Key internal factors	Weight	Rating	Weighted score
Strengths				
1	Excellent brand value of 'Samsung' as super-brand, ranked 7 th in the world in 2016	0.10	3	0.30
2	Global market leader in all business segments, except for household appliances and #2 in display panels (DP)	0.10	3	0.30
3	Increase in R&D spending to 6.9% in 2016 as compared to 6.25% in 2013	0.10	4	0.40
4	Increase of 58.08% in operating profit of CE division from 2013 to 2016, in spite of 6.51% fall in revenues during the same period	0.10	4	0.40
4	Increase of 36.68% in revenues and 97.38% in operating profit, of Semiconductors (Semicon) in 3 years from 2013 to 2016	0.05	3	0.15
5	Sharp recovery in Free Cash flow to 2013 level in 2016, in spite of 11.72% decrease in revenues from 2013 to 2016	0.05	2	0.10
6	Increase in current ratio to 2.64 and quick ratio to 2.31, over three years from 2013 to 2016	0.02	2	0.04
7	Excellent and standardised product range and mix (CE and IM)	0.02	2	0.04
8	Excellent sales and distribution network in Europe (17 sales bases across Europe)	0.01	1	0.01
Weaknesses				
1	Reduction of 27.74% in revenues and 56.69% in operating profit, of IM division in 3 years from 2013 to 2016	0.10	2	0.20
2	Product safety issues and recall of smartphones (Galaxy Note 7) and top loading washing machines in 2016	0.10	1	0.10
3	Increase in cash conversion cycle from 46.65 to 87.87 days over three years from 2013 to 2016	0.10	1	0.10
7	Centralised sales and distribution in USA (only 2 sales bases in North America)	0.05	1	0.05
4	Reduction in inventory turnover from 7.47 to 6.55 over three years from 2013 to 2016	0.03	2	0.06
5	Reduction in receivables turnover from 8.38 to 7.17 over three years from 2013 to 2016	0.03	2	0.06
6	Decrease of 24.16% in operating profit in Display panels (DS) from 2014 to 2016, in spite of 90% market share in OLED segment	0.03	1	0.03
8	100% Korean corporate management / leadership	0.01	1	0.01
Total		1.00		2.35

Table (3-4): IFE Matrix for Samsung Electronics

Source: Analysis of Samsung Electronics' Strategy for the period 2014-2017, and development of strategic options for growth and sustainability, page: 08

2.3 Strategic positioning

In order to stand out from the other brands, Samsung has been very cautious in its marketing strategy, throughout the year, with its gigantic innovation techniques, and its strategy of differentiation and low cost.

2.3.1 Samsung’s dilemma: Differentiation or Cost leadership

Porter (1985) explains that ‘low cost’ and ‘differentiation’ are the two basic drivers of competitive advantage for a firm. Glowik (2009) mentions that Samsung Electronics’ parent group has been successful in several unrelated business, which reflects strength in forecasting future market potential. In addition, Samsung’s investments in large scale modern manufacturing plants for semiconductor and display panels, means that high production volumes are necessary to achieve economies of scale. Having large-scale plants gives Samsung the advantage in controlling quality and reducing costs for its electronic products. However, intra-company revenue figures show that

Samsung’s electronic products consume only 50% of what the DS division plants produce (Samsung, 2015). The balance 50% of capacity is contracted out to other companies, which include competitors like TCL and Hisense (IHS, 2017)

Samsung Electronics				
Value chain element	Business divisions	Competitive advantage		In-sync with Mission
		Factors	Key drivers	
Design Manufacturing Distribution Sales Retail	Consumer Electronics (CE) IT and Mobile (IM)	Dedicated production facilities R&D Talent (Scientists and Designers)	Differentiation	Quality, Synergies, Internationalisation (Strategic fit)
Manufacturing	Device Solutions (DS) (Semiconductor and Display Panels)	Low cost production	Cost leadership	Quality, Synergies (Not a strategic fit)

Table (3-5): Key drivers for Samsung Electronics strategy

Source: Source: Analysis of Samsung Electronics' Strategy for the period 2014-2017, and development of strategic options for growth and sustainability, page: 11

Table (3-5) shows that Samsung’s corporate strategy is two-fold: Differentiation for CE and IM; Cost leadership for DS (semiconductors and display panels). During the period, 2014-2016, Samsung’s made three key strategic moves, as under:

- Increased focus on ‘manufacturing’, driven by sharp decrease in 2014 revenues in China (-17.75%) and EU (-18.40%), and made Vietnam its global production base for display panels, with plans to add another plant with a US\$2.5 billion investment (Reuters, 2017b). This shift in strategic positioning enabled Samsung to compensate for the downtrend in sales revenues from CE and IM divisions.

- Increased focus on the North American market, driven by the economic recovery in USA and Canada, with focus on consumer electronics (CE) and introduction of USA specific product like the French Door Refrigerator and the Add Wash Washing machine.
- Increased focus on ‘retailing’ of mobile products and TVs, with launch of ‘Samsung Experience Stores’ globally, in key markets like UK, USA, Korea and Malaysia.

While ‘emergent’ type strategic moves may be effective in the short-term, these should be in synchrony with the mission of the company to become part of the long-term strategy. Samsung’s ‘contract manufacturing’ under its DS business division does not have a ‘strategic fit’ with Samsung’s corporate mission (Table 5), and whether or not to continue with this profitable and market leading division is going to be a big dilemma for Samsung’s corporate management.

2.3.2. Prescriptive or Emergent strategy

Despite losing market share in smart phones and TVs during 2014-2016, and sharp falls in revenues in China and EU in 2014 (Appendix D – Table 8), Samsung did not change its corporate strategy, and instead increased focus on ‘manufacturing’, while increasing new product development in consumer appliances targeted towards USA. Although ‘Samsung Experience Stores’ were launched in 2014 to counter the downtrend in main smart phone driven IM business division, which accounts for more than 50% of the sales revenues (Appendix E – Table 9), the results could not be seen, and an ‘acquisition’ of a chain of existing stores would have been a better option. Thus, it can be seen that Samsung’s corporate strategy is ‘prescriptive’, based on historical forecasts, whereas at business unit and country level, Samsung strategy is ‘emergent’, depending upon the situation.

2.4. Strategic options

Spin-off DS (Device Solutions) business division into a separate company:

More than 50% of the Samsung’s production in the Semiconductor and Display Panel business segments is shipped to ‘external’ companies which includes Samsung’s competitors, thereby affecting Samsung’s competitive advantages in ‘differentiation’ and

‘cost leadership’. The spin-off company should attract a high valuation, and in case of a buy-out, it will increase shareholder value considerably.

Acquire a retail chain of stores to create impact and maximize product value: This will enable Samsung to create a significant impact in the marketplace, and rationalize all its existing efforts in increasing engagement with the customers, whether for mobile products (IM) or household appliances (CE). The existing ‘Samsung Experience Centres’ will have to be assimilated into the new retail division. In addition, the availability of consumer data from retailing will help in exploiting ‘synergies’ with the Samsung Care Centers for ‘service’, Lifestyle labs for ‘customer experience and product innovation’ and Product Design centers for ‘new product development’ (Figure 5). Retailers are close to the point of sales, and they can recover a higher product value than distributors/sales bases (Huang, Yang and Wong, 2016).

Establish more R&D centers in USA for product development, for better input from consumers during product development stage, while exploring options for co-design with technology innovators. Out of 34 R&D centers world-wide, only 2 are in North America (Samsung, 2016), which contributes almost 35% to Samsung’s global sales revenues (Appendix D – Figure 4).

Sell off Samsung Electronics Europe Logistics (SELS), Delft, Netherlands: Samsung has an excellent distribution network with 17 sales bases in Europe, managed by a subsidiary company SELS. However, value chain analysis as well as research (Huang, Yong and Wong, 2016) shows that ‘distribution’ is a low value adding activity within ‘electronics and computing industry’, seconded by the fact the SELS made an operating profit of only 0.28% in 2016. It would be cost effective for Samsung to outsource logistics to a specialist company. Introduce a customer loyalty program in developed countries: In order to maintain operating margins at a current level (14.49% in 2016), Samsung has to target developed countries, where consumers are technologically savvy and have the buying power as a result of higher per capita income. However, competition in developed countries is fierce, and although sales promotions are effective in the short-term, Samsung needs to increase customer loyalty to retain market share and ensure sustainability. USA is the largest contributor to Samsung’s sales revenues, and thus an ideal target market for launching a customer loyalty program. For cost purposes, participation in a multi-party loyalty program is recommended.

2.5. Implementation of Strategic options

For a strategic option to be sustainable, it needs to be profitable, measurable and controllable (Porter, 1985; Davis, 2011), while having a ‘strategic fit’ with the vision and mission of the company. Samsung’s mission has three pillars viz. Quality, Synergies and Internationalization.

Each of the five strategic options has been assessed as per the metrics, and results show that there are two suitable options which have the best strategic fit, as under:

- Acquire a retail chain of stores to create impact and maximize product value (Score: 13/15)
- Introduce a customer loyalty program in developed countries (Score: 13/15)

Samsung is losing market share in its flagship IM division, which includes smart phone, tablets, wearables etc., whereas sales in CE division have stagnated. Figures show that Samsung’s global market share in mobile smart phones has decreased by 9% in less than 3 years, from 30% in Q4-2013 to 21% at end of Q3-2016 (Appendix G – Figure 5). Sales revenues have decreased by 25.58% in IM division, and by 6.51% in the CE division during the period from 2013 to 2016 (Appendix E – Table 9). Thus, between the two suitable options, the best option is for Samsung to acquire a retail chain of stores.

Samsung Electronics (Strategic options)				
	Profitable (High-5, Low-1)	Measurable (High-5, Low-1)	Controllable (High-5, Low-1)	In-sync with Mission
Spin-off DS (Device Solutions) business division into a separate company	1 (will impact profits)	2 (difficulty in valuation)	5 (remain major shareholder)	Not a strategic fit
Acquire a retail chain of stores to create impact and maximise product value	5 (will increase profitability)	5 (easy)	3 (logistics could be an issue)	Strategic fit
Establish more R&D centres in USA for product development	3 (additional cost)	2 (difficult to quantify)	5 (easy, budget allocation)	Strategic fit
Sell off Samsung Electronics Europe Logistics (SELS), Delft, Netherlands	3 (will not impact profits)	3 (moderately difficulty)	3 (moderately difficult)	Strategic fit
Introduce a customer loyalty programme in developed countries	3 (will not impact profits)	5 (easy)	5 (easy)	Strategic fit

Table (3-6): Assessment of Strategic options for Samsung

Source: Analysis of Samsung Electronics' Strategy for the period 2014-2017, and development of strategic options for growth and sustainability, page:14

2.5.1 Acquisition of a retail chain of stores: Best strategic option

‘Samsung Experience Centers’ were launched 6 years after Apple launched its first store in 2008, and this was a defensive move, rather than a strategic one. Samsung also manufactures household appliances, and the ‘retail’ part of the value chain is the only area which hasn’t been exploited fully. The strategic positioning of Samsung from 2013 -2017 shows that it has made several efforts to engage with the customer through various touch points, and has launched a new concept Vision Lab store in 2017. However, such efforts have not been able to make an impact, since these are focused on organic growth, which takes time, especially in retailing. Instead, acquiring an established retail chain will give Samsung a foot-hold in the market, from where it can leverage its brand value to regain market share. This will lead to a higher level of engagement with a diverse range of customers, thereby enabling Samsung to forecast future trends with a high a confidence level, and developing its product range accordingly

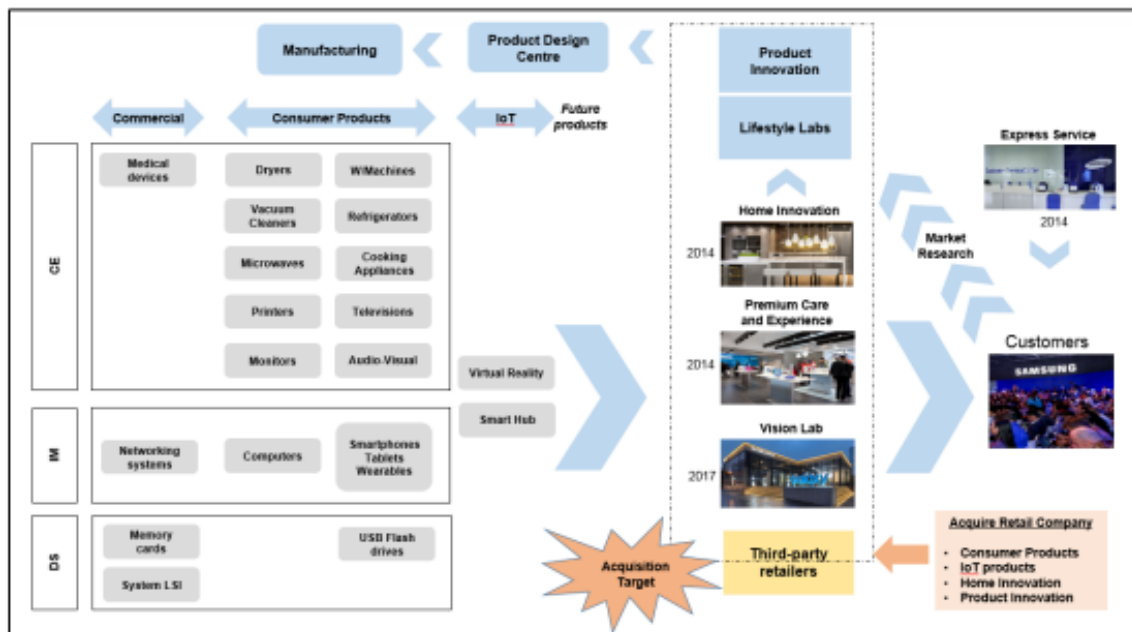


Figure (3-4): Samsung’s product-mix and sales channels

Source: Analysis of Samsung Electronics' Strategy for the period 2014-2017, and development of strategic options for growth and sustainability, page: 15

2.5.2. Acquisition targets for strategy implementation

The ‘electronics and computing’ industry is entering the maturity phase in 2017, which means that competition is going to become even fiercer in future, and companies

who can forecast future trends will be successful. Thus, it is important that the target company for acquisition is in an industry which has a high level of engagement with the customer. Table 12 shows the identified acquisition targets for Samsung, with focus on companies who are strong in retailing trendy/lifestyle products. ‘Best buy’ looks the best target, since it matches a majority of the prime considerations, and is a top specialist consumer electronics retailer, with 1379 stores in the USA (Twice.com, 2016). In addition, Samsung already has strong relationship with Best buy, as a result of ‘Samsung Experience Shops’ located inside Best buy stores.

Samsung Electronics' Acquisition Targets				
Prime considerations	Target retailing sectors	Target retail chain	Acquire, Merge or JV	Market Cap (US\$)
<ul style="list-style-type: none"> • Retails lifestyle / trendy products • Strong social media presence • Mid to premium segment • Global network • Strong presence in developed countries 	Consumer electronics	Bestbuy	Acquire	16.0 billion
		DixonsCarphone	Acquire	5.0 billion
	Hospitality	Whitbred (Costa Coffee)	Acquire	Undisclosed
	Apparel	Next	JV	8.0 billion
		H&M	JV	35.0 billion
	Household goods and appliances	IKEA	JV	Undisclosed

Table (3-7): Retail chain acquisition options for Samsung Electronics

Source: Analysis of Samsung Electronics' Strategy for the period 2014-2017, and development of strategic options for growth and sustainability, page 16

The second-best target is Dixons Car phone, which has a strong retailing network in UK and Europe, covering both consumer electronics and household appliances. Until March 2017, it was the JV partner for the ‘Samsung Experience Centre’ store network in UK (Car phone warehouse, 2017).

The ‘dark horse’ target for acquisition is the ‘Costa Coffee’ arm of White bred Group, which is a premium segment coffee house retailer with more than 3,000 stores world-wide (Statista, 2015). Costa’s stores would be an ideal location for retailing of mobile devices, and carrying out market research to assess future trends.

In addition, Samsung can explore JV opportunities with Next and H&M (apparel) and IKEA (Household goods and appliances).

2.5.3. Financing the acquisitions

As on 31st Dec 2015, Samsung's had a free cash flow (FCF) of KRW 22,195,644 million (US\$ 19.65 billion) and a Debt (long-term)/Equity ratio of 0.08, which means that it is in a sound financial position to make acquisitions.

For acquiring Best buy, Samsung can offer cash plus Samsung stock to best buy's shareholders, whereas for Dixons Car phone a cash offer could be made.³⁹

Section 2: Presentation of SARL Bisma Distribution, Samsung's representative in Algeria

1. The creation of SARL BISMA Distribution

After its first mounting site for smart phones, opened in December 2017 in the industrial zone of Rouïba, a partnership with the distributor Timecom, Samsung Algeria decided to also launch in the household appliances, through the factory that was established in Annaba. The ambition of the brand in South Korea, which already holds 40% of the Algerian market smart phones, is to position itself as a leader in the segment of the household appliances, a market where competition exists.

This factory, first in Africa, will allow the mark already well present in Algeria, to grow its market shares in the Region Middle East and North Africa (MENA). In this perspective, 130 engineers are already trained by Samsung; other profiles will be trained as soon as the plant will be operational and that the needs in the production and innovation will be felt.

The future SAMSUNG factory in Annaba, manufactures a diverse range of products appliances namely, televisions, washing machines and refrigerators.

The idea for the responsible of the mark is put on the Algerian market of products whose quality and the price will motivate invariably purchases and build loyal customers.

³⁹Vikram Razdan, "Analysis of Samsung Electronics' Strategy for the period 2014-2017, and development of strategic options for growth and sustainability", Brunel University London, March 2017, page 02-17

They also aspire to become a value added in the economy of the country and this, through the creation of jobs as well as the transfer of know-how.

The Samsung investment in this specific segment and in this economic situation, is very well studied because, it comes at a time when imports are suspended for several products. It also intervenes where time where the authorities encourage the productive investment.

For reminder, the production capacity of the production unit of smart phones in Samsung Algeria is 1.5 million notebooks for the year 2018. It will increase to 2.5 million units in 2019. The project, based on a formula SKD and an integration rate minimum as the point of departure, will allow the teams in the assembly lines to acquire the necessary expertise before moving to the other step that is the CKD.

Located on an area of approximately two hectares, the factory is equipped with an assembly line and production of 3600 m2 and has created 220 direct jobs.⁴⁰

⁴⁰Yasmine Meddah, « *Samsung Algérie se lance dans l'électroménager* », February, 28th, 2018

2. Bisma's Organization chart

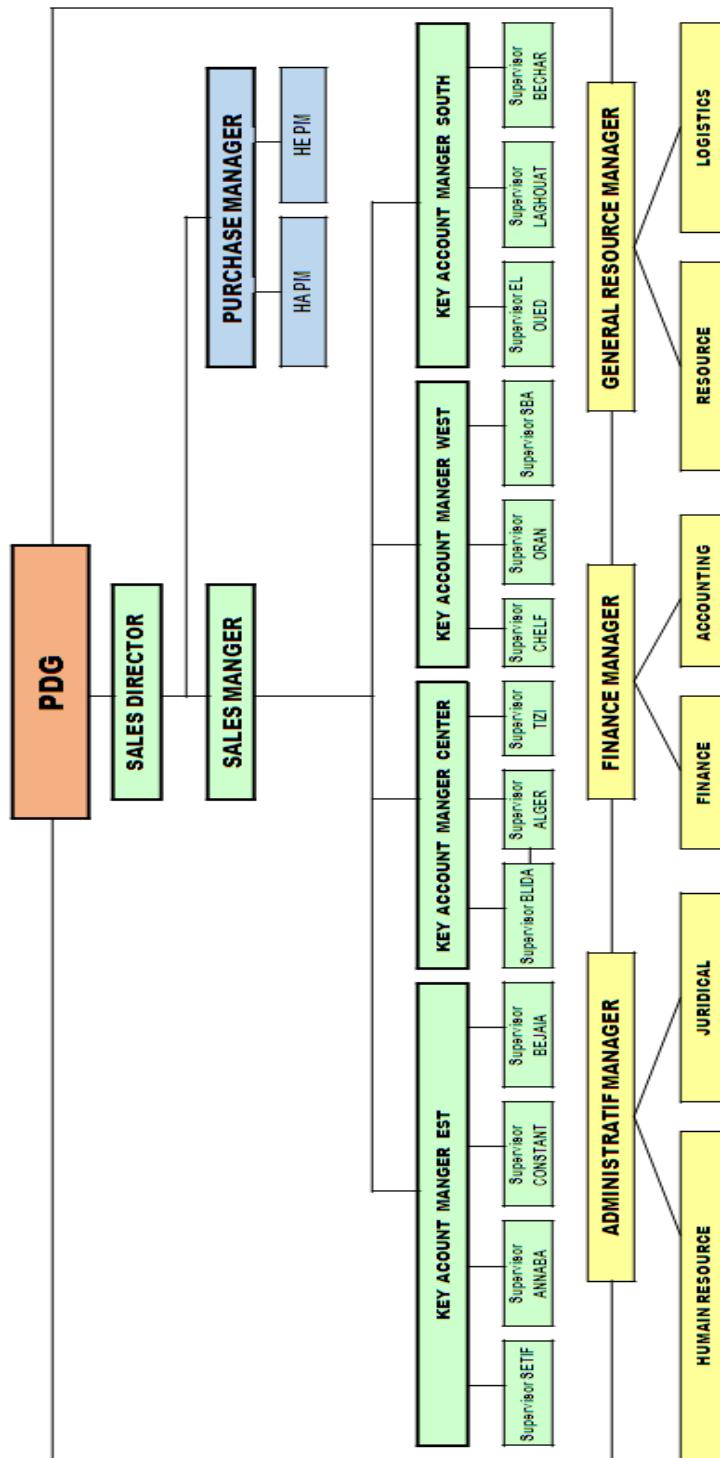


Figure (3-5): Bisma Distribution's organization chart

Source: Internal document of the company

⁴¹Internal document of the company

3. The distribution zones

The concept of a zone of distribution makes reference to the geographical area on which the supports are distributed. The area of distribution is generally determined on the basis of the commercial strategy of the point of sale and from the characteristics of the catchment area.⁴²

Since the creation of Samsung’s representative in Algeria, the managers have divided the market into distribution zones, each zone has a certain percentage of production depending on the market demand in that region and the company’s strategy.

The zones are divided as follows:

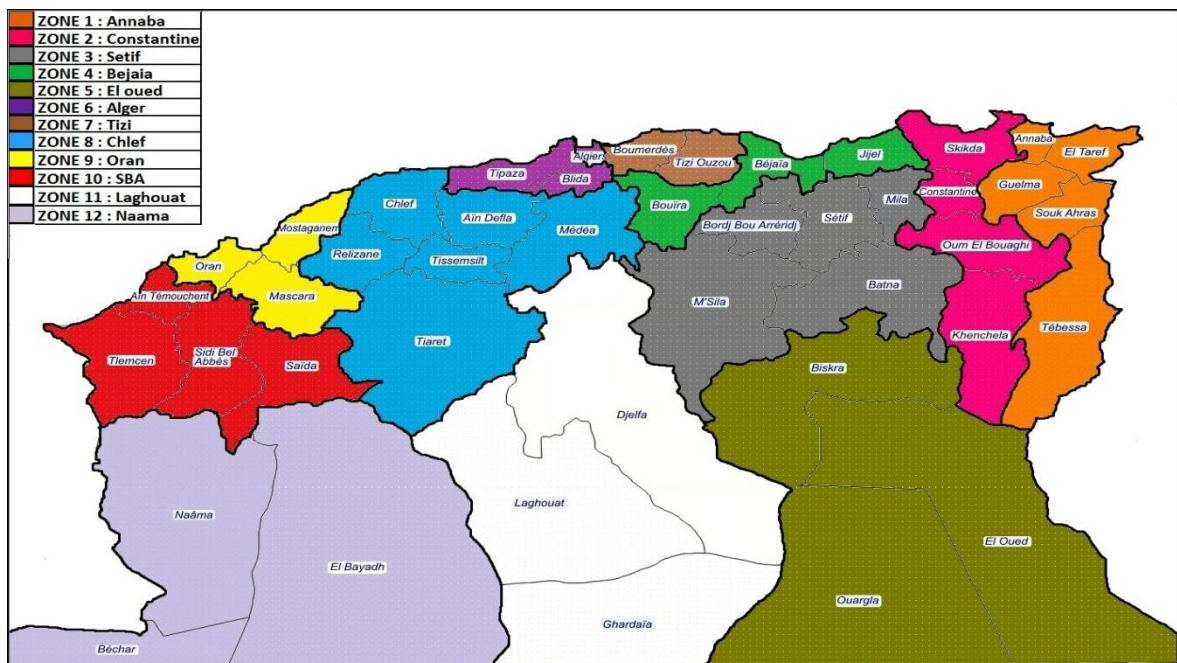


Figure (3-6): The distribution zones of SARL BISMA Distribution

Source: Internal Document of the company

The following graph demonstrates the distribution of Samsung’s product line; this later was established based on the company’s strategy, which consists on responding to the market demand by providing the perfect offer that will help achieve the sales’ objectives.

⁴²<https://www.definitions-marketing.com/definition/zone-de-distribution-disa> , consulted on May 08th , 2018 at 10:08 pm

Chapter 03: The impact of the marketing strategy on sales performance

The distribution in the east regions is much intense than west and south regions, Sétif comes in first place, Next comes, Bedjaia, Annaba, Constantine and the capital Algiers.

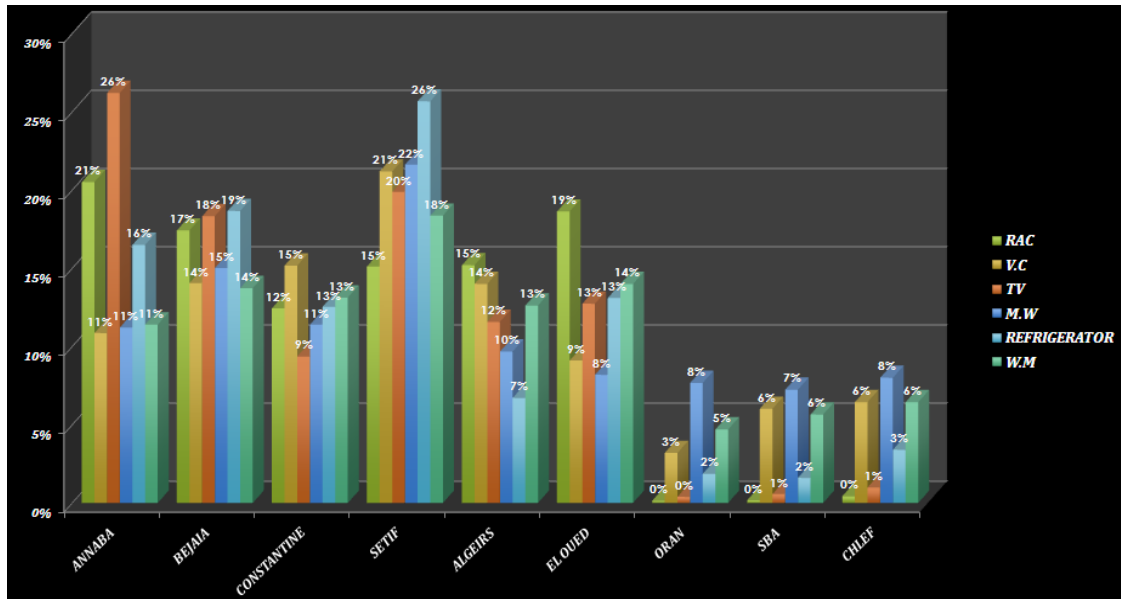


Figure (3-7): The distribution of SARL Bisma’s product line

Source: Internal document of the company

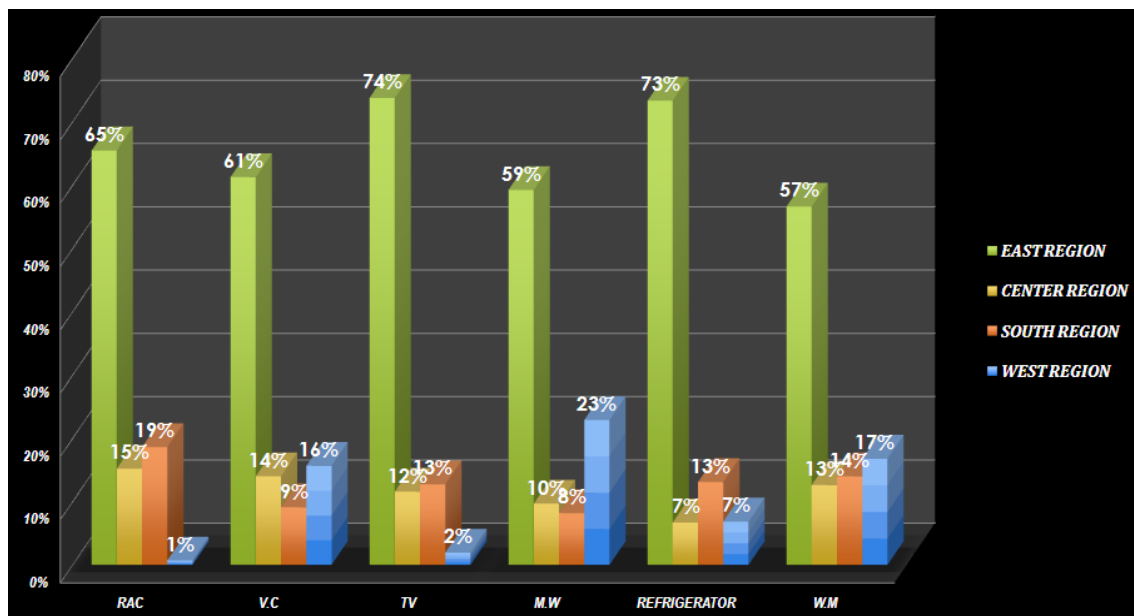


Figure (3-8): The distribution SARL Bisma’s Product line by region

Source: Internal document of the company

The distribution chart is organized into hierarchical levels: a supervisor who supervises a team of delegates, and a warehouse manager who supervises a team of delivery men and dealers.

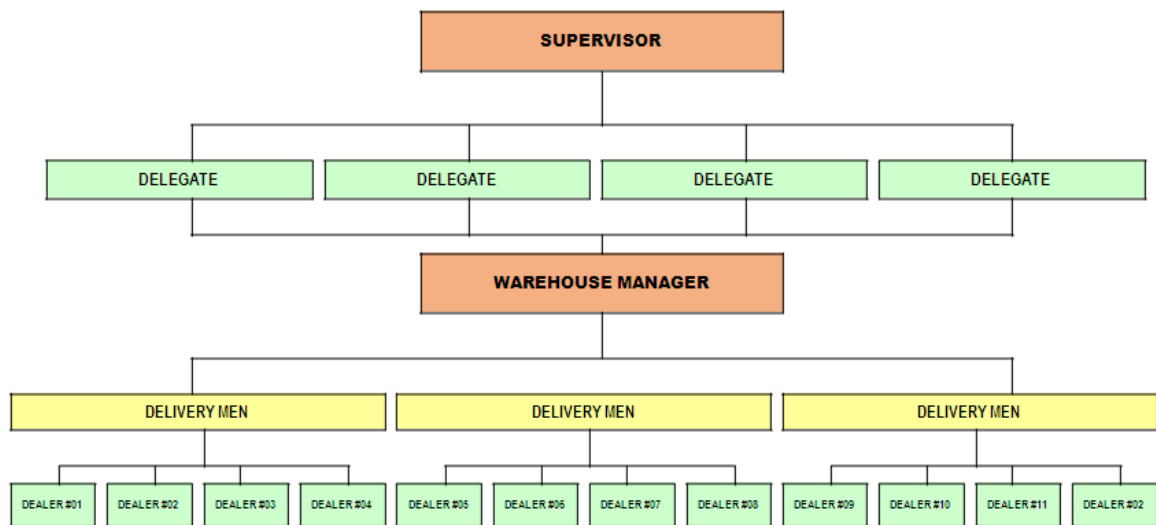


Figure (3-9): SARL Bisma’s distribution chart

Source: Internal document of the company

4. Brand shops

SARL Bisma Distribution has eight open brand shops in the year 2017:

- Brand Shop ALGER
- Brand shop Blida
- Brand shop Belabess
- Brand shop Sétif
- Brand shop Bejaia
- Brand shop Constantine 1&2
- Brand shop Oran
- Brand shop Tlemcen

4.1. How do the managers choose the brand shop

- First they need to select candidates; so far, the distributor is the only candidate.
- The location: the managers have chosen the location regarding the retail zone of each candidate.
- Population density: Measure of the intensity of land use, expressed as number of people per square kilometer or square mile. Also called density of population.

- Average income levels.
- Transportation accessibility
- Competitors status
- Where costumers came from

4.1. Example of a brand shop



Figure (3-10): Example of a retail zone (Brand shop Blida)

Source: Internal document of the company (Google Maps)

4.2. Opening issues

- Agency take long time to input the racks
- The shop wasn't a 100% finished (The manages had to hire personal workers to finish some tasks)
- No HD Generators for all brand shops, the available ones are with old demos
- No security system for mobiles, some brand shops didn't start selling mobile phones until now
- No opening POP, no opening promotion,
- No standard price tags

Section 3: The impact of the marketing strategy on sales performance

In this section we are going to present our study on the impact of the marketing strategy on sales performance and the moderation effects of internal and external environment, first we will explain how we proceeded our research, what methods we have uses, and how we construed the results we have gotten in the end.

1. Methodological approach of the investigation

1.1.Objectives of the study

The purpose of this study is to present our analyses of the relationship between the marketing strategy and sales performance

To find out whether the marketing strategy has an impact on a company's sales performance, we have to lead a qualitative research. In fact, because of the nature of the subject we are dealing with, our goal is not to quantify data and analyze them statistically, but rather to understand whether companies' sales performance is linked to using a specific marketing strategy.

Qualitative studies are defined as "intensive studies that use the 'open', non-directive, permissive and indirect approach of interviewees as a data collection procedure. The qualitative studies by communication aim at a deepening of the subject treated. The interrogation mode is unstructured and the number of contacts is relatively low. They seek the causes, the foundations of a behavior, an attitude, a perception."⁴³

This research method includes different techniques to collect data:

- **Individual interviews:** "where each person is interviewed individually –it aims to go beyond the stage of the stereotypical speech to gradually bring the individual to express what he thinks and feels personally in relationship with his experiences."⁴⁴
- **Group interviews:** "provides the information sought from a group consisting of 6 to 12 persons, met in a room (or connected in line) to exchange on a theme, but controlled and managed by a facilitator-interview. The information collected is the result of the interactions which is established between the members of the group

⁴³GAUTHY-SINECHAL (M), VANDERCAMMEN (M), « *Etudes de marchés* » : *Méthodes et outils*, Editions de Boeck, Université, Bruxelles, 3ème édition, 2010, PP. 93-94

⁴⁴CAUMONT (D) et coll : « *Les études de marché* », Editions Dunod, 5ème édition, 2016, p.73

studied: they do not therefore concern each of the individuals taken in isolation, but the group considered in its entity."⁴⁵

- **The projective techniques:** "These techniques do not constitute a method of full-fledged research but rather a particular technique in the way to formulate and submit questions to the interviewed, either in a group discussion or in an interview not directive. They depart from the idea according to which the interviewed may be projecting in a situation in which it is shown and go in addition to the psychological barriers behind which it has a tendency to conceal his behavior. "⁴⁶
- **The associative techniques:** "They have for the purpose of producing associations from A inducer...Such techniques are particularly suitable when it is necessary to compare several types of respondents on the basis of a same inducer...unlike the maintenance for individual or group, the associative techniques often respond to the quantified objectives... "⁴⁷.

1.2. Data collection mode

In our case, there are so many interview types that we can use in order to find an answer to our main question, however our choice depends on the depth of the information we want to draw.

Taking into account the needs of our research, we have opted for the semi-directed interview which is: "a tool which approximates the, but with a degree of freedom more reduced: the interviewed will be to respond to the more directly as possible to specific questions (but who remain all the same broad enough); it must not deviate from the framework of each question nor associate freely according to his inspiration as in the types of previous discussions.

This kind of interview is, as its name indicates, mid-way between the method not directive and the directive.

In practice, it is often a combination of these two forms that it uses. The aim is to inform, but at the same time to check, using questions, specific points related to certain assumptions predetermined.

⁴⁵CAUMONT (D) et coll, Op.cit, p.p. 73-74

⁴⁶ GAUTHY-SINECHAL (M), VANDERCAMMEN (M), *Opcit.* p. 113

⁴⁷LADWEIN (R), *les études Marketing*, ECONOMICA, Paris, 1996, P. 133

In this type of maintenance, the researcher poses little question he leaves the choice to the person interviewed but he asked for explanations; arguments and examples.”⁴⁸

2. Results analysis

H 1: the main challenges that companies face while elaborating a marketing plan are choosing the convenient positioning for the brand and ensure long, medium and short term profitability.

In order to accept or reject our first hypothesis, we have analyzed different elements from the interview guide; the results are summarized as follows:

The company knows the potential of each segment and its market share, these information is collected analyzed and stocked into a data each year.

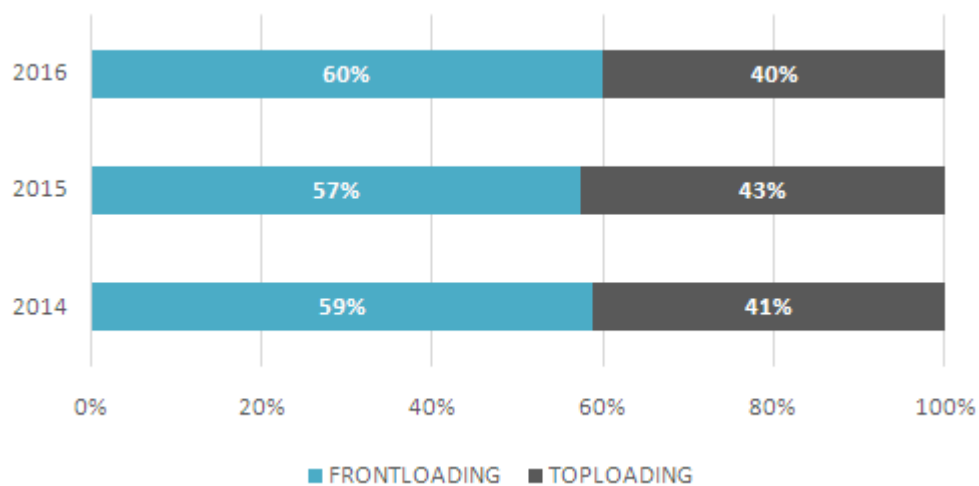


Figure (3-11): Market trend by type (Units) in the global market

Source: Internal document of the company

⁴⁸CHABANI (S) et OUACHERINE (H), « *Guide de méthodologie de la recherche en sciences sociales* », Taleb impression, Alger, 2013, p74

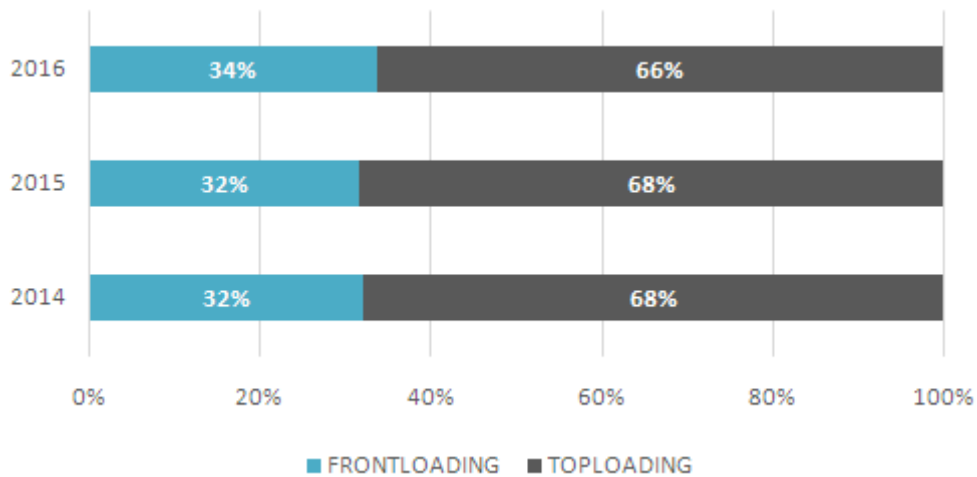


Figure (3-12): Market trend by type (Amounts) in the global market

Source: Internal document of the company

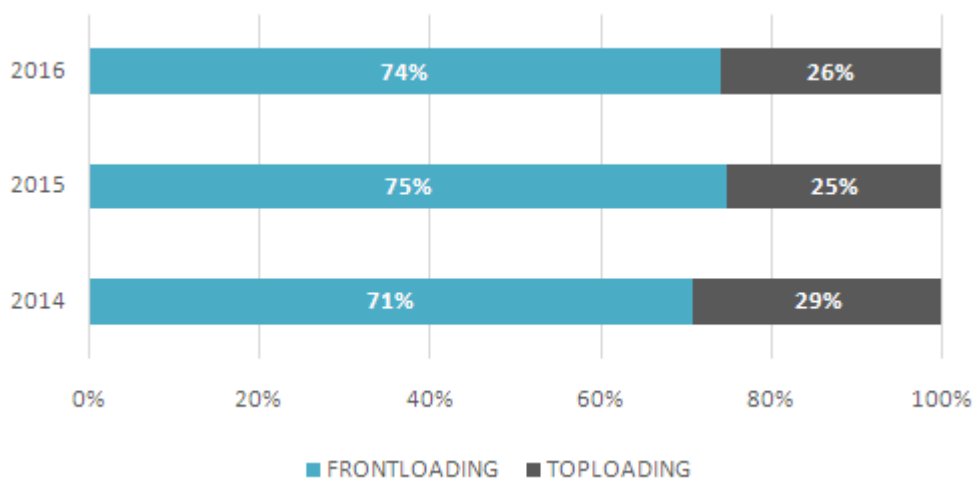


Figure (3-13): Full automatic market trend by type (Units)

Source: Internal document of the company

➤ **Market trend definition:**

A market trend is a tendency of a financial market to move in particular directions over time. These trends are classified as secular for long time frames, primary for medium time frames, and secondary for short time frames.⁴⁹

⁴⁹<https://www.quora.com/What-is-the-definition-of-market-trend> , consulted on Mai 17th, 2018 at 01 :07 AM

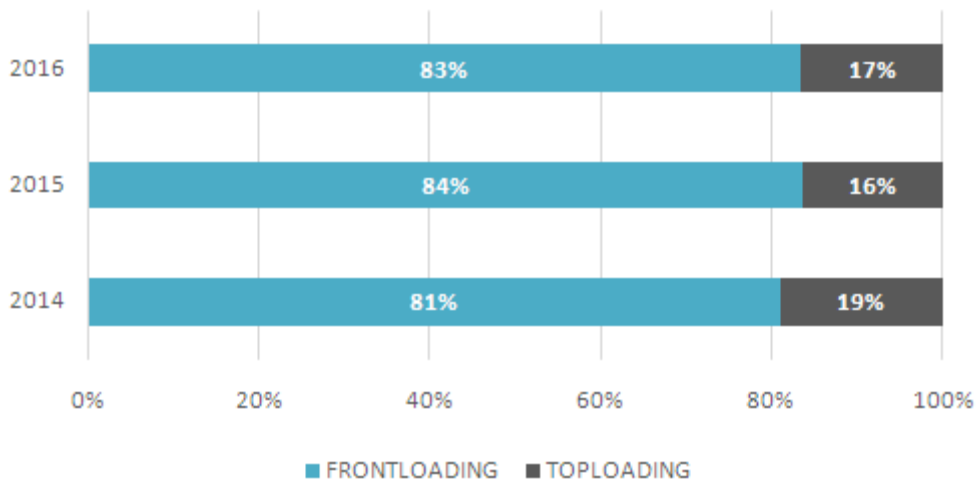
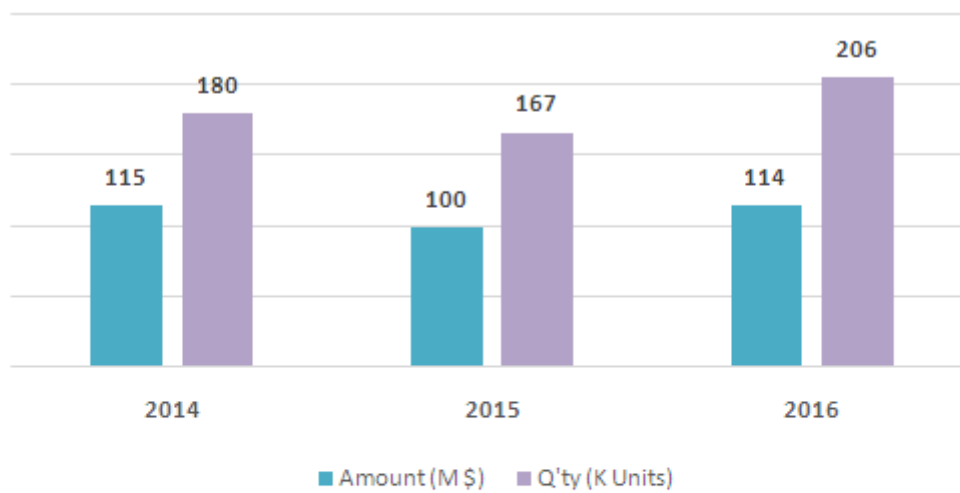


Figure (3-14): Full automatic market trend by type (Amounts)

Source: Internal document of the company



Market Size	2014	2015	2016
Amount (M \$)	115	100	114
Q'ty (K Units)	180	167	206

Figure (3-15): Market size trend (By year)

Source: GFK raw data 2014-2016

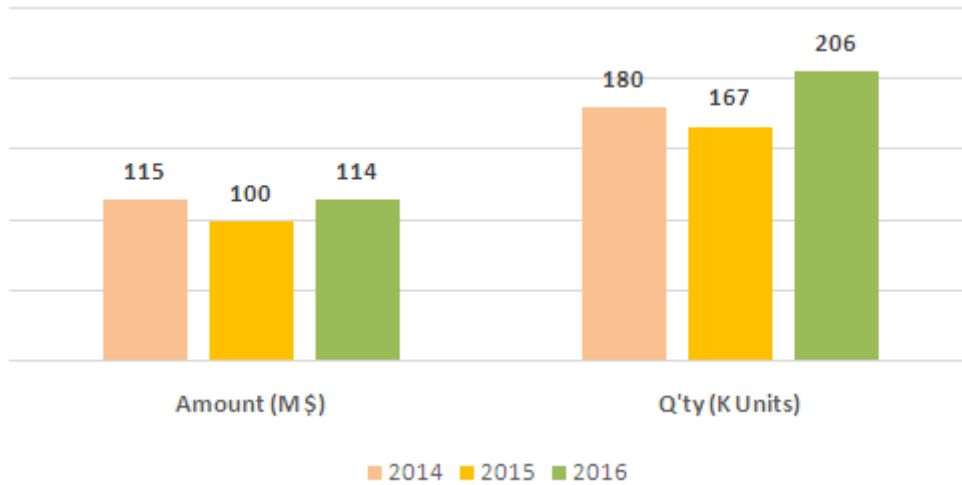


Figure (3-16): Market size (Amts/Q'ty)

Source: GFK raw data 2014-2016

- Market is still growing
- TMF market and sales record is 84% (Units) and 79% (Amounts)
- More deeply sell out by capacity under 400Lis the Major Sellable Segment
- That we can see the sum of 59% (Units) and 54%(Amounts)
- BMF is the only segment that SEPM can product with EURO1 Certification
- All TMF from Europe is coming from Thailand & Vietnam

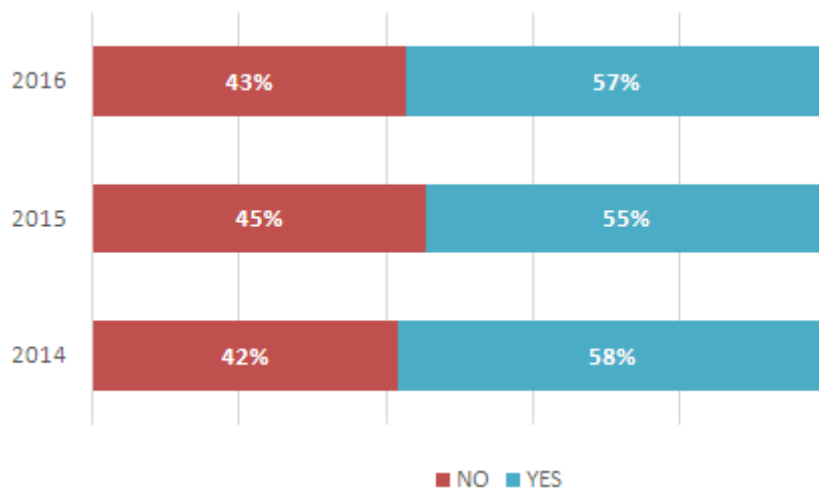


Figure (3-17): No frost M/S (by amount)

Source: GFK raw data 2014-2016

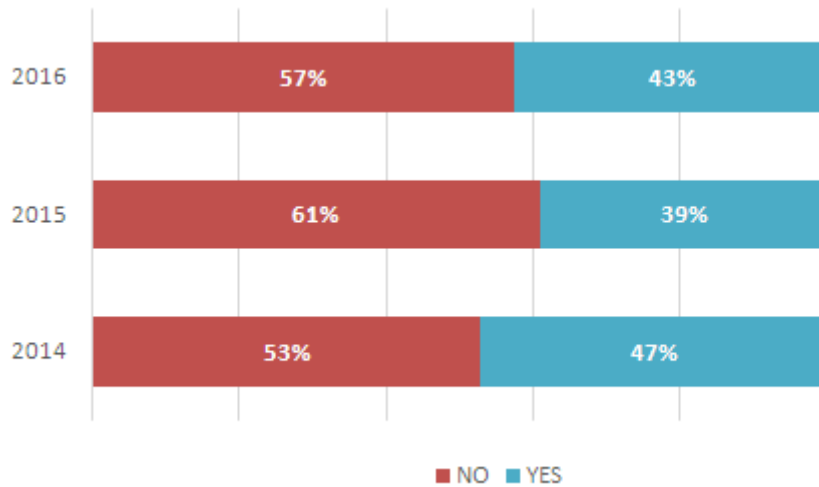


Figure (3-18): No frost M/S by Q'ty

Source: GFK raw data 2014-2016

The company keeps tracks of their sales each month to evaluate their performance and see if the goals are being achieved, if not, they establish corrective actions.

The following figure shows an example of how Bisma’s managers evaluate their performance in terms of the sales of washing machines.

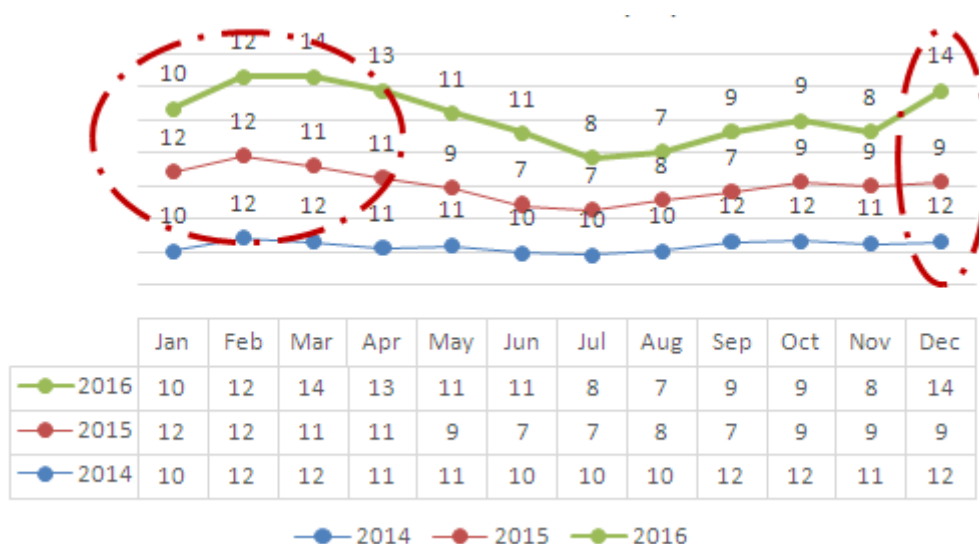


Figure (3-19): Bisma Distribution washing machines full automatic seasonality (by amounts)

Source: Internal document of the company

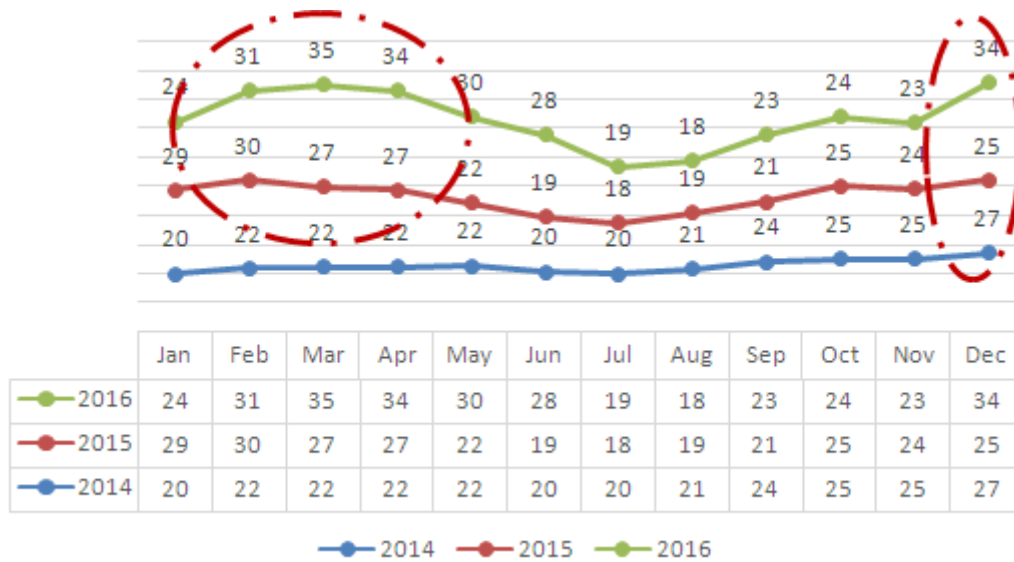


Figure (3-20): Bisma Distribution washing machines full automatic seasonality (by Q'ty)

Source: Internal document of the company

- The marketing management carries out a competitive intelligence in which they compare their performance to their direct competitor as well as the other competitors, and then puts a plan to improve.
- The following table represents some information regarding a competitor’s product (Washing Machines), these information include all characteristics such as: technologies, type, status, color, etc.

WM	Marketing Code SAP Code	Top Load			
		WTLS11019 DP+	WTLS11019DPS+	WTLS13019DP+	WTLS13019DPS+
Brand Shaper	ProSmart™ Inverter Motor	8885893200	8885903200	8885913200	8885923200
Hero Tech	AirTherapy Technology				
	AutoDosing				
	CoolClean™				
	SteamTherapy™				
	SilentTech®				
Why Buy (Key)	Energy Hero				
	StainExpert™				
	Hygiene+ Program				
	Aquawave™ Technology	X	X	X	X
	Daily Express / Xpress Super Short Fast+ Function				
	OutDoor / Downwear Program				
Why Buy (Supportive)	AutoProgram / LedSpot				
	Add Garment				
	OptiSense® Technology				
	DuoSpray				
	GentleCare™ Program				
	Drum Clean+				
	Woolmark® HandWash Safe/ Apparel Care				
Pet Hair Removal					
Adjustable Back Feet					





Range	Picture				
	Marketing Code	WTLS11019 DP+	WTLS11019DPS+	WTLS13019DP+	WTLS13019DPS+
	SAP Code	8885893200	8885903200	8885913200	8885923200
	Fascia	B	B	C	C
	Loading Type	Top Load	Top Load	Top Load	Top Load
	Product Type	Freestanding	Freestanding	Freestanding	Freestanding
	Product Status	T1	T1	T1	T1
	Program	8	8	8	8
	Kg	8	8	11	11
	RPM	700	700	700	700
	Color	White	Silver	White	Silver
	Electronic Type	LED	LED	LED	LED

Table (3-8): Example of Bisma’s Competitive intelligence, Brand: Beko, Product: Washing machines

Source: internal document of the company

- The marketing management constantly measures the forces and weaknesses of their competitors in order to identify its competitive advantage and improve its positioning on all the market segments.
- When the competition is intense, the results of each firm may remain unknown which makes it hard for the company to compare itself and know its position in the market,
- The company establishes quantitative objectives in terms of sales and market share, profits and brand image.
- The company makes forecasts of their sales, based on the demand evolution each year.
- Even though the marketing managers set up a long term marketing plan and strategy, they may not be efficient in later years because the market and environment changes constantly, which makes it harder to assure long term profitability.
- Samsung was already a known brand before it was implemented in the Algerian market; therefore, it was very hard to improve the brand image and occupy a better position in the market.
- SARL Bisma Distribution evaluates its strengths weaknesses, threats and opportunities and elaborates a marketing strategy based on these information.
- The main objective of setting up a marketing strategy is seducing new customers while keeping the actual ones.

- Human and financial resources are taken into consideration while elaborating the marketing strategy and the marketing plan.

H1: The main challenges that companies face while elaborating a marketing plan are choosing the convenient positioning for the brand and ensure long, medium and short term profitability.

Accepted

H2: The marketing strategy has a significant and positive influence on sales performance

In order to accept or reject the hypothesis that states that the marketing strategy has a significant and positive influence on sales performance, first, we need to prove that a company's marketing strategy and sales performance are reliant, to do that, we have chosen to use the chi square test of independence.

2.1. Definition of the Chi square test of independence

The Chi-Square test of independence is used to determine if there is a significant relationship between two nominal (categorical) variables. The frequency of each category for one nominal variable is compared across the categories of the second nominal variable. The data can be displayed in a contingency table where each row represents a category for one variable and each column represents a category for the other variable. For example, say a researcher wants to examine the relationship between gender (male vs. female) and empathy (high vs. low).

The chi-square test of independence can be used to examine this relationship. The null hypothesis for this test is that there is no relationship between gender and empathy. The alternative hypothesis is that there is a relationship between gender and empathy (e.g. there are more high-empathy females than high-empathy males).⁵⁰

Here is our starting chart that shows the result of the company's sales performance in cases of following/not following a marketing strategy.

⁵⁰<https://www.statisticssolutions.com/non-parametric-analysis-chi-square>, consulted on May 19th, 2018 at 06:44 pm

Chapter 03: The impact of the marketing strategy on sales performance

The observations were collected by interviewing 31 managers of different Algerian companies. The total strength is 31 observations, each observation represents a company that has established and used a marketing strategy or not and whether they managed to achieve their objectives or not.

	Number	Percentage
Absence	13	41.93%
Presence	18	58.06%
Total	31	100%

Table (3-9): The number of companies that use/do not use a marketing strategy

Source: own assessment made based on the interviews

Each square of the table has more than 5 observations, so the conditions of application of the contingency chi-square test are met.

To lead off our study, we're going to draw our starting table:

	Success	Failure
Absence	5	8
Presence	13	5
Total	18	13

Table (3-10): The evaluation of companies' sales performances while using/ not using a marketing strategy

Source: own assessment

Now we are going to formulate the hypothesis of independence: there is independence between the rows and the columns of this table. In other words, our hypothesis is: "In this sample there is no significant statistical link between the marketing strategy and sales performance."

Chapter 03: The impact of the marketing strategy on sales performance

To complete our test we are going to use a tool for calculating the value of the test X^2 (Chi square). This tool calculates the chi-square value for tables of data ranging from (2 x 2) to (5 x 5)

A1	0.86	A2	1.191
B1	0.621	B2	0.86

3.532 = X^2 (Khi carré)

Table (3-11): The detailed values of X^2 (Chi square) for each element introduced in the data table

Source: Personal work calculated using a Chi square tool calculator

Interpretation of the chi-square indicator

To know the result of the test it is necessary to consult the table of law of chi square, this table will allow us to find a probability of acceptance of the independence hypothesis according to our chi-square indicator ($X^2 = 3.532$)

Our original table has 2 lines ("Success" and "Failure") and 2 columns ("Presence" and "Absence"). Therefore, the degree of freedom number is: $(2-1)*(2-1) = 1$

	$P(X \leq x)$							
	0.010	0.025	0.050	0.100	0.900	0.950	0.975	0.990
r	$\chi^2_{0.99}(r)$	$\chi^2_{0.975}(r)$	$\chi^2_{0.95}(r)$	$\chi^2_{0.90}(r)$	$\chi^2_{0.10}(r)$	$\chi^2_{0.05}(r)$	$\chi^2_{0.025}(r)$	$\chi^2_{0.01}(r)$
1	0.000	0.001	0.004	0.016	2.706	3.841	5.024	6.635
2	0.020	0.051	0.103	0.211	4.605	5.991	7.378	9.210
3	0.115	0.216	0.352	0.584	6.251	7.815	9.348	11.34

Table (3-12): Interpretation of the X^2 values on the Chi square table

Source: Personal work

Since 3.532 corresponds to 0.950 we can say that we reject the assumption of independence at the level of 0.975. In other words, we reject the hypothesis of independence between the rows and the columns of our table with 95% (0.950) chances of

not being wrong or with 5% (which we call p- value = $1-0.95 = 100\% - 95\% = 5\%$) of chances of being wrong.

By convention, the assumption of independence is most often rejected when one has a maximum of 5% chance of being wrong. If the p-value had been higher than 5%, we would have accepted the hypothesis of independence. For example, if our chi-square indicator was 2.71, which corresponds to a p-value = $1-0.900 = 0.10 = 10\%$, we would have accepted the independence hypothesis.

2.2.Conclusion:

- Chi square = 3.532
- Degrees of freedom = (number of lines-1) x (number of columns -1) = 1
- level of rejection or p-value: less than 5%

The independence assumption between rows and columns in the table is rejected with less than a 5% chance of being wrong. Therefore we can say that, with less than a 5% chance of being wrong, there is a link in this table between the marketing strategy and sales performance.

In general, it very hard for descriptive analyzes to identify the relationship between these variables, thus, it is necessary to compare these results to non statistical elements such as interviews, and during the interviews that I have had with the marketing managers of Bisma, they confirmed that even though strategies may not always be successful, but using one has showed a noticeable and significant improvement in their sales performance

H2: The marketing strategy has a significant influence on sales performance

Accepted

H3: The main factors that affect the relationship between the marketing strategy and the sales performance are: Transformational Leadership, Demand Uncertainty and Competitive Intensity.

In order to accept or reject our first hypothesis, we have analyzed different elements from the interview guide; the results are summarized as follows:

- The evolution of the global demand is very hard to measure, however, the managers do their best to seize commercial opportunities and anticipate threats by studies and surveys.
- The company uses its competitive advantage that is the brand name to position itself and stand out from the other brands.
- Usually, companies follow a plan in order to achieve their objectives and operate with their existing systems, so basically every action, event and factor is predictable and obvious however, when the competition is high, their behavior may be affected by their competitors, which leads them to make changes, adapt to the conditions and follow other plans.
- Marketing strategies are easily influenced by environmental factors; therefore, competitive intensity influences the setting up of the strategy that assures a good sales performance.
- Customers' behaviors and preferences change very often, and the marketing department is responsible for keeping up with these changes and adapts the company's offers to these changes, however, since SARL Bisma is only responsible for distributing Samsung's products, it cannot answer the market demand in terms of preferences, but it uses other options to stimulate the demand.
- It is very hard for the company to measure and identify the market demand; therefore it is one of the factors that may interact with the marketing strategy.
- SARL Bisma's marketing department makes sure to identify the changes in customers' behaviors and adapt their marketing strategy to these changes.
- The marketing department carries out many studies in order to achieve their sales objectives.
- Every year, SARL Bisma's marketing management makes an operational marketing plan that contains all the details about the mission, objectives, budgets, future actions, and the people responsible of each task.

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Here is an example of Bisma's activity plans for 2018:

Level 1	#	Level 2	Level 3	Activities	Product
	1			Open 31 BRANDSHOPS	Samsung
	2			BIG PACK May (Russia World Cup 2018) & END Of Year	Samsung
	3			SELL Throu Promotions	Samsung
	4	Exhibition / Events		Regional retail Conferences 3 Regions (Factory opening ceremony)	Samsung
	5			Cataloge , Tshirts, Advertising (radio,TV, news,plaque publicitaire.....	Samsung
	7			END USER TOMBOLA (after opening brand shops) Sellout Promotion	Samsung
	8		Packages & Bundles		

Table (3-13): Bisma distribution, market plan 2018

Source: Internal document of the company

- The company determines the budget of communication depending on the sought objectives.
- The marketing management establishes a promotion plan to seduce new customers and optimize the distribution efficiency.
- The marketing management uses tools to evaluate their promotion strategies and its impact on sales performance.
- SARL Bisma's promotion plan was proven to be inefficient, since the results compared to their competitors are bad.
- The marketing management chooses the distribution strategy based on demand intensity and objectives.
- The company chooses its distributors carefully based on their skills and experience, the management evaluates them regularly and makes sure to optimize their sales, distribution, commercial follow up, etc.

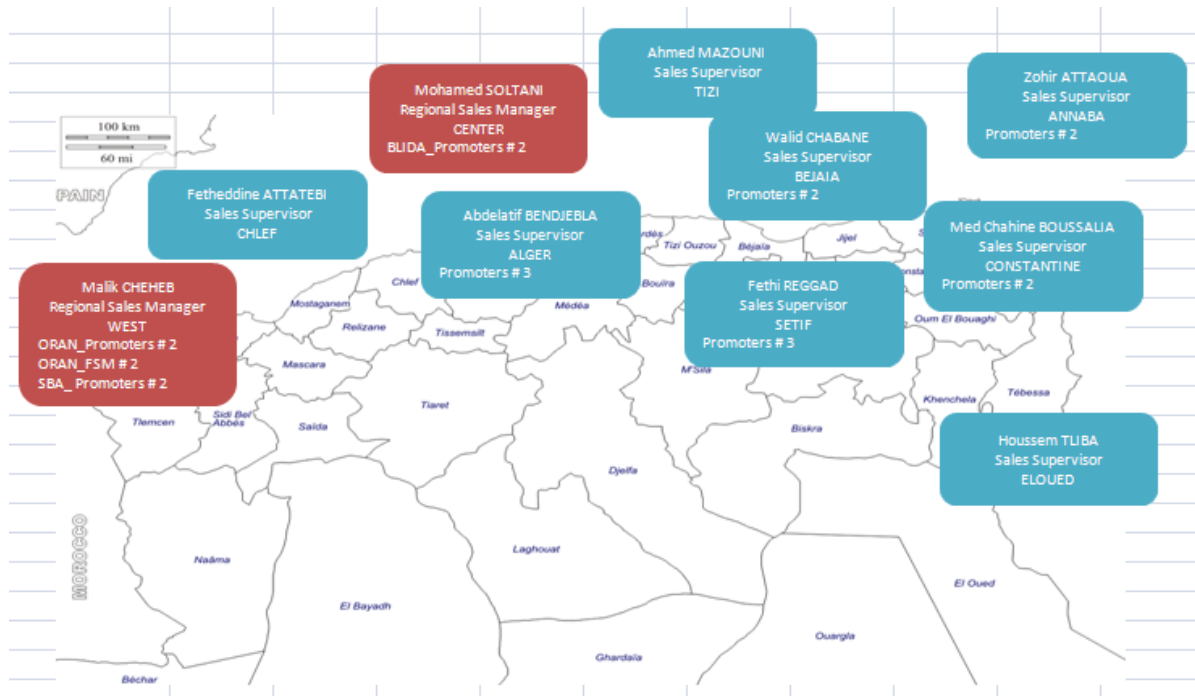
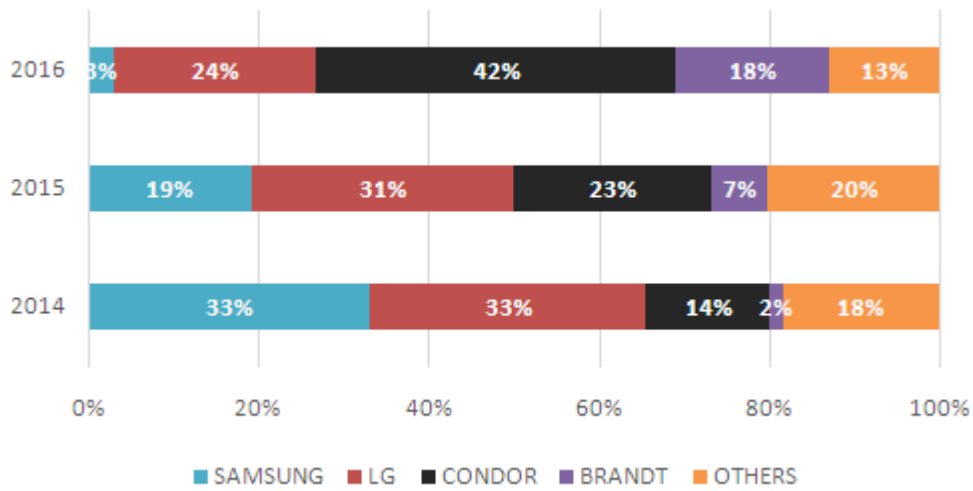


Figure (3-21): The distribution of Bisma’s distributors

Source: internal document of the company

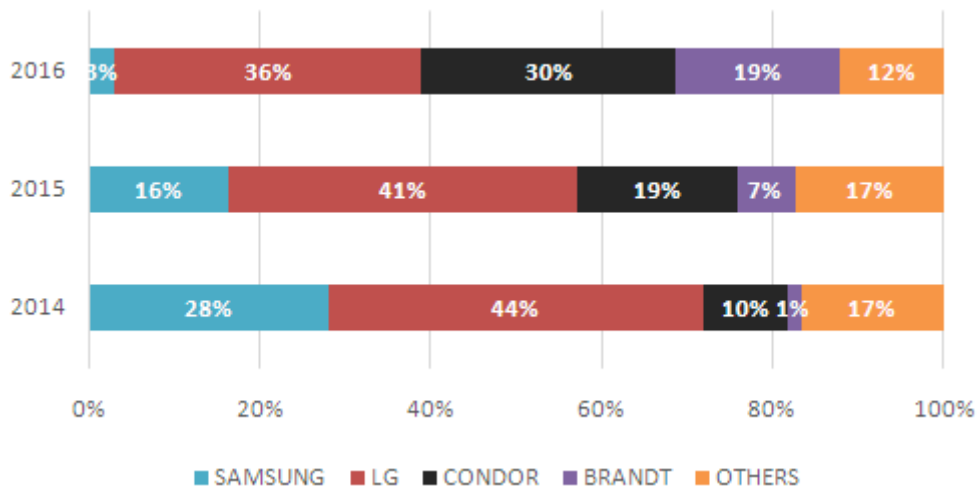
- The marketing management is the one responsible for hiring, evaluating and training the sales teams.
- Sales support tools such as: sales arguments, Catalogs, financing offers, guarantees, promotions, CRM, Customer Testimonials, etc, are used to boost sales performance.
- When SARL Bisma was first implemented in Algeria, managers didn’t follow a specific strategy because they trusted the brand name and there was not too many competitors.
- A few years after the implementation of other brands such as Brandt and LG in Algeria and the creation of Condor, Bisma distribution started facing some competition in the home appliance market, which caused a noticeable fall in its sales. (Samsung remained the leader of the market, by its results dropped compared to the previous years)
- The competitor’s communication policy was very strong and caused it to boost its sales.
- Bisma distribution has known a fall in their sales in the last few years.



Units	2014	2015	2016
SAMSUNG	89	55	10
LG	88	88	77
CONDOR	39	67	137
BRANDT	4	19	59
OTHERS	50	58	42

Table (3-14): Market share by brand (in units)

Source: Internal document of the company



Amounts	2014	2015	2016
SAMSUNG	37	18	4
LG	58	45	45
CONDOR	13	21	38
BRANDT	2	8	24
OTHERS	22	19	15

Table (3-15): Market share by brand (Amounts) *Dollars

Source: Internal document of the company

- Bisma provides a climate of open and free communication
- Employees are totally free to express their criticism and opinions.
- Each supervisor conveys a clear vision of the team's goals, and makes sure to keep every worker charged, motivated and energized.
- All workers have a common objective which is boost the company's sales.

H3: The main factors that affect the relationship between the marketing strategy and the sales performance are: Transformational Leadership, Demand Uncertainty and Competitive Intensity

Accepted

3. Recommendations

After analyzing the marketing strategy used in Bisma distribution, its sales performance and the series of interviews performed with its managers, we have come to the conclusion that; Bisma's managers give too much importance to the marketing strategy and it has proven to be very successful, however, in the last few years the company has been having a crisis in terms of sales.

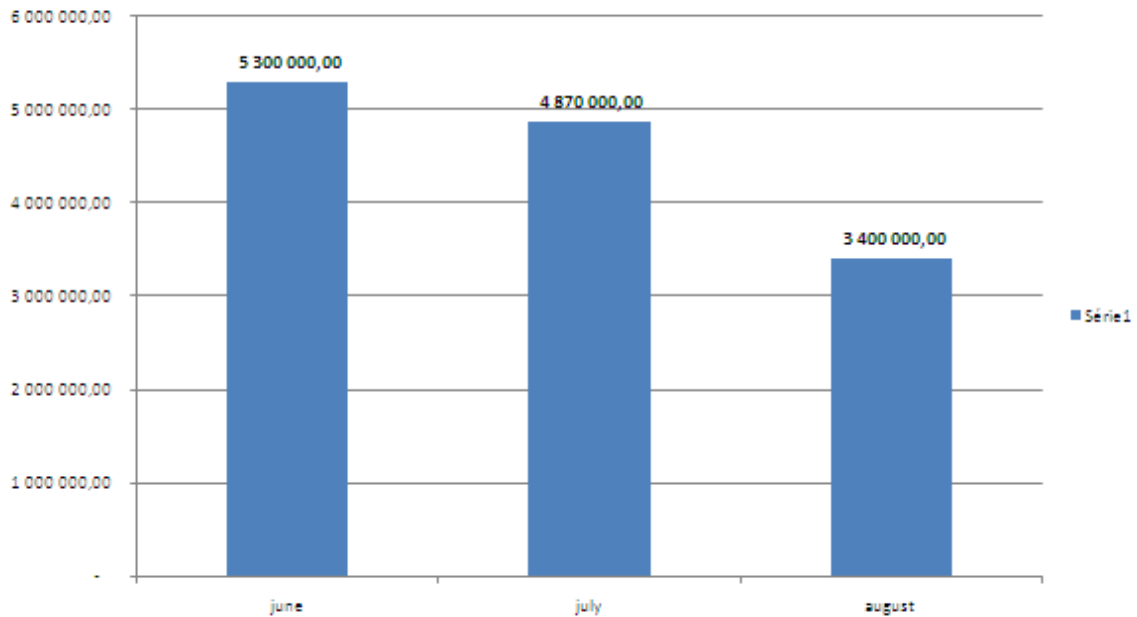


Figure (3-23): Brand shop Lidou sales amount

Source: Internal document of the company

- If we compare these sales amounts with Bisma's direct competitor in the same area with the same retail zone and the same conditions we can say that they are at least - 60% behind them.
- What is the reason behind these results? And how can Bisma increase its sales amount?
- The reasons behind these fails are most likely to be linked to the rude competition in the home appliance market; LG, Brandt and even Condor are invading the Algerian market and have been achieving the best sales results, and Samsung was left behind
- Based on the interviews performed with Bisma's managers, the reasons they believe that the causes of their failure are:
 - No marketing communication (TV, Radio, internet, newspaper)
 - No sale out promotion
 - No floor sales man training (product & sales techniques)
 - No availability of all the product with all the models
 - End of life models (especially in TV)

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- No direct follow from SAMSUNG (price tag, POP, sales and information collect
- DISPLAY 30%

How to solve?

- **Regional supervisors**
 - Sales Plan Mgt. / achievement ratio
 - Brand Shop supporting
 - Year Promotion Plan / Assessment
 - Brand Shop Supervisor Education
 - B.S Regular Meeting(Owner, FSM)
 - Market Management (New Shop)
- **Brand shop supervisors**
 - FSM Education (Product, Sales, Customer, Shop Mgt.),
 - .Shop Sales / Inventory
 - Promotion Plan
 - Market Management (New Shop)
- **Floor sales men**
 - Product knowledge
 - Morning Meeting
 - Customer management
 - Shop Mgt.(Price card, P.O.P, Display, Clean)
 - Sales techniques

General conclusion

The marketing strategy is a chain of coordinated actions that are established based on the company's strengths, weaknesses, threats and opportunities, and that aims to achieve the objectives set up by the managers, one of the most important and obvious objective of companies is boosting its sales and assure short and long term profitability; Throughout the years, marketing managers have found new tools and ways to elaborate the most convenient strategy that guarantees a maximum of income.

As the competition becomes tougher each and every day, it has become crucial for companies to form highly qualified sales teams, and to keep track of their sales amounts in order to attain sales objectives.

Marketing strategy and sales performance are two concepts that marketing managers have always debated on whether they are associated or not, and even though every company's results and performance were a vivid proof that they are, marketing authors have not given much attention to this subject or to how important it is. That's why; this work was not only a detailed study of how the marketing strategy affects sales performance, but a big contribution to the marketing literature of this subject.

With the intention of finding answers to our main question: "How does the marketing strategy affect sales performance?" we have decided to carry out both a quantitative and qualitative studies, first; we started by describing the marketing strategy, and its key elements, then we presented the concept of sales performance and the sales performance management systems used by companies to achieve the highest level of their sales; before we tried to prove that the marketing strategy and sales performance are correlated.

In our practical case, we have tried to analyze through some interviews performed with the marketing managers of Bisma distribution (Samsung's representative in Algeria), the difficulties and challenges that managers face while elaborating a marketing strategy for their companies, finding the right positioning and assure short and long term profitability were the biggest challenges that managers have admitted to have had a hard time controlling them.

Second, by using a Chi Square test, we proved that the marketing strategy has a significant and positive impact on sales performance. The data was collected by

interviewing thirty one company manager on their use of a marketing strategy and how their sales turned out in a year.

Finally, and based on the same first interviews, we presented the moderating effects of internal and external environment on the relationship between the marketing strategy and sales performance, how hard it is to control these environmental factors, and how they affect the company's plan.

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Appendices

Interview Guide

Axis n01: Description and identification of the interviewee's profile

Q01: Sir / Madam, Hello, could you please introduce yourself?

Q02: What is your current position in the company?

Q03: For how long have you been in this company?

Q04: What are the main tasks you are in charge of?

Axis n02: The organization of SARL Bisma Distribution

Q04: How is your structure organized?

Q05: Who are your internal / external relations? And what are your exchanges?

Q06: What types of studies and researches do you make?

Axis n03: The market

Q07: How do you keep up to date on your target market?

Q08: How do you position yourselves in the market?

Q09: How do you measure the global demand in the market?

Axis n04: The competitors

Q10: Who are your direct competitors?

Q11: How do you evaluate your performance compared to your competitors?

Q12: Does the competitive intensity have any influence on your sales performance or positioning?

Axis n05: Strategy development

Q13: Based on what do you establish your marketing strategy?

Q14: What resources do you consider while elaborating your strategy?

Q15: Do you have an operational marketing plan? If yes, what does it contain?

Q16: How does Bisma bring value to the customer?

Axis n06 Promotion

Q17: How do you promote your product line?

Q18: What are the financial means, and channels that you use?

Q19: How do you decide on the budget?

Q20: Was your promotion plan successful?

Axis n07 Distribution

Q21: How do you decide on your distribution strategy?

Q22: What are your distribution channels?

Q23: How do you choose your distributors?

Axis n08 Sales force and performance

Q24: What department is responsible for forming and training the sales force?

Q25: How do you look for in a sales person?

Q26: What tools do you use to boost the company's sales performance?

Axis n09: The Company's results

Q27: Did the company achieve its objectives at the end of the year?

Q28: What are the reasons behind this achievement/non achievement?

Q29: How can you improve these results?

Axis n10: The company's environment

Q30: How would you describe the company's environment?

Q31: How is the relationship between the managers and employees?

Q32: What kind of leadership is used in your company?

Axis n11: Conclusion

Q33: Do you think Bisma's marketing strategy is efficient?

Q34: Are you, as a manager satisfied of the results?

Q35: What are the corrective actions that you suggest?

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