



Marketing Plans for Daily Corn Co., Ltd.

by

Mr. Akerat Yailaibang

A Final Report of the Three-Credit Course
CE 6998 Project

Submitted in Partial Fulfillment
of the Requirements for the Degree of
Master of Science
in Computer and Engineering Management
Assumption University

November 2003

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ABSTRACT

This project combined business and marketing information from many reliable sources together with collected previous and current information of Deli Corn Co., Ltd., a healthy beverage company in Thailand, which provides a comprehensive range of beverage product for suppliers and distributors. The obtained valuable information was used to create this project. This project reviewed important marketing strategies and designed marketing strategies and business development plans for business purposes of corn milk to become a favorite healthy beverage in the near future.

From a careful consideration and strategic analysis, this project is able to provide three major business factors including 'Analyze Current Situation' by using SWOT and 'Competitor Analysis', 'Analyze Existing Marketing Strategies by using Marketing Mix', and 'Develop New Marketing Strategies for Long-term and Short-term' by using Marketing Mix as well. The well-prepared marketing strategies which emphasized Marketing Mix (4Ps) are implemented with the competent experiences to identify marketing strategies, develop business areas, recommendation and evaluation of marketing plan through the continuing progress in short-term development in Thailand and long-term development overseas to fulfill the growth of demand from suppliers and operators of telecommunication system.

The final result of this project would be beneficial by analyzing the company's current status and forecasting the trend of the future development for the engineering team and the variety of healthy products.

ACKNOWLEDGEMENTS

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Without Dr. Thanatphong Pratheepthaweephon, the best Project Advisor whose expertise in Marketing, the author would not be able to manage this valuable project. He is the most important person who spends his valuable time in giving great suggestions and comments to the project and the author respectfully takes his ideas to improve the project. The author would like to express thanks to the Approval Committee Members including: Prof. Dr. Srisakdi Charmonman (Chairman), Dr. Chamnong Jungthirapanich (Dean), and Assoc. Prof. Somchai Thayarnyong (MUA Representative), who are witnesses to approve project documentation and presentation. This final project would be the evidence of an effort in business planning of the author and helpful support from the above persons.

Thanks for special supports in project revision and recommendations from the author's senior colleague at Deli Corn Co., Ltd., Mr. Chatchai Thiengkamol, Account Manager. Special appreciation goes to the author's parents who have supported him since he was young to achieve his educational goals.

TABLE OF CONTENTS

| <u>Chapter</u> | <u>Page</u> |
|--|-------------|
| ABSTRACT | |
| ACKNOWLEDGEMENTS | ii |
| LIST OF FIGURES | |
| LIST OF TABLES | vi |
| I. INTRODUCTION | 1 |
| 1.1 Objectives | 2 |
| 1.2 Scope | 2 |
| 1.3 Company Background | 2 |
| II. LITERATURE REVIEW | 4 |
| Introduction of Modelmf Marketing and Promotions Process | 4 |
| 22 SWOT Philosophies | 20 |
| 2J3 Introduction to Porter's 5 Forces | 24 |
| 2.4 The Concept of Customer Satisfaction | 34 |
| 2.5 Revisiting the marketing mix | 39 |
| III. SITUATION ANALYSIS | 45 |
| 3.1 Five forces | 45 |
| 3.2 SWOT Analysis of the company | 49 |
| 3.3 Competitor Analysis | 52 |
| IV. ANALYZE EXISTING MARKETING STRATEGIES | 57 |
| 4.1 Product | 57 |
| 4.2 Price | 57 |
| 4.3 Place | 58 |

| <u>Chapter</u> | <u>Page</u> |
|---|-------------|
| 4.4 Promotion | 58 |
| V. DEVELOPING NEW SHORT-TERM MARKETING STRATEGIES | 59 |
| 5.1 Product | 59 |
| 5.2 Price | 60 |
| 5.3 Place | 61 |
| 5.4 Promotion | 64 |
| VI. DEVELOPING NEW LONG-TERM MARKETING STRATEGIES | 71 |
| 6.1 Product | 71 |
| 6.2 Price | 72 |
| 6.3 Place | 72 |
| 6.4 Promotion | 73 |
| VII. EVALUATION OF MARKETING STRATEGIES | 74 |
| VIII. CONCLUSIONS AND RECOMMENDATIONS | 78 |
| 8.1 Conclusions | 78 |
| 8.2 Recommendations | 79 |
| BIBLIOGRAPHY | 81 |

LIST OF FIGURES

| <u>Figure</u> | <u>Page</u> |
|---------------------------------|-------------|
| 2.1 Organization Chart | 21 |
| 2.2 SWOT / TOWS Matrix | 23 |
| 2.3 The Five Competitive Forces | 25 |



LIST OF TABLES

| <u>Table</u> | <u>Page</u> |
|---|-------------|
| 2.1 Example use of Five Forces Analysis | 32 |



I. INTRODUCTION

The world is changing rapidly due to the development of information technology. This affects the competition environment in every segment of the market in every industry. Even though the market is changing all the time and there is many new products introduced each year, the consumption of daily product keeps increasing since the past two decades. In the daily product market, there is currently one new product that seems to have prominent growth which is corn milk. The corn milk product has more nutrition than cow milk and is a better product to consume when compared to cow milk. So it is interesting to make a further study on corn milk.

The company that is selected to study more about corn milk product is Daily Corn Company because the company started from a very small scale but it is having a constant growth rate ever since its start.

/ This project focuses on the Deli Corn Company. The purposes of this project are analyzing current situation and marketing strategy of the company, creating short-term and long-term marketing strategies for the company, and evaluating both current and proposed marketing strategies. There are also recommendations and conclusions of the whole project in the last chapter.

The first chapter describes the company background as well as its business description, mission, and vision. Then the later part of the chapter will describe objectives and scope of the project. This chapter reviews company's general information, business description to achieve business purposes of corn milk to become a favorite healthy beverage in the near future. Furthermore, this chapter discusses the major competitors of beverage market.

1.1 Objectives

- (1) To Analyze Current Situation by SWOT and Competitor Analysis
- (2) To Analyze Existing Marketing Strategies
- (3) To Develop Long-term and Short-term New Marketing Strategies

1.2 Scope

Marketing Plans for Deli Corn Co., Ltd in Thailand.

1.3 Company Background

Deli Corn Company Limited, is a manufacturing company that produces healthy, corn milk. The company is established because the trend of healthy drink is increasing continuously so this market is very attractive. The company aims to produce good quality and high nutrition corn milk to serve health-conscious consumers as it foresees the benefits of natural food and drink.

Business Description

Deli Corn Co., Ltd. is a manufacturing company that produces healthy beverage - corn milk. Presently, there are 5 major direct competitors in corn milk market which are Tasty, Rossunan, Madam Mon's Farm, Aden and Sweet Corn. The company focuses the market in Bangkok area first because there are a large number of consumers who are health-conscious but they do not have enough time in making healthy beverage themselves.

The company produces pure natural flavor and taste corn milk with high quality. The production process is different from the other corn milk producers because the company uses machines in processing while most of other producers use human labor.

The following are benefits of the company's products;

- (1). Satisfy the customer's needs.
- (2). Provide good taste.
- (3). Serve as a healthy drink.
- (4). Contain high nutrition (Vitamin B1, Vitamin B2 and Beta Carotene, etc).

Mission

The company wants to be a leader in the corn milk industry. Maximizing long-term share and satisfying the expectations of company's stakeholders (customers, employees, suppliers and public) are the ultimate goals of the company. The company also provides superior quality products and services at reasonable prices for Thai people's health.

Vision

To be the first mover in corn milk industry, which can maximize its share as the company expects and receives acceptance from customers and societies. To fulfill the vision, the company must have honesty to customers, take care of society and nature. The company will use high quality raw materials to produce corn milk drink at a reasonable price.

II. LITERATURE REVIEW

2.1 Introduction of Model of Marketing and Promotions Process

A useful framework for analyzing how promotion fits into an organization's marketing program includes three components: 1) The organization's marketing strategy and plan 2) Marketing program development (which includes the promotional mix) 3) The target market.

The first part of the module is devoted to examining the three components of this model and the role integrated communications play in each. It is important to note that a firm's promotional program is directed not only to the final buyer but also to channel or trade members who distribute its products to the ultimate customers. The role of promotion is discussed for building and maintaining demand not only in the final consumer market, but among the trade as well.

Marketing Strategy and Plan

The marketing process actually begins with the development of a marketing strategy whereby the company determines the product or services area and particular markets in which it wants to compete. A strategic marketing plan usually evolves from an organization's overall corporate strategy and serves as a guide for specific marketing programs and policies. The development of a marketing strategy is based on a situation analysis from which a firm develops an understanding of the market, the opportunities it offers, the competition, and various segments or target markets the company may wish to pursue.

Steps in the Development of Marketing Strategy

(1). Opportunity Analysis.

A careful analysis of the marketplace should lead to alternative market opportunities or areas where the company feels there are favorable demand trends, where customer needs and/or wants are not being satisfied and where it could compete effectively. Examining demand trends in various market segments usually identifies market opportunities. The discussion can focus on how market opportunities are identified and recent examples of companies finding and exploiting them.

(2). Competitive Analysis.

In developing marketing strategies and programs a company must analyze the competition its products or services face in the marketplace. Competition can range from direct brand competition to other products and services that satisfy consumers' needs and/or compete for their dollars.

Competitors' marketing programs have a major impact on a firm's marketing strategy and must be carefully analyzed and monitored. Various aspects of advertising and promotion such as promotional spending, media and creative strategy, and sales promotion are often directly affected by competitors.

An important aspect of marketing strategy development is the search for an advantage over the competition. A competitive advantage refers to something unique or special a firm does or possesses that gives it an edge over competitors. Competitive advantage can be achieved in a variety of ways, including having quality products that are differentiated from the competition and command

premium prices ' providing superior customer service, having the lowest production costs, or dominating channels of distribution. Competitive advantage can also be achieved through having excellent advertising and promotion that creates and maintains product/service differentiation and brand equity.

(3). Target Market Selection.

After evaluating marketing opportunities for products/services in various markets, a company selects one or more as a target market for which it will develop a marketing program. This target market becomes the focus of the company's marketing efforts. Selection of the target market not only is a very important part of a firm's marketing strategy, but also has implications for advertising and promotional strategy and tactics.

Developing the Marketing Program

The second stage of the marketing process involves combining the various elements of the marketing mix into a cohesive and effective marketing program. This requires that all elements of the marketing mix (4Ps) be combined effectively and that they be consistent with one another. It is important to stress that each element of the marketing mix is multidimensional in nature and includes a number of decision areas.

(1). Product.

An organization exists because it has some products, service, idea or cause to offer customers. Benefits or values are offered by the product to the consumer. The fact is that products and services satisfy not only functional but social and psychological needs as well. Product decision areas of branding and packaging are particularly important from a promotional perspective because of the role the

brand name and package play in communicating attributes, information and meaning to the consumer.

With respect to branding, many companies are using brand extension strategies whereby they are extending their existing brand name to a new product. Two types of brand extension strategies are line extension and category extension. Line extensions involve taking an existing brand name to a product in an existing category.

Examples of line extensions are Diet Coke and Diet Pepsi. A category extension applies an existing brand name to a new product category. Examples of category extensions are Woolite rug cleaner, Colgate toothbrushes and Nordica Skiwear.

(2). Price.

The price variable of the marketing mix refers to what the consumer must give up in exchange for a product or service. A company must be concerned with establishing a price level, developing pricing policies and monitoring consumers' and competitors' reactions to price in the marketplace. Factors a firm must consider in determining price levels include costs, demand, competition and perceived value.

(3). Channels of Distribution.

Marketing channels or the place element of the marketing mix refers to the set of interdependent organizations involved in the process of making a product available to customers. Direct channels are selling directly to the end purchaser of the product. Indirect channel arrangements are through resellers such as wholesalers, retail establishments, etc. Indirect distribution requires attention given to develop promotional programs for the trade or resellers to encourage them to stock and promote a product.

Push versus pull strategies and the factors influencing which to emphasize are important. When a promotional push strategy is used, the goal is to persuade the trade to stock, merchandise and promote a company's products by aggressively selling and promoting to resellers. Having the company's sales representatives call on resellers and offering special programs such as promotional allowances and cooperative advertising can do this.

Trade advertising in publications that serve the industry such as Progressive Grocer or Drug Store News may also be used as part of a push strategy. When a promotional pull strategy is used, the goal is to create demand among end users that will in turn encourage retailers to carry a brand. Heavy spending on consumer advertising and sales promotion are an important part of a pull strategy.

(4). Promotion.

The marketing program includes promotion both to the trade or channel members as well as to the firm's ultimate customers. The various elements of the promotional mix are used to help marketers achieve promotional objectives.

Environmental Influences on Integrated Marketing Communication

The three components of the marketing model represent "controllable factors" that can be determined and directed by management. There are, however, a number of uncontrollable forces that constitute what is generally referred to as the macro-environment or environmental influences.

(a). Demographic Environment -- important trends include:

- (1) Aging of the population; younger children in the population
- (2) Increase in number of working women and changing role of women
- (3) Changing ethnic and racial profiles
- (4) Geographic shifts in the population

(b). Economic Environment

- (1) Micro and macro economic conditions impact marketing and promotional strategies.

(c). Technological Environment -- The impact of technology

- (1) Emergence of new industries
- (2) Effects on existing industries
- (3) Effects on markets in related industries

(d). Natural Environment

- (1) Forces of nature as well as the availability of natural resources can influence demand for products and services and affect promotional strategies. For example, snowfall levels directly affect not only patronage of ski resorts but demand for skiing equipment as well.

(e). Sociocultural Environment

- (1) Changes in norms, customs, lifestyles and values influence marketing and promotion. Monitoring the sociocultural environment can spot new opportunities or threats to their products. An excellent example is how American youths are moving away from wearing athletic shoes to other types of footwear such as boots and Doc Marten shoes. This trend creates marketing opportunities for companies/brands such as Timberland and Doc Martin but poses a threat to other firms such as Nike and Reebok. Nike has responded to this threat by opening an outdoor division that makes products such as hiking boots and other rugged footwear.

(f). Regulatory Environment

- (1) Marketing decisions are constrained, directed and influenced by the laws and regulations at the local, state and federal level.

Determining Advertising and Promotional Objectives

Advertising and promotional objectives follow from a company's marketing strategy. It is important to communicate to realize that while setting good objectives can be complex and difficult, it is important for this to be done properly as specific goals and objectives are the foundation upon which all promotional decisions are

made. Despite the importance of setting specific advertising and promotional objectives, many companies fail to do so or set them in a manner that is inappropriate or inadequate for guiding the development of the promotional program and measuring its effectiveness. Part of the problem stems from the fact that many marketers are uncertain as to what advertising and promotion can or should do and/or prefer to use sales as an objective.

The Value of Objectives

One of the reasons many companies fail to set specific objectives for their advertising and promotional programs is that they fail to recognize the value of doing so.

There are several important reasons for setting advertising and promotional objectives:

Communication - Specific objectives serve as communication devices and facilitate the coordination of the various groups working on the campaign on both the agency and the client side. Problems can be avoided if all parties involved have a set of written and approved objectives to guide their decisions and actions.

Planning and Decision-Making - Specific objectives can be useful as a guide or criterion for decision making. Advertising and promotion planners are often faced with a number of strategic and tactical options in areas such as creation, media, budgeting and sales promotion. Choices among these options should be made on the basis of how well a strategy or tactic matches the promotional objective.

Measurement and Evaluation of Results - A very important reason for setting specific objectives is that they provide a benchmark or standard against which success or failure of the campaign can be measured. When specific objectives are set, it becomes easier for management to measure what has been accomplished by the campaign.

Determining Promotional Objectives

The determination of objectives for advertising and promotion occurs after a thorough situation analysis has been conducted and the marketing and promotional problems and opportunities have been identified. A thorough situation analysis is critical as this becomes the foundation upon which marketing objectives are determined and the marketing plan is developed. Advertising and promotional objectives in turn evolve from the overall marketing plan and are rooted in the firm's marketing objectives.

Marketing versus Communication Objectives

It is very important to realize the differences between marketing versus communications objectives. Marketing objectives are generally stated in the firm's marketing plan and are statements of what is to be accomplished by the overall marketing program within a given time period. Marketing objectives are usually defined in terms of specific, measurable outcomes such as sales volume, market share, profits, or return on investment. The achievement of marketing objectives will depend upon the proper coordination and execution of all the marketing mix elements, not just promotion.

Integrated marketing communication objectives are statements of what various aspects of the IMC program will accomplish. They should be based on the particular communication tasks that are required to deliver the appropriate message to the target

audience. This requires the translation of general marketing goals into communication goals and specific objectives. Many promotional planners approach promotion from a communication perspective and view the objective of advertising in particular as that of communicating information or a sales message about a product or service. However, this is not always the case and leads to the debate over sales versus communication objectives.

Sales Versus Communication Objectives

(a). Sales-Oriented Objectives.

Many marketing managers view their advertising and promotional programs from a sales perspective and argue that sales or some related measure such as market share is the only meaningful goal for advertising and thus should be the basis for setting objectives. They take the position that the basic reason a firm spends money on advertising and promotion is to sell its products or services. Thus they argue that any monies spent on advertising should produce measurable sales results.

Problems with sales-oriented approach include:

- 1) Problems in achieving sales could be a function of other marketing mix variables such as product design or quality, packaging, distribution, or price.
- 2) Problems in achieving sales could be due to other macro factors such as the economy, competition, or consumer trends.
- 3) The carryover effect which suggests that the effects of advertising on sales are not always immediate and occur over an extended time period.
- 4) Sales objectives offer little guidance or direction to those responsible for planning, developing and executing the promotional program.

While there are problems in attempting to use sales as objectives for an advertising and promotional campaign, there are situations where they may be appropriate such as:

- 1) When the promotional efforts are direct action in nature and are designed to induce a more immediate response. For example, many sales promotion programs have sales objectives since their goal is often to generate trial or a short-term sales increase.
- 2) Direct response advertising that measures success of a campaign in terms of the sales response generated by an ad.
- 3) Retail advertising where short-term or direct action is sought such as during sales or special promotions.
- 4) In situations where advertising plays a dominant role in the marketing program and other factors are relatively stable.

B. Communication Objectives.

Many marketers take the perspective that the primary role of promotional mix elements such as advertising is to communicate and effects should be based on communication objectives. Advocates of communication objectives generally use some form of the hierarchical models such as a "communication effects pyramid" as a basis for setting advertising objectives. The underlying logic of these models is that as consumers pass through successive stages of the response hierarchy they move closer to purchase, and advertising's purpose is to help move them through.

Communication Effects Pyramid. The communication effects pyramid as a way of understanding the communication tasks to be performed by advertising and promotion. The marketer must accomplish lower level objectives such as awareness and knowledge that builds a strong foundation or base. Subsequent tasks involve moving consumers to

higher levels in the pyramid so as to get them to the top where trial and regular use/repurchase occur. It is important, however, to point out that the percentage of prospective customers moved to each level will decline in most instances.

Problems with Communication Objectives. It should be noted that not all marketing and advertising managers accept the idea of using communication objectives. Accomplishing communication objectives is seen as being of value only if this results in sales. Moreover, translating a sales goal into communication objectives can be difficult. For example, what constitutes an adequate level of awareness, knowledge, liking or preference? While there are problems with communication-oriented objectives, it should be pointed out that at some point a company must determine what it hopes to communicate and to whom.

Setting Objectives for Other Parts of the IMC Program

Most of the attention in the promotional area has focused on advertising since it is often the lead element in the promotional mix and other promotional mix elements such as sales promotion, direct marketing, and publicity are used to support and complement the advertising program. Advertising-based views of marketing communications planning have dominated the field for many years. However, as more companies adopt integrated IMC they are considering how the various promotional mix tools can be used to communicate with their customers.

Advocates of IMC are calling for new approaches to promotional planning and IMC. For example, Professor Don Schultz of Northwestern University advocates the use of an outside in planning process to IMC that starts with the customer and builds backwards to the brand. Professor Tom Duncan of the University of Colorado argues

that IMC should use zero-based communications planning which involves determining what tasks need to be done and which marketing communications functions should be used and to what extent. This approach focuses on the task to be accomplished and searches for the best ideas and ways of accomplishing it. Duncan suggests that an effective IMC program leads with the marketing communication function that most effectively addresses the company's problem or opportunity.

It should be noted that the criteria discussed in determining advertising objectives are relevant to other promotional mix elements as well. A more thorough discussion of objectives for promotional mix elements such as sales promotion, publicity/public relations and personal selling is provided in the modules where these topics are covered.

The Promotional Budget

The budgeting decision is not a trivial matter. Whether the firm is spending millions of dollars or thousands, this decision will have a direct impact on the success of the communications program. Budgeting decisions are not made in isolation. These decisions require an interactive process in which the communications objectives must be taken into consideration. Likewise, the budget directly impacts the promotional mix strategies that are to be developed. Thus, both the size of the budget, and the way that it will be allocated must be given much attention. There are a variety of approaches that marketers use in establishing their budgets. These approaches can be classified as either top-down or build-up approaches.

A. Top-Down Approaches.

In these methods of budgeting, the budget is established at the "top" by management, and is passed down to the managers. Top down approaches generally include the following:

- (1). **The Affordable Method.** In this approach, the firm determines what level of advertising and promotions expenditures they feel that they can afford, and set this amount as the ad budget.
- (2). **Arbitrary Allocation.** When budgets are set through arbitrary allocation, there is no real rhyme or reason for the amount established. Said as this may seem, the truth is that for many firms this is the method employed.
- (3). **Percentage of Sales.** Perhaps the most commonly employed method of setting budgets in large firms is the percentage of sales method. As noted in the text, there are a number of variations on this method, as some firms use a flat percentage of sales figure, while others may assign a percentage of the product cost to advertising with the budget based on the number of units sold. In addition, another variation stems from which year is considered the base year for sales. One approach uses past sales histories, while the second - a percentage of projected future sales--uses projected sales figures. Many firms employ both methods, with a projection used for planning, and the final budget adjusted according to actual sales.
- (4). **Competitive Parity.** In this method, matching the percentage advertising/sales ratios of competitors sets budgets.

B. Build-up Approaches.

A more effective method of budgeting is that offered by build-up approaches. In build-up approaches, specific objectives are established, and budgets are determined based on the costs required to attain these goals. Three such approaches are:

- (1). **The Objective and Task Method.** The process involves establishing objectives, determining the specific tasks associated with attaining these objectives, and determining the costs associated with these tasks. Monitoring and re-evaluation of these steps is critical to the success of this method.
- (2). **Payout Planning.** By projecting the revenues that a product is expected to return over a period of two to three years, the marketer can develop a payout plan. Based on this expected rate of return, the marketer can assist in the determination of the advertising expenditures necessary.

Allocating the Budget

A number of factors influence marketers in their determinations as to how the budgets will be allocated. Recent years have seen a shifting of advertising dollars to promotions (though there are some indications that this trend may be reversing). A variety of factors must be considered in determining how advertising and promotional dollars will be allocated.

A. Client/Agency Policies--corporate politics, policies, etc. may all impact the allocation of advertising and promotions dollars. Agencies and advertisers may both have their preferences as to how monies will be spent.

B. Market Size--the size of the market will often determine how much money need to be allocated therein. For example, smaller markets may charge less for media time, may be more easily covered, etc. than larger ones.

C. Market Potential--**certainly** the potential of the market must be considered. The previously discussed concept of target marketing would dictate that market potential should be considered in the budget allocation decision.

D. Market Share Goals--**the** market share goals established by the firm --that is, increasing or maintaining share--will impact the allocation decision. A study by John Jones concluded that (1) new brands generally receive higher than average advertising support; (2) older, maturer brands are often "milked"--that is, advertising expenditures are reduced; and (3) there is an advertising economy of scale operating.

In another study, James Schroer suggests that to have a growing market share marketers should:

- segment markets
- determine competitor's cost positions
- resist the lure of short-term profits
- consider niching strategies

E. Economies of Scale--**some** practitioners believe that there are economies of scale that accrue to marketers holding large market shares, which allows them to spend less money due to their past successes. There is little or no evidence to support this theory, and some studies show that an opposite effect may occur.

F. Organizational Characteristics--After reviewing the literature, Low and Mohr conclude that a number of organizational factors influence the budget allocation decision. These factors include: (1) the organization's structure, (2) power and politics in the organizational hierarchy, (3) the use of expert opinions, (4) characteristics of the decision maker, (5) approval and negotiation channels, and (5) pressure on senior managers to arrive at an optimal budget.

2.2 SWOT Analysis

A scan of the internal and external environment is an important part of the strategic planning process. Environmental factors internal to the firm usually can be classified as strengths (S) or weaknesses (W), and those external to the firm can be classified as opportunities (O) or threats (T). Such an analysis of the strategic environment is referred to as a **SWOT analysis**.

The SWOT analysis provides information that is helpful in matching the firm's resources and capabilities to the competitive environment in which it operates. As such, it is instrumental in strategy formulation and selection. The following diagram shows how a SWOT analysis fits into an environmental scan:

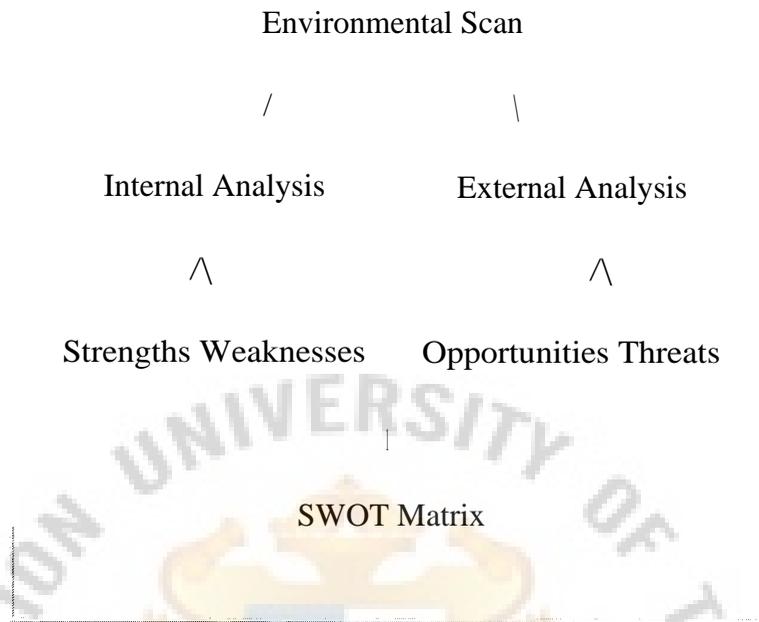


Figure 2.1. SWOT Analysis Framework.

Strengths

A firm's strengths are its resources and capabilities that can be used as a basis for developing a competitive advantage. Examples of such strengths include:

- (1). patents
- (2). strong brand names
- (3). good reputation among customers
- (4). cost advantages from proprietary know-how
- (5). exclusive access to high grade natural resources
- (6). favorable access to distribution networks

Weaknesses

The absence of certain strengths may be viewed as a weakness. For example, each of the following may be considered weaknesses:

- (1). lack of patent protection
- (2). a weak brand name
- (3). poor reputation among customers
- (4). high cost structure
- (5). lack of access to the best natural resources
- (6). lack of access to key distribution channels

In some cases, a weakness may be the flip side of a strength. Take the case in which a firm has a large amount of manufacturing capacity. While this capacity may be considered a strength that competitors do not share, it also may be considered a weakness if the large investment in manufacturing capacity prevents the firm from reacting quickly to changes in the strategic environment.

Opportunities

The external environmental analysis may reveal certain new opportunities for profit and growth. Some examples of such opportunities include:

- (1). an unfulfilled customer need
- (2). arrival of new technologies
- (3). loosening of regulations
- (4). removal of international trade barriers

Threats

Changes in the external environmental also may present threats to the firm. Some examples of such threats include:

- (1). shifts in consumer tastes away from the firm's products
- (2). emergence of substitute products
- (3). new regulations
- (4). increased trade barriers

The SWOT Matrix

A firm should not necessarily pursue the more lucrative opportunities. Rather, it may have a better chance at developing a competitive advantage by identifying a fit between the firm's strengths and upcoming opportunities. In some cases, the firm can overcome a weakness in order to prepare itself to pursue a compelling opportunity.

To develop strategies that take into account the SWOT profile, a matrix of these factors can be constructed. The SWOT matrix (also known as a **TOWS Matrix**) is shown below:

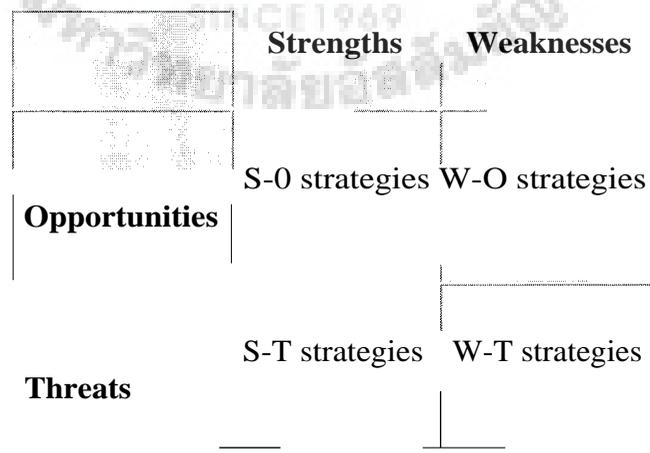


Figure 2.2. SWOT / TOWS Matrix.

- (1). **S-O strategies** pursue opportunities that are a good fit to the companies strengths.
- (2). **W-O strategies** overcome weaknesses to pursue opportunities.
- (3). **S-T strategies** identify ways that the firm can use its strengths to reduce its vulnerability to external threats.
- (4). **W-T strategies** establish a defensive plan to prevent the firm's weaknesses from making it highly susceptible to external threats.

2.3 Introduction to Porter's 5 Forces

The model of the Five Competitive Forces was developed by Michael E. Porter in his book "Competitive Strategy: Techniques for Analyzing Industries and Competitors" in 1980. Since that time it has become an important tool for analyzing an organizations industry structure in strategic processes.

Porters model is based on the insight that a corporate strategy should meet the opportunities and threats in the organizations external environment. Especially, competitive strategy should based on an understanding of industry structures and the way they change.

Porter has identified five competitive forces that shape every industry and every market. These forces determine the intensity of competition and hence the profitability and attractiveness of an industry. The objective of corporate strategy should be to modify these competitive forces in a way that improves the position of the organization. Porters model supports analysis of the driving forces in an industry. Based on the information derived from the Five Forces Analysis, management can decide how to influence or to exploit particular characteristics of their industry.

2.3.1 The Five Competitive Forces

The Five Competitive Forces are typically described as follows:

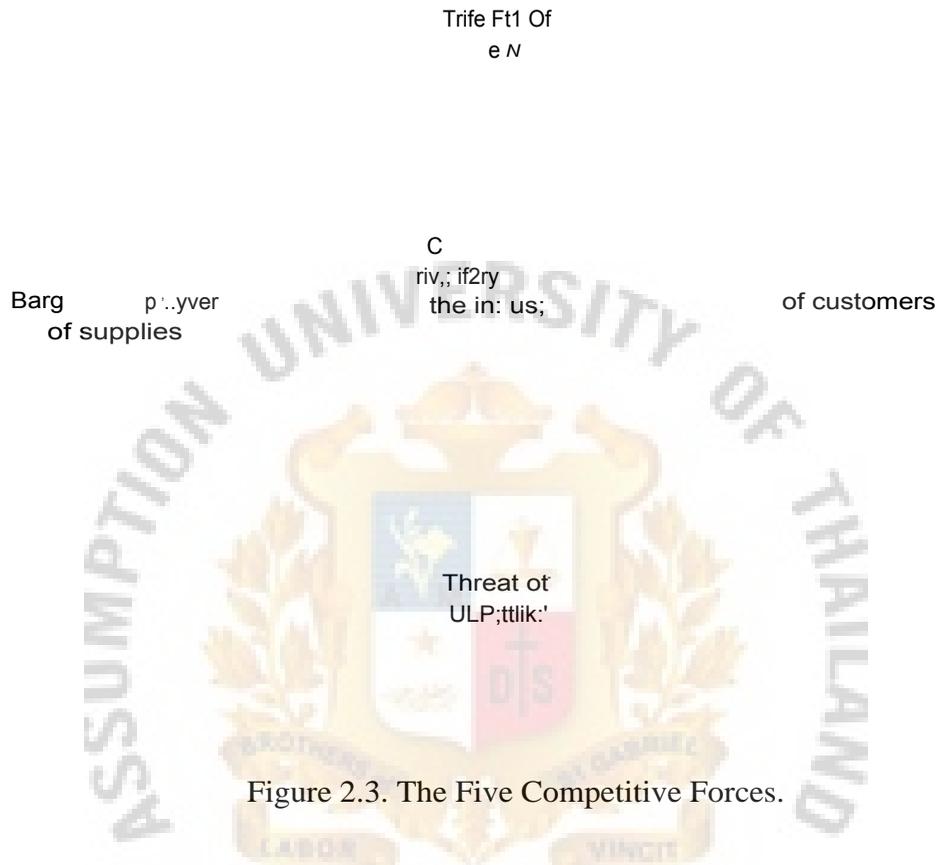


Figure 2.3. The Five Competitive Forces.

2.3.1.1 Bargaining Power of Suppliers

The term 'suppliers' comprises all sources for inputs that are needed in order to provide goods or services.

Supplier bargaining power is likely to be high when:

- The market is dominated by a few large suppliers rather than a fragmented source of supply,
- There are no substitutes for the particular input,
- The suppliers customers are fragmented, so their bargaining power is low,
- The switching costs from one supplier to another are high,

There is the possibility of the supplier integrating forwards in order to obtain higher prices and margins. This threat is especially high when

- o The buying industry has a higher profitability than the supplying industry,
- o Forward integration provides economies of scale for the supplier,
- o The buying industry hinders the supplying industry in their development (e.g. reluctance to accept new releases of products),
- o The buying industry has low barriers to entry.

In such situations, the buying industry often faces a high pressure on margins from their suppliers. The relationship to powerful suppliers can potentially reduce strategic options for the organization.

2.3.1.2 Bargaining Power of Customers

Similarly, the bargaining power of customers determines how much customers can impose pressure on margins and volumes.

Customers bargaining power is likely to be high when

- They buy large volumes, there is a concentration of buyers,
- The supplying industry comprises a large number of small operators
- The supplying industry operates with high fixed costs,
- The product is undifferentiated and can be replaced by substitutes,
- Switching to an alternative product is relatively simple and is not related to high costs,
- Customers have low margins and are price-sensitive,
- Customers could produce the product themselves,
- The product is not of strategical importance for the customer,

- The customer knows about the production costs of the product
- There is the possibility for the customer integrating backwards.

2.3.1.3 Threat of New Entrants

The higher the competition in an industry will be, the easier it is for other companies to enter this industry. In such a situation, new entrants could change major determinants of the market environment (e.g. market shares, prices, customer loyalty) at any time. There is always a latent pressure for reaction and adjustment for existing players in this industry.

The threat of new entries will depend on the extent to which there are barriers to entry. These are typically

- Economies of scale (minimum size requirements for profitable operations),
- High initial investments and fixed costs,
- Cost advantages of existing players due to experience curve effects of operation with fully depreciated assets,
- Brand loyalty of customers
- Protected intellectual property like patents, licenses etc,
- Scarcity of important resources, e.g. qualified expert staff
- Access to raw materials is controlled by existing players,
- Distribution channels are controlled by existing players,
- Existing players have close customer relations, e.g. from long-term service contracts,
- High switching costs for customers
- Legislation and government action

2.3.1.4 Threat of Substitutes

A threat from substitutes exists if there are alternative products with lower prices of better performance parameters for the same purpose. They could potentially attract a significant proportion of market volume and hence reduce the potential sales volume for existing players. This category also relates to complementary products.

Similarly to the threat of new entrants, the treat of substitutes is determined by factors like

- Brand loyalty of customers,
- Close customer relationships,
- Switching costs for customers,
- The relative price for performance of substitutes,
- Current trends.

2.3.1.5 Competitive Rivalry between Existing Players

This force describes the intensity of competition between existing players (companies) in an industry. High competitive pressure results in pressure on prices, margins, and hence, on profitability for every single company in the industry.

Competition between existing players is likely to be high when

- There are many players of about the same size,
- Players have similar strategies
- There is not much differentiation between players and their products, hence, there is much price competition
- Low market growth rates (growth of a particular company is possible only at the expense of a competitor),

— Barriers for exit are high (e.g. expensive and highly specialized equipment).

2.3.2 Use of the Information from Five Forces Analysis

Five Forces Analysis can provide valuable information for three aspects of corporate planning:

Statical Analysis:

The Five Forces Analysis allows determining the attractiveness of an industry. It provides insights on profitability. Thus, it supports decisions about entry to or exit from an industry or a market segment.

Moreover, the model can be used to compare the impact of competitive forces on the own organization with their impact on competitors. Competitors may have different options to react to changes in competitive forces from their different resources and competences. This may influence the structure of the whole industry.

Dynamical Analysis:

In combination with a PEST-Analysis, which reveals drivers for change in an industry, Five Forces Analysis can reveal insights about the potential future attractiveness of the industry. Expected political, economical, socio-demographical and technological changes can influence the five competitive forces and thus have impact on industry structures.

Useful tools to determine potential changes of competitive forces are scenarios.

Analysis of Options:

With the knowledge about intensity and power of competitive forces, organizations can develop options to influence them in a way that improves their own competitive position. The result could be a new strategic direction, e.g. a new positioning, differentiation for competitive products or strategic partnerships (see section 4).

Thus, Porter's model of Five Competitive Forces allows a systematic and structured analysis of market structure and competitive situation. The model can be applied to particular companies, market segments, industries or regions. Therefore, it is necessary to determine the scope of the market to be analyzed in a first step following, all relevant forces for this market are identified and analyzed. Hence, it is not necessary to analyze all elements of all competitive forces with the same depth.

The Five Forces Model is based on microeconomics. It takes into account supply and demand, complementary products and substitutes, the relationship between volume of production and cost of production, and market structures like monopoly, oligopoly or perfect competition.

2.3.3 Influencing the Power of Five Forces

After the analysis of current and potential future state of the five competitive forces, managers can search for options to influence these forces in their organization's interest. Although industry-specific business models will limit options, their own strategy can change the impact of competitive forces on the organization. The objective is to reduce the power of competitive forces.

The following figure provides some examples. They are of general nature. Hence, they have to be adjusted to each organization's specific situation. The options of an organization are determined not only by the external market environment, but also by its own internal resources, competences and objectives.



Table 2.1 Example use of Five Forces Analysis.

2.1 Reducing the Bargaining Power of Suppliers

- Partnering
- Supply chain management
- Supply chain training
- Increase dependency
- Build knowledge of supplier costs and methods
- Take over a supplier

2.2 Reducing the Bargaining Power of Customers

- Partnering
- Supply chain management
- Increase loyalty
- Increase incentives and value added
- Move purchase decision away from price
- Cut powerful intermediaries (go directly to customer)

2.3 Reducing the Treat of New Entrants

- Increase minimum efficient scales of operations
- Create a marketing / brand image (loyalty as a barrier)
- Patents, protection of intellectual property
- Alliances with linked products / services
- Tie up with suppliers
- Tie up with distributors
- Retaliation tactics

2.4 Reducing the Threat of Substitutes

- Legal actions
- Increase switching costs
- Alliances
- Customer surveys to learn about their preferences
- Enter substitute market and influence from within
- Accentuate differences (real or perceived)

2.5 Reducing the Competitive Rivalry between Existing Players

- Avoid price competition
- Differentiate your product
- Buy out competition
- Reduce industry over-capacity
- Focus on different segments
- Communicate with competitors

2.3.4 Critique

Porter's model of Five Competitive Forces has been subject of much critique. Its main weakness results from the historical context in which it was developed. In the early eighties, cyclical growth characterized the global economy. Thus, primary corporate objectives consisted of profitability and survival. A major prerequisite for achieving these objectives has been optimization of strategy in relation to the external environment. At that time, development in most industries has been fairly stable and predictable, compared with today's dynamics.

In general, the meaningfulness of this model is reduced by the following factors:

- In the economic sense, the model assumes a classic perfect market. The more an industry is regulated, the less meaningful insights the model can deliver.
- The model is best applicable for analysis of simple market structures. A comprehensive description and analysis of all five forces gets very difficult in complex industries with multiple interrelations, product groups, by-products and segments. A too narrow focus on particular segments of such industries, however, bears the risk of missing important elements.
- The model assumes relatively static market structures. This is hardly the case in today's dynamic markets. Technological breakthroughs and dynamic market entrants from start-ups or other industries may completely change business models, entry barriers and relationships along the supply chain within short times. The Five Forces model may have some use for later analysis of the new situation; but it will hardly provide much meaningful advice for preventive actions.

St. Gabriel's Library, Au

The model is based on the idea of competition. It assumes that companies try to achieve competitive advantages over other players in the markets as well as over suppliers or customers. With this focus, it does not really take into consideration strategies like strategic alliances, electronic linking of information systems of all companies along a value chain, virtual enterprise-networks or others.

Overall, Porters Five Forces Model has some major limitations in today's market environment. It is not able to take into account new business models and the dynamics of markets. The value of Porters model is more that it enables managers to think about the current situation of their industry in a structured, easy-to-understand way — as a starting point for further analysis.

2.4 The Concept of Customer Satisfaction

The concept of customer satisfaction has a long history in marketing thoughts. Since Cardozo's (1965) initial study of customer effort, expectations and satisfaction, the body of work in this field has expanded greatly, with more than 900 articles focusing on customer satisfaction and dissatisfaction, and complaining behavior in 1982-1990 alone (Perkins, D. S. 1991). Studies of consumer behavior emphasize customer satisfaction as the core of the post purchase period. Because customer satisfaction presumably leads to repeat purchases and favorable word-of-mouth publicity, the concept is essential to marketers. In saturated markets customer satisfaction is thought to be one of the most valuable assets of a firm. Customer satisfaction serves as an exit barrier, thereby helping the firm to retain its customers (Fornell, C. 1992). The impact of loyal customers is considerable; for many industries, the profitability of a firm increases proportionally

with the number of loyal customers and up to 60% of sales to new customers can be attributed to word-of-mouth referrals (Reichheld, F. F., Sasser, W. E. 1990). Frequently presented as a promising tool for increased customer satisfaction, total quality management (TQM) has entered the vocabulary of business and industries, governments and public services around the world. Sashkin and Kiser argued that TQM implies that the organization's culture is defined by and supports constant attainment of customer satisfaction through an integrated system of tools, techniques and trainings (Gundersen, M. G., Heide, M., Olsson, U. H. (1996). This involves continuous improvement of organizational processes resulting in high-quality products and services.

2.4.1 Customer satisfaction

Customer satisfaction is a mental state which results from the customer's comparison of a) expectations prior to a purchase with b) performance perceptions after a purchase (cf. Oliver 1993, Oliver 1996, Westbrook 1987, Westbrook & Oliver 1991). A customer may make such comparisons for each part of an offer ("domain-specific satisfaction") or for the offer in total ("global satisfaction"). In the satisfaction literature, customer satisfaction usually refers to the latter type of outcome. Moreover, this mental state, which researchers view as a cognitive judgment, is conceived of as falling somewhere on a bipolar continuum bounded at the lower end by a low level of satisfaction (expectations exceed performance perceptions) and at the higher end by a high level of satisfaction (performance perceptions exceed expectations).

The definition of Customer Satisfaction is complex. Locke (1969) defines it as "a pleasurable or positive emotional state resulting from the appraisal of one's job and as a function of the perceived relationship between what one wants from one's job and what one perceives it as offering or entailing". Breakdown of the key words in this definition

can be categorized into (a) emotion, (b) appraisal, (c) expectation and (d) perception which forms the customer satisfaction process. Based on this definition, various modern theoretical frameworks evolve from the satisfaction and dissatisfaction influencing factors that nature into the objectives of modern business philosophies.

Parasuraman (1988 and 1990) states the key premise to customer satisfaction is the prerequisite understanding of customer satisfaction and delivering of superior service as the customer compares perceptions with expectations when judging a firm's service. One of the key influences of the customer's expectations is price and they believe that the more they pay, the better the service should be. Nonetheless, low price with high quality adds on to her satisfactions if the customers perceive the value of the products/services to be higher than what they pay. This premise however depends on the communication, image of the firm, flow of information to the customers and the delivery of the promise the firm made to the market.

Oliver defined customer satisfaction in the disconfirmation paradigm using two other cognitive variables being pre-purchase expectation and disconfirmation. Pre-purchase expectations are beliefs about anticipated performance of the product/service while disconfirmation is the difference between the pre-purchase expectations and the perceptions of post-purchase. Satisfaction may best be understood as an evaluation of the surprise inherent in a product acquisition and/or consumption experience.

Based on Olive's "Cognitive Antecedents and Consequences of Satisfaction Model", the inter-related behavior and cognitive variables are the function of the following areas:

Kotler, (1994): Obviously, customers will be satisfied if they get what they want, when, where they want and how they want. This does not mean that a service provider will be able to meet the customer's wishes. The service provider faces a trade-off between customer satisfaction and company profitability. The service as the intangible product is a tool which can satisfy the customer's needs. Then, it can be simply concluded that the service and satisfaction are highly correlated. It is not only the service alone, but quality. Service quality is the key to satisfy the customer's needs.

From the above widely used definitions, it can be implied that the outcome of "perceived value-experience" comparison process is the key premise in judging customer satisfaction, which will also be measured in this study. This comparison process is therefore related to the intertwined relationship between service/product quality and customer satisfaction.

2.4.2 Customer satisfaction and repurchase intentions

It should be noted that customer satisfaction (a mental state) cannot have any direct impact on customer profitability. It is the *behavior* of the customer, which may follow from a certain level of satisfaction, that affects customer profitability.

Consequently, a number of variables which are assumed to be a) consequences of customer satisfaction and b) predictors of profitability have been suggested in the literature. These include loyalty, word-of-mouth, price sensitivity, feedback to the supplier, and job satisfaction among the supplier's personnel (Anderson et al 1994, Peppers & Rogers 1997, Reichheld 1996). In this study, however, focus is on a particular class of variables related to purchasing patterns. In the customer satisfaction literature, one particular purchase-related variable dominates: repurchase intentions.

Several studies have shown that a positive association is at hand between customer satisfaction and intentions to purchase again from the supplier who was responsible for the initial level of satisfaction (Anderson & Sullivan 1993, Biong 1993, Bloemer & Kasper 1994, Jones & Sasser 1995, LaBarbera & Mazursky 1983, Macintosh & Lockshin 1997, Soderlund 1998, Taylor & Baker 1994).

The main rationale behind this link may be stated as follows: a behavioral intention is a function of a) the customer's expectation that the performance of a specific behavior will lead to a certain outcome and b) the positive or negative evaluation of this outcome (Ryan 1982). With this view, there are two ways in which satisfaction may affect repurchase intentions. First, given that the customer is satisfied, satisfaction serves to narrow the variance in expectations (Anderson & Sullivan 1993). This, in turn, is likely to reduce uncertainty and provide cognitive economy in future choices, which may be important objectives. Second, given again that the customer is satisfied, the result is positive evaluations. Hence, a positive association between customer satisfaction and repurchase intentions is assumed.

2.4.3 Customer Satisfaction and Loyalty

The work of Coyne as well as Oliver and colleagues indicates a non-linear relationship involving two thresholds. Figure 2.2 indicates that improvements in satisfaction levels initially result in a large increase in loyalty (i.e. the slope is quite steep until it hits the first threshold point) because basic expectations and needs are being met. Between the two threshold points, however, there is little if any increase in loyalty when satisfaction is increased. It is not until the second threshold is exceeded that researcher see significant improvements in loyalty again (steep slope to the curve). The distance between the two thresholds is thought to be wider when the customer has a

high investment in the relationship (i.e. monetary or psychological investment) because it will take more than one or two less than satisfactory service encounters for them to defect or switch to a competitor. Conversely where the customer has a low investment then the threshold region is likely to narrow. This analysis suggests that a firm is vulnerable if performing below the first threshold level, but in a strong competitive position if it can perform beyond the second threshold.

2.5 Revisiting the marketing mix

Authors such as Stanton, Etzel & Walker (1991:13); McCarthy & Perreault (1993:46); and Kotler & Armstrong (1997:52) agree that the traditional marketing mix has been defined as a set of controllable instruments to manage the uncontrollable and dynamic marketing environment and consists of four major elements ("Ps"): price, product, promotion or marketing communication, and place (distribution).

McCarthy's original classification (of the 4Ps) is especially useful from a pedagogical point of view. "Nevertheless, the feeling remains that some other classifications, still to be born, will develop better conceptual distinctions among the large variety of marketing decision variables" (Kotler, 1989:10).

2.5.1 Other criticisms

Other criticism against McCarthy's 4P-model exists. According to Liswood (1987:73-77) and Gronroos (1994:4) the 4Ps focuses on consumer acquisition. Acquisition is important, but marketing emphasis has to move to the retention of consumers and managing customer loyalty - an important application to sport marketing is that sponsorships might be aimed at increasing loyalty among fans, spectators and even participants towards events, teams and individual athletes.

According to Donath (1991:14) there is an overemphasis on price and product as marketing instruments and an under-emphasis on place and promotion. A danger exists that organisations will therefore make a misallocation of organizational resources between the four marketing mix instruments (Chintagunta & Vilcassim, 1994:87). The 4Ps of McCarthy was acceptable in the past but increasing criticism places the need to review and extend McCarthy's model (Van Waterschoot & Van den Bulte, 1992:83-93).

Van Waterschoot & Van den Bulte (1992:83-93) did an evaluation on McCarthy's 4Ps and suggested a new classification which can be applied more effectively for theoretical development, empirical research and management decision-making. The basic findings of their evaluation are:

- The marketing mix consists of a basic mix (product, price, distribution, and communication). The communication mix consists of mass communication, personal communication, and publicity instruments or elements; and
- A promotion mix which consists of a product promotion mix, a price promotion mix, a distribution promotion mix, a mass communication promotion mix, a personal promotion mix, and a publicity promotion mix.

These views indicate some discomfort with McCarthy's traditional 4Ps-model. One of the possibilities might be that the Ps need to be extended to enable management to adapt quicker to a fast changing environment.

2.5.2 New Ps

Due to the strong development of other marketing applications, new dimensions such as services marketing originated should not be ignored. The 4P-model should not

only apply to product and/or production organizations, but should therefore also apply or be modified to address non-product activities such as services and sport. The retail marketing mix is another application that comes to mind when revisiting the marketing mix - there is no real agreement in marketing texts on whether a different mix exists in retail marketing strategy and practices.

It must be pointed out that a marketing application field is regarded as a specialized derivation of the traditional marketing approach. For example, the marketing of services is a derivation of traditional marketing but the focus of marketing strategy has been adapted to fit the specific characteristics of services such as intangibility and heterogeneity. The same would apply to sport marketing where the marketing situation differs from that of services marketing but many similarities exist such as the relative intangibility of sport as a product.

Mitchell (1991:21) says that "marketers have been groping towards a bigger whole - they increasingly cross over into other functional specialisms". This is perhaps one of the reasons why marketing texts differ on the exact composition of the marketing communication mix. Mitchell (1991:21) adds that marketers are also more and more concerned by the way the whole organization presents itself to its different stakeholders. It can therefore be expected that corporate and brand image might be important sponsorship objectives and that the functional cross-over will increasingly overlap between marketing and public relations.

This "groping" contributed to the proliferation of a conglomerate of "Ps" because in many application fields additional marketing mix instruments have been developed to suit strategy implementation and to make the application of marketing strategy more

suitable to the specific marketing situation in a given field or industry. A case in point is Mullin *et al* (1993:203 & 247) who have added promotional licensing to the promotion mix and public relations as a separate "P" to the four traditional "Ps" in an attempt to define a sport marketing mix.

A brief review of literature by Herbst & Van Heerden (1995:1-15) identified a considerable number of other Ps - as outlined in Table 2.1. Some of these newly identified Ps do not fall into the ambit of the original 4P-model. Collier (1991:45) warns though, that any additional Ps should have to broaden management perspectives towards a wider spectrum of service delivery and product augmentation. Newer marketing concepts are forcing marketers to realize that traditional marketing methods are no longer as effective as they used to be, and the search is on for new and more appropriate methods. Internet marketing and relationship marketing are some of the most talked about "new concepts" judged by the increasing number of research reports in reputable academic journals. Shani & Chalasani (1993:58) argue that the 4P-model suddenly seems to be outdated.

2.2.3 The new range of "Ps"

The lack of agreement on the composition of the marketing mix and the fact that it was developed for tangible products are important factors which have probably led to the proliferation of a large number of additional marketing mix elements (e.g. people, process and physical evidence for services marketing). A literature study was done to identify the existence of a possible sport marketing mix. The rationale was that if such a mix existed, the contextualization should be examined to determine relevance to South African sport marketing thought and to serve as a foundation for applied research. Table 2.1 summarizes the result of the desk search and illustrates the elaboration of new "Ps".

In an effort to develop an extended model of Ps, each newly identified P has to be critically evaluated. This evaluation has to be done against the background of the existing set of marketing instruments and the fact that the marketing instruments are regarded as factors that are controllable. Kotler (1992:50-52) coins the idea of "a new paradigm" in marketing — he emphasizes that organizations need to practice "wrap-around marketing", which encompasses both getting and retaining customers. Organizations should therefore build stronger relationships with their profitable customers. Gronroos (1994:4-20) strengthens Kotler's suggestions by arguing that trends in business and modern research into industrial marketing, services marketing and customer relationship economics, demand a relationship oriented approach to marketing. These views could be of relevance to sport marketing. Pruden (1995:15) commented a while back that retention marketing has yet to progress beyond a topic for articles and speeches.

III. SITUATION ANALYSIS

Nowadays, the price of corn is falling and that causes a huge damage to producers. Therefore, they modify corns to be corn milk and large number of consumers accept it. The falling price of corns stimulates the market to focus more on corn milk. Many producers imitate corn milk products and sell them at competitive price. Moreover, people tend to be more health conscious than in the past.

These factors make corn milk market grow rapidly and continuously but the producers of corn milk are not enough. Presently corn milk is still in the introduction period and it has a high potential to grow. Since there is an opportunity to get into corn milk market, the product is now more available in the market place than in the past.

Even the market has open opportunities, the company needs to analyze the current situation further in order to understand it better, which results in higher chance of success in the market for the company

3.1 Five forces *

Threat of New Entrants:

Economies of scale

The company's production capacity at the beginning is lower than other existing firms so the company is at a disadvantage compared with them. But the company can change this drawback through a learning curve.

Product Differentiation

Corn milk is not much different from other brands.

Capital Requirement

Low capital is required to build production facilities, thus it is easy to establish this particular business.

Access to Distribution Channels

It is difficult for the company as a new entrant to contact distribution channels than other existing firms that have already developed relationship with them.

Government Policy

Thai Government gives financial support for new SMEs to increase the accessibility to new businesses. This is also a good opportunity for the company to receive assistance from the government.

There is a low entry barrier showing less obstruction to enter this business. It easily attracts many new investors at the expense of existing firms.

Rivalry among Existing Firms:

Number of competitors

There are a few number of small-sized producers competing in corn milk industry.

Rate of industry growth

Since the growth rate of milk industry is 4 percent, it is high enough for the company to earn market share.

Product or service characteristics

Corn milk is considered as a commodity since its characteristics are quite the same as corn but different in forms of taste.

Amount of fixed cost

Low fixed cost creates low risk for the company.

Capacity

The Company is in the beginning stage so capacity is less than other existing firms.

Height of exit barriers

Production facilities can be used elsewhere, thus it demonstrates low exit barriers. If it shows some signals of bankruptcy, the company can move to new business by using existing facilities.

Diversity of rivals

There is low degree of competition for this corn milk industry since it is considered as a new industry niche market.

Threat of substitute products or services:

As people become more health conscious, present products and services are available to serve this special need. There are many nutrition drinks that satisfy health-conscious consumers such as herbal, and fruit beverage, etc. Substitute drinks are widely available which can be a threat to the company.

Bargaining power of suppliers:

Corn suppliers

Since there are a large number of farmers selling corn and corn prices are low due to large quantity. The company is at a competitive advantage as a buyer. But it requires only specific type of corns and there is no substitute product for corn. Furthermore, corn suppliers are able to integrate forward and become direct competitors therefore the bargaining power of suppliers is quite high.

Bottles suppliers

Bargaining power of bottle suppliers is low since there are many bottle producers available, which incur low switching cost for the company. Glass or plastic boxes can be replaced for the plastic bottles.

Bargaining power of Buyers:

There are many situations that the bargaining power of buyers is low. First the potential to integrate backward by consumers producing corn milk themselves is low. The consumers do not want to produce corn milk themselves because the production process is time-consuming and the specific type of corn is difficult to find in the market. Second, there are not many competitors in the corn milk market and most of them produce in small quantity. Third, it is difficult to find ready corn milk in the market and the price of corn milk is inconsistent. Lastly, the demand of corn milk is more than supply. The suppliers of corn milk are not many and the quantity that they produce corn milk is still small compared to customers' needs.

There is only one situation that the bargaining power of buyers is high that is the customers purchase corn milk in a small proportion because the expiry dates of the product is short.

3.2 SWOT ANALYSIS of the Company

Strengths:

Corn milk is one of the organic food products, which has high protein, carbohydrate, edible fiber and Beta-carotene. Normally, in another milk like Cow milk, there is no herbal substance like edible fiber and Beta-carotene.

The company plans to outsource corns directly from farmers so that the quality of raw material can be controlled by the company's quality inspector every three months.

The advertising campaign will be settled to increase brand awareness comparing to company's direct competitors such as Madam Mon's Farm and Rossunan that never advertise their corn milk products through the media.

The distribution has more incentive compared to the company's competitors. There is an opportunity for our company to reach potential consumers.

Weaknesses:

Since the company is a new comer in the corn milk market, the degree of brand awareness of company's product is relatively low compared with that of the competitors and the company does not have extensive knowledge of the market as well as its competitors' do.

The distribution channels are unable to cover all potential markets over Thailand since company's target group is Bangkokian. As the company has not developed strong distribution channels, in the short run the company will be at a disadvantage compared to its competitors.

Since its product is pasteurized corn milk, it lasts only 10-15 days in refrigerator or cold weather.

Opportunities:

Presently, the government provides funds to one product one village campaign and SMEs to develop the economy. Therefore the company will benefit from this policy.

There is no intensive competitor in corn milk market so the company can compete in the market without cut-price strategy.

There are few competitors in corn milk market that are of the same size as the company so it is easy for the company to get market shares.

Trend of people who concern about their health is increasing.

Most of the company's competitors are family owned businesses, which aim to produce in small units and sell locally but Deli Corn Co.,Ltd. is set up as an organization, which specializes in producing at large volume.

As the price of corns has been falling in recent years, the producers modify corns into corn milk. So the company can increase the mark up price and its profit.

Threats:

The competitors can easily enter into corn milk market because the product is easy to produce.

The competition of consumer goods is very intensive because most of the customers are price sensitive. Therefore, the entrepreneurs have to concern more on their cost and price of the products to fight with their competitors.



3.3 Competitor Analysis

Madam Mon's Farm (Direct competitor)

Strengths:

The product is produced and transported to the market within one day showing its freshness.

The exhibition is used to introduce corn milk to consumers and retailers. They can directly contact and get any further information from Madam Mon.

Madam Mon has her own cornfields to harvest corn, so the cost of production is lesser than buying from the suppliers.

Madam Mon's business has many products such as crispy bananas, sticky rice in bamboo, and corn milk in order to diversify risks as well as increase profits.

Weaknesses:

The product's expiry date is short, which is 15 days after the product is produced. It is easy to duplicate the product because the production process is simple and raw materials are readily available in the market.

Madam Mon's Farm does not have advertising campaign to create brand awareness to the customers.

The products are not widely available in convenient stores and supermarkets.

There is no relationship between producer and wholesalers because the product is transported directly to retailers. The producer would receive order from the retailers.

Lactasoy Milk (Indirect competitor)

Strengths:

The ingredients of product contain all nutrients and vitamin such as Vitamin A, Vitamin B, Calcium and Iron. These nutrients are good for people's health. It also has fibers that can facilitate digestion and prevent cancer. The product has no cholesterol and helps to prevent heart disease.

Lactasoy has been produced by UHT processing which keeps the product fresh over a long time.

The company has a strong relationship with its distributors and its customers, because the company is the first and the leader of soymilk producer in Thailand.

The company has maintained its reputation through sincerity with its business partners.

The company always updates new technology to develop and ensure the product quality.

Organization team works in the company that leads the company achieve its objective effectively.

Weaknesses:

According to the report recently published by Thai Farmers Researcher (TFRC), most of the soybeans contain genetically modified organisms (GMOs) substance which is harmful to the human body. Therefore, other cereal beverage, corn milk, is considered as a good substitute product.

The number of soybean organic farming (non-GMO soybean suppliers) is very few in the market and they usually supply soybean with high price. Therefore, the production cost of the soymilk producers will be increased.

Cow's milk (Indirect competitor)

Strengths:

Demand of dairy milk is over supply. This means that the producers of dairy milk can be sure that their products can be sold in the market.

There are various kinds of milk's flavors available for the selection.

Target group is getting wider since people of all ages are interested to drink milk.

The dairy milk is more available in almost every area.

Weaknesses:

Drinking milk can cause diarrhea to people who lack lactose enzymes.

There are many substitute products such as corn milk, soybean milk, cereal milk, etc.

Production cost is higher compared to other substitute products.

Brown Rice Beverage (Substitute Product)

Strengths:

Brown rice beverage is one of the organic food products, which is suitable for those who are health consciousness because of its various Vitamins and Calcium from brown rice.

Presently, there are six types of flavors of brown rice beverage, Natural, No sugar added, Soil bean added, Sweet, Chocolate, and Strawberry to satisfy the customer's preference.

Most of the brown rice beverage companies obtain the permission from Foods and Drugs Association (FDA), so the customer can assure about the product.

Brown rice beverage is produced by sterilized process so the product can be kept for three months without being stored in the refrigerator.

Weaknesses:

Most of the brown rice beverage companies do not have enough money to invest in advertising and also in promotional field so the customers do not know that this product has already existed in the market.

Brown rice beverage is distributed at only Tanghuaseng Banglumpoo, Golden Place, Lemon Farm and specialty shops at Rama 9 Rd. and Soi Aree. It is inconvenient for customers to purchase the product when they need.

IV. ANALYZE EXISTING MARKETING STRATEGIES

Within the corn milk industry, there are a great many players in the market, each one is trying to do whatever they can to be better than the others at getting customers. The market has numerous competitors.

This chapter focuses on analyzing the existing marketing strategies within the context of the 4P's of the marketing mix, which include product, price, place (or channels), and promotion. These will be discussed in the following sections below.

4.1 Product

Corn milk is a healthy product that has a low variety of product lines. The corn milk is processed and packaged in almost similar fashion for all companies in the corn milk market. This low variety of corn milk products and corn milk product packaging do not really satisfy customers; in addition, customers cannot differentiate between products or really remember any of the brands, which is mainly because of all the similarities.

4.2 Price

The price of the corn milk is usually the same for all companies, which results in no differentiation. Also, the competing companies of corn milk focus on price, which creates a situation in which the competition is waged on price and therefore the resulting profits for everyone is low. The situation could be said to be similar to price wars, since the products are quite similar.

4.3 Place

There are few places that carry corn milk, which makes it difficult for customers to find the corn milk products when they want to purchase them. The reason for this is due to the channeling strategy that is employed. The company uses an exclusive channeling strategy that limits the areas by which the corn milk products are distributed and sold.

4.4 Promotion

Most of the promotions that are done in the market place usually revolve around 'hot sales' — for example, decreasing the price dramatically for a short period of time in order to boost sales. These tactics will grab customers, but only in the short-term periods. The reason is that most customers who buy corn milk products at the time of the 'hot sales' are responding to the very low price, instead of actually wanting to buy and drink corn milk products.

V. DEVELOPING NEW MARKETING SHORT-TERM STRATEGIES

Deli corn's short-term marketing strategies are designed for 1 year implementation. The reason why short-term plan for the company is 1 year plan is because in the beverage industry there are many both direct and indirect competitors moving in all the time, which cause the marketing plan to be valid only for a short period of time.

5.1 Product strategy :

Objectives

- To provide clean and tasty corn milk drinks in bottle packages.
- To provide nutrition value cereal drink serving health conscious consumers.

The company also takes societal markets concept into account by preserving and enhancing the consumer and the society's well being.

Packaging

The secondary data show that consumer prefer to purchase corn milk in bottle, thus the company purposes to provide corn milk drink in 200 cc. bottle packages. Foam boxes will be used as secondary package controlling temperature about 3-5 Degree Celsius.

Product strategy

Corn milk drinks are derived from squeezing 100% fresh corn from the farms without preservation and chemical added. The company emphasizes health-conscious campaign and corn milk drinks contain Beta-Carotene and Anti-Oxidant to prevent cancer.

Brand name

The company decides to use its individual name. Its corn milk drinks is branded "Mai-Ze" to convey attributed benefit, values, personality to the buyers. Mai-Ze is selected because it represents pure corn and this brand conveys luxurious meaning that the product comes from foreign countries that create good image for the company. It reflects the attitude of drinkers to become younger. It is capable of registration and legal protection.

Labeling

The identification of brand names both Thai and English will be presented.

- It has unique graphic design.
- It has ingredient and nutrition information.
- It identifies where it was made, when it was made and would expire.
- It describes how to preserve the product.
- It also contains Food and Drug Administration's approval.

Positioning Map

The company uses user positioning by positioning the product as the best for some consumers group who are health-conscious. Majority of them are mature people.

5.2 Pricing Strategies:

Pricing objective

To increase market share and gain higher profit in the long run by using maximum current revenues.

Pricing method

The company uses going-rate pricing to price corn milk, which follows competitors' prices because the cost is difficult to measure. The selling price of corn milk is the same as many competitors at 12 Baht.

The selling price of corn milk is 12 Baht at each outlet. Central, The Mall, Lemon farm and Golden place will get some profits from the company. The company uses salespersons to sell corn milk at Lumpinee Park and Benjasirikit Park, and pays 3,000 Baht per month and 5 percent of profit as a commission to them.

5.3 Place Strategy :

The company aims to achieve efficiency in making corn milk drink widely available and accessible to target market.

Objectives:

- To have market coverage over Bangkok metropolitan for the first five years and after five years the products will be available over vicinity.
- To deliver the product to consumers in fresh condition and provide on-time delivery services.
- To create sales volume up to the company's sales forecast by distributing the product through channel members.

Distribution strategy

The company uses selective distribution strategy because the company is a new entrant and has inadequate financial resources. The company can use this strategy in

order to save cost. The strategy also can help it to control over distribution channel. The company applies zero level channels and one channel as follows.

Zero-level channel:

The company is the manufacturing company, which owns outlets such as kiosks and booths. It use its sellers to sell products to consumers.

One-level channel:

The company uses retailers such as Golden Place and Lemon Farm.

Number of outlets

The company distributes corn milk through Golden Place, Lemon Farm, The Mall, Central Department store, Lumpinee Park and Emporium. Golden Place has four branches: Tanon Chan, CP Tower Silom, Rama IX, and Sukapiban III. The company does not have to pay entrant fees, but Golden Place will charge 25 percent from the profit.

Lemon farm has six branches: Rama IV, Kasate, Phetkasem 57, Ramkhamhaeng, Sukumvit 39, and Lad Prao. The company does not have to pay entrant fees, but Lemon Farm will take 25 percent from the profit.

Central has four branches: Lad Praoo, Bangna, Chitlom, and Pinklow. The company will set the kiosks in these four branches and they will take 30 percent from the profit. The company also gives 3,000 Baht per month and 5 percent of profit to sales force.

The Mall has five branches: Ngamwongwan, Bangkapi, Thapra, Bangkae, and Ramkhamhaeng. The company will set the kiosk in these five branches and they will take 20 percent from the profit. The company sells corn milk at Lumphinee park and park near Emporium by using salespersons.

The company pays 3,000 Baht per month and also gives commission 5 percent of profit to salespersons at kiosks, Lumphinee Park, and Benjasirikit Park. They would work from 5.00 am to 9.00 am and from 4.00 pm to 7.00 pm every day.

For the second year, the company will expand more distribution channels through Tesco Lotus super center and Big C.

Tesco Lotus Super Center

In order for the company to have shelf space at Lotus, it must pay entrant fees at 25,000 Baht and Lotus will take 20 percent of the profit also.

Big C

There are nine branches: Radburana, Ramkhamhaeng, Laksi, Wongsawang, Ratchadumri, Donmeung, Rungsit, Fashion Island, and Rama II. The company has to pay entrant fees at 25,000 Baht and Big C will take 3 percent from every 100,000 Baht of the profit also.

The company must pay entrant fees at 33,000 Baht and Carrefour will take 18 percent from the profit also. There are eleven branches of Carrefour, which are Suwintawong, Sukhapibarn III, Ratchada, Rama IV Bandkhae, Ram-intra, Rungsit, Srinakarin, Jangwattana, Bangbon, and Petchkasem.

5.4 Promotion strategy

Sales Promotion

Objectives:

- To create brand awareness of "Mai-Ze" corn milk in Bangkok area in 2003 — 2004.
- To gain customer trial of as well as to stimulate repeat purchase.
- To encourage customers to switch from the competitors' product to company's product.
- To create the positive image of the company and its brand "Mai-Ze".
- To increase sales volume for immediate free offer promotion

The company sales promotion activities will be implemented in a specific time frame for special occasions in each year. Most of the company's sales promotion method will be aimed directly to consumers.

Free test booth

Objective:

- To induce customer trial and create product awareness.

The company selects free test booth as a sales promotional strategy because corn milk is quite new to the market. The company is quite confident that after consumers have tried company's corn milk, they may be interested in buying the products.

The company's tactic is to select the place, which is easy to reach the target group and set up the corn milk booth, then, to offer them with a free test of corn milk and sell

the product if the customers want to buy. Each booth uses an area of 1 x1 meter with colorful decoration.

The selected locations:

- Department store at Central, The Mall
- BTS station
- Tesco Lotus Super center, Big C

Trade show and exhibition

Reason:

Industry association organizes trade shows and conventions annually. The company will sell the products through trade show and exhibition by renting space and setting up booths. In addition, according to the SPSS output, trade show is attractive to every age group so new products introduced at trade show might attract a large number of potential customers.

Objective:

- To build product awareness and gain customers trial of the company's product as well as to inform them about the qualification of corn milk.

The selected locations:

- Kaset Fair

Tactic: The company will join the trade show at Kaset Fair every year. In addition, it will promote the products by using Mr. Corn (people who dress up in corn suits) to call

attention from the traffic. During the first year, the company will provide free sample to the customers who want to try the product.

Games and Draws

Objective:

- To create awareness and interest of customers.

Tactic:

Customer who bought 2 bottles of corn milk has one chance to pick up the lucky draw number contained in the box provided. Lucky person will get the following prizes:

Incentive: The first prize will be a "Ms. Mai-Ze" attachable doll. There will be altogether.

Strategy:

- The company will distribute 50 prizes for each place and there are all together 9 places.

Selected Locations:

- The Mall, and Central Department store

Quantity Discount

Objective:

- To encourage customers to buy more units of corn milk as well as increasing trial rate.

Condition:

- Consumers can buy the third unit for half price provided that they buy the first two units in full price during Vegetarian Festival.

The selected locations:

- Department store at Central, The Mall
- Expansion to Tesco Lotus Super center, Big C

Events**Objectives:**

- To stimulate customers to buy large units of the company's product.
- To increase the image of the company's product

Tactic:

- The company will provide free product wrapping in a basket with a handle on the top if customers buy 6 units of products within 1 time purchase as New Year's gift.

Glass Premium**Objectives:**

- To encourage customers to buy more units of corn milk and to increase brand awareness.
- To achieve sales revenue of 30,000 units or 360,000 Baht start in June 2004
- August 2004.

The selected locations:

- Golden place,
- Lemon Farm,
- The Mall,
- Central Department Store,
- Lotus, Big C, and
- Lumpinee Park.

Free Gift**Objectives:**

- To stimulate sales in short period and increase frequency of repeat purchase.
- To reward loyal customers.

Tactic:

- Customers who purchase up to 20 units of corn milk can cumulative purchase, in order to get 1 free "Ms. Corn" pillow. After they buy corn milk, they will receive the coupon from the sellers. They have to keep it as an evidence to get the premium. However, the style of "Ms. Corn" pillow will be changed in the second year after launching the campaign.

Cause-Related Marketing**Objective:**

- Building the company image in a way that reflects favorably on its corn milk drinks and enhancing the society's well being.

Tactic:

- As corn milk drinks contain beta-carotene, it can reduce the toxic substance forming cancer. Every 0.50 Baht of each corn milk bottle sold will be given to the *National Cancer Center*.

Public Relation and Publicity

The company focuses on a large number of interesting publics in order to promote and protect the company's image and product.

Objectives:

- To create brand image and goodwill in company's customers' mind.
- To adopt positive programs for interesting public.

Tactics:

- Santi Asoke group is a group of Cheevajit people who gain popularity in seriously consuming vegetarian and healthy food. The president and its committees will be offered free trial for 1 month as they are well-known opinion leaders representing the company's corn milk through television media to create credibility towards company's brand. After one month, the company will interview them and broadcast it through " Tee Nee Pratate Thai " Channel 5, 21:30 p.m. during the first week of February. The budget allocation for this activity is 200,000 baht.

Advertising

Advertising objectives

- To create product and brand awareness.
- To inform the potential customers about the product benefits.
- To create brand image of "Mai-Ze" corn milk toward health conscious customers.
- To stimulate potential customers to buy the product.
- To inform people about promotional campaign in each period in order to motivate them to buy "Mai-Ze "corn milk.

Media Objective and Timing

As a newcomer to the corn milk industry, the company must choose the right media in order to reach the right target. Therefore, the company chooses 5 different Media such as Magazine, Poster, Leaflet Outdoor advertising and Cinema advertising to reach target market.

VI. DEVELOPING NEW MARKETING LONG-TERM STRATEGIES

As previously mentioned, within the corn milk industry there are numerous competitors, each one trying to do whatever they can to be better than others to get customers. Therefore, along with short-term marketing strategies, there exists the need for long-term marketing strategies that would help the company survive and thrive in the competitive environment.

This chapter focuses on developing the long-term marketing strategies within the context of the 4P's of the marketing mix, which include product, price, place (or channels), and promotion. These will be discussed in the following sections below.

5.1 Product

Being the company that produces corn milk, it could increase product depth as well as increasing the product lines that it offers. For product depth, it could package the corn milk into more bottle sizes, instead of just offering one bottle size for every customer. The corn milk could be produced in larger sizes, such as a liter-sized bottle, as well as smaller sizes, such as a 'travel pack bottle', in order to fulfill customer needs.

In addition to increasing the product depth, the company could also expand product lines in order to help with the profits and its continued existence, as well as to accumulate money for expansion and for developing new products.

By expanding the product line and product depth, the company can satisfy customers and thus attain them, enabling the company to develop long term relationships with the customers that would benefit the company tremendously.

5.2 Price

The price of the corn milk product would be set at an appropriate level, and the company will not keep changing the price by having huge sales or other such strategies so that the image of the company's corn milk products will not suffer and deteriorate, but will prevent the outbreak of price wars with competitors that would only result in everyone's losing.

5.3 Place

For channeling strategies, the company would begin to contact more and more channels in order to place their corn milk products. The existing channels are still good and useful, in order to expand their sales and attract more customers.

The company needs to further develop its relationships with existing channels as well as the channels that the company has only just begun to contact. The development of relationships would have several advantages, which include receiving cooperation from the channels when the company engages in marketing and promotional activities for its corn milk products. Also, the cost of acquiring new channels is more expensive, but in any case the company needs to increase its channels in order to expand its sales.

5.4 Promotion

The promotional strategies that the company would use are those that have long-term results and that would help to retain customers. The company could develop a membership-style program that customers can sign up for. The program would then give them a membership card that they could use to get small discounts when buying corn milk products. They could also use the card to accumulate points that would be used in exchange for prizes and other gifts.

Also, other benefits that the customers could receive from being a member would be such things as health newsletters and various promotional packages that the company can give them whenever they buy corn milk products.

The membership-style program would enable the company to build brand loyalty and to retain customers, making them come back for repeat purchases at the company's outlets.



VII. EVALUATION OF MARKETING STRATEGIES

The corn milk market is not huge like other drink markets, such as soft drinks or the existing fruit juice markets. There are a great deal of competition within this small market in the form of direct competitors and indirect competitors. By analyzing the internal and external marketing factors that affect the company and the market situation that the company resides in, marketing campaigns and strategies for both the short-term period and the long-term period were created and explained above.

By using these strategies for the short-term and long-term periods, the company would be able to attain new customers and expand its market share in such a way that it would, after some time, become the leading corn milk product company in the market. The long-term strategies would prove to help the company expand both its channels and its customer base, and to retain its existing customers and channels, as well as encouraging the development of relationships for each.

Therefore, in this way, the company would be able to effectively and efficiently compete with its competitors in the corn milk market, and at the same time jumping to the top of them all.

Critical risks and contingency plan

In the business world, it is quite common that the unexpected situations will occur. To keep up with this changing business environment, the company needs to be aware and alert at all time while conducting the business.

Even though the company has already planned the marketing strategies, contingency plan must be made in order to handle the problems if the following situations occur.

If the sales projections are not achieved, or the market responds differently from planned, the company will spend more budgets on sales promotions than other kinds of promotions. The company believes that sales promotion is the most effective tool to stimulate sales in the market for the company's product type.

The company will conduct marketing research to find out the reasons why sales projections are not achieved. This enables it to discover the attitudes and lifestyle of customers toward its product, which helps to suggest the corrective action.

If competitors under-price or overcome competitive advantages, the company will not cut price of the product as other competitors because under-pricing will make customers perceive that product has low quality. Besides, the company tries to avoid doing any reaction that leads to price war.

The company will use new value adding features and benefits to win the attention and interest of customers. For example, the company may increase 10 percent of the product quantity by charging the same price.

If the industry takes downturn, people's income decrease so as the demand of the product. The company must reduce production and management cost as much as possible.

The company will expand product line by entering into related businesses such as corn soup, or corn ice cream to gain cost-saving opportunities and transfer existing competencies to new business.

If appropriately trained workers are not available as predicted, all workers in the company are trained to have competency skills in doing any task, so they can perform without requiring much skills. However, the stopping of production process because of the shortage of trained workers will no longer be the problem for the company.

If manufacturing cost in excess of estimates, the company will find out excessive insignificant cost and evaluate whether the company can reduce those costs. For example, if the warehousing cost is high, the company tries to reduce these costs by increasing the transportation cost.

For the utility cost, the company can deal with it by reducing the operation time or decrease the usage of utilities or cut the budget from outer par of the company to keep the cost stable.

As the company has signed the long-term contract with supplier in order to ensure the stable quantity supply of raw material and on time delivery, there would be less chance of raw material shortage. However, if this situation happens, the company will use other species of corn such as hybrid 5, ATS, sweet honey, etc. since its taste, nutrition, and cost are relatively similar to the existing one.

VIII. CONCLUSIONS AND RECOMMENDATIONS

8.1 Conclusions

The objectives of the project are analyzing current situation of Delicorn, which was done through Porter's 5 Forces Analysis and SWOT Analysis of both the company and its competitors. In addition, consumer behavior analysis was done, along with analyzing existing marketing strategies.

After the analysis was done for internal and external factors that were relevant to the company and to the market situation, there was a development of new marketing strategies for both long-term and short-term periods. There was also an evaluation of the marketing plans that were developed as well.

Once the marketing plans for the short-term and long-term periods were established, the company can use these campaigns as guidelines when competing in the rather fierce marketplace of the corn milk industry in order to efficiently and effectively have an edge over competitors.

Not only do they have marketing plans, they also have information and better knowledge about competitors' strengths and weaknesses, the distribution channels, suppliers, and the consumers, which would better help them to make decisions which could enable them to come out on top of the competition in the marketplace.

After the plan is implemented, the company will be able to evaluate the plan judging from the sales volume on a monthly basis. If the actual sales volume is lower than the budget then the company would have to find out the cause of the deviation and

find the solution for it immediately. If the plan is not successful and the company has done everything it could, the company then must use contingency plans to support it.

8.2 Recommendations

However fast the market develops in the corn milk industry, the company itself cannot remain in the same place. This is because of the fact that the corn milk industry is very competitive, and is in both direct and indirect competition with other larger industries, such as the cow milk industry. Therefore, the company would have to keep developing its products and further its own knowledge of consumers' needs and wants, in order to fulfill and satisfy consumers. This would lead to customer retention for the company.

The competition in the beverage industry is increasingly competitive, with new products entering the market place continuously. If these new products capture the interest of consumers and become popular (such as green tea), these would impact the existing products due to the fact that the sales of the new products would seize the market share of the existing products in the market. Hence, to continue existence in the market, the company must not only compete with the existing products, it must also prevent the new products from being able to get a foothold into its sales.

There are several ways of being able to prevent or lessen the impact of competitors and their actions for the company. Vertical or horizontal integration is a good strategy that it can employ, as it would help lower costs associated with producing and selling the product. Vertical integration has more to do with lowering costs than horizontal integration, since horizontal integration is actually a way to eliminate competitors and increase profits as well as customers. Another method is to directly

expand the customer base for corn milk products or convince customers to consume more of the products.



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