

STRATEGY & LEADERSHIP

PROFESSIONAL 2 EXAMINATION - AUGUST 2018

NOTES:

Section A: Answer Question 1.

Section B: Answer **two** Questions **only**. Should you provide answers to all of Section B, you must draw a clearly distinguishable line through the answer not to be marked. Otherwise, only the first two answers to hand will be marked.

Time Allowed

3.5 hours plus **20 minutes** to read the paper.

Examination Format

This is an open book examination. Hard copy material may be consulted during this examination, subject to the limitations advised on the Institute's website.

Reading Time

During the reading time you may write notes on the examination paper but you may not commence writing in your answer booklet.

Marks

Marks for each question are shown. The pass mark required is 50% in total over the whole paper.

Answers

Start your answer to each question on a new page.

You are reminded to pay particular attention to your communication skills, and care must be taken regarding the format and literacy of your solutions. The marking system will take into account the content of your answers and the extent to which answers are supported with relevant legislation, case law or examples, where appropriate.

Answer Booklets

List on the cover of each answer booklet, in the space provided, the number of each question attempted. Additional instructions are shown on the front cover of each answer booklet.

STRATEGY & LEADERSHIP

PROFESSIONAL 2 EXAMINATION - AUGUST 2018

Time Allowed: 3.5 hours, plus **20 minutes** to read the paper.

Section A: Answer Question 1.

Section B: Answer **two** Questions **only**. (If you provide answers to all of Section B, you must draw a clearly distinguishable line through the answer not to be marked. Otherwise, only the first 2 answers to hand will be marked.)

SECTION A - ANSWER QUESTION 1

1. Case Study

Geraldine (Ger) Berry and Matt Toner set up Aeda Marketing Ltd. (AML) in 2012, in the midst of the economic crisis. At the time, both had recently been made redundant. Prior to establishing AML, they did not know each other well, and the idea to work together only arose when they met at a networking event. At the time, they each had over ten years' experience in the advertising sector, in various roles and with several different agencies. Their discussions led them to realise that their abilities and experiences were complementary. Ger enjoyed 'selling' and was very outgoing, while Matt was more interested in the creative aspect of the advertising business. Using family connections they managed to raise funding of €90,000 to establish the business. The 'investors' own 40% of the company while Ger and Matt each has 30% and they act as joint managing directors.

When it was initially set up, as well as Ger and Matt, AML only had one other employee, Grace Moran. Grace was on a Government back-to-work scheme. She had the combined role of office administration and managing AML's online and digital media presence. Ger and Matt did everything else: cultivated clients, created the campaigns, even delivered the boxes of brochures and leaflets to clients!

AML initially rented office space in a small commercial premises in a business and technology park in Swords, Co. Dublin. The firm is still located there, albeit in a larger space. As a result of the economic climate at that time, they were able to agree a very low rent, although this has increased substantially in the last few years. Unlike when they were employees, Ger and Matt were keenly aware that every euro spent by the business was one less euro for them at the end of the month. Even now, they have maintained this attitude. They unapologetically argue that minimising the cost base is critical if they are to deliver value to clients.

The company does not try to compete directly with larger, established advertising agencies. At the time it was formed, Ger and Matt felt there was little point in pitching for business against the large established agencies. AML was unknown, and did not have the working capital to pitch for larger, longer campaigns, where realistically it was unlikely to win the business in the first place. Quickly however, AML realised that there is a market of clients whose business and budgets are too small to interest the larger agencies, but whose requirements are also less demanding. AML still targets these smaller businesses that have lower marketing budgets, and focuses on firms located in or close to Dublin.

Over the past six years, AML has developed a range of contacts and relationships with local newspapers and radio stations in Dublin, a number of small media production firms, a web-development firm, as well as a printing company located in the same business and technology park. Using a combination of its own in-house expertise and resources and these outsourced contractors, the company offers clients a blend of the following services:

- Traditional newspaper and radio advertising
- Direct marketing, including brochures and leaflet drops
- Digital and social media marketing, including managing clients' social media
- (Small) event management, such as a 'grand opening of a shop'
- Website development and management.

Ger and Matt have realised that for smaller businesses with more limited budgets keeping the process simple is important. For example, rather than discussing data analytics with a potential client, confusing or even intimidating them, Ger and Matt will ask them what is the objective of the campaign, what is the budget, and if there are any specific media requirements. Using this information, they try to develop a plan that is realistic and also maximises the impact of the proposed budget. A typical campaign with a budget of €10,000, run over four weeks, might involve producing a short radio advertisement, a one page advertisement in a local newspaper backed up with a leaflet drop and a social media campaign.

When developing the advertising campaign, AML does not start with a 'blank page'. Typically, it builds a campaign based on templates and standard designs that the firm has developed over the years. AML ensures that it has not already offered the same design, copy, or tagline to the client or to the client's competitors. The use of these standardised templates significantly reduces the time and cost of developing any one campaign. As Matt stated, *'We will never win an award for creativity, but the clients don't really care; so long as the advertising works, and doesn't cost too much.'* The links with the radio stations, newspapers, etc. also allows the company to speed up the development and production of the advertisements - and to reduce related costs.

As the economic climate has improved, it has become easier to attract business. AML uses a variety of methods to promote the company - all of which are developed and managed internally. A staff member has the responsibility of managing the online and social media presence. Ger is still the firm's main salesperson. However, other staff are tasked with re-contacting previous clients and chasing leads for new potential clients. The company has developed a brand and reputation over the past six years, and this 'opens doors', as potential clients have already heard of the firm. AML also enjoys a relatively high level of repeat business from previous clients, although over the years there has also been a lot of complaints. In particular, clients have complained about over-promising, delivering campaigns late, and that campaigns are simply too bland to have impact. Ger and Matt are not too concerned about the comments as the majority of their clients seem happy with the service provided.

Since 2016, the company has had six full-time employees, apart from Ger and Matt who like to consider the firm, 'tightly resourced'. While each employee has an ostensible organisational role - administrator, direct marketing, digital media, etc. - everyone is expected to be able to contribute to whichever campaign and work priority exists at that time. Ger and Matt agree that the firm is simply too small to have rigid work structures or practices and that from the point of view of the employees this approach provides them with a dynamic work experience.

That said, staff turnover is high. No employee has stayed for more than three years. Ger and Matt simply accept this as the nature of the sector. When they leave, employees generally complain that their decision is mostly related to lower salaries, disorganisation and long working hours. *"It can be chaos"*, complained one employee when she resigned. When recruiting, AML tends to hire employees with only a few years' experience. As Matt suggests, *"they are willing to work for less, they gain great experience – then they move on. But we kind of expect that."* In addition, AML has a good relationship with a local third level college. Matt knows someone who is now a marketing lecturer in the college, and regularly uses marketing and business students as interns and for special occasions when more staff are required, such as a shop opening.

2017 was a record year for the firm. AML's revenue was €920,000, and both Ger and Matt drew down salaries of €100,000. However, both are unsure where the business should go from here. They work very long hours, and would expect salaries of over €100,000 if they were to take a role in one of the larger advertising agencies. Privately, each would admit that, while they have a good working relationship and are professional, they do not particularly like each other and never meet outside of work. Additionally, the original investors have mentioned getting their money back out of the business, now that it is doing so well.

You have been AML's accountant for the past six years, and Ger and Matt have requested you to assess the firm and its future prospects, and to advise them on the best way forward.

REQUIREMENT:

Prepare a report for AML in which you:

- (a)** Critically analyse the strategic position of AML, drawing on your assessment of the key drivers of change prevailing in the business environment, and applying the relevant theories and models;
- (b)** Assess the key issues facing AML and evaluate the company's options in dealing with such issues; and
- (c)** Recommend a strategy to ensure the best way forward for AML.

(Note: The scenario presented above is not intended to be comprehensive. You will be expected to make whatever additional logical assumptions about AML and its environment that will give you sufficient scope to demonstrate a high level of critical thinking, analytical skills and strategic vision, as over 50% of available marks will be allocated to these areas).

(Total: 50 Marks)

SECTION B - ANSWER TWO QUESTIONS ONLY.

2. Fashionesta Plc is a leading competitor in the fast-fashion sector in Ireland. The company's success is based on low prices and a wide, constantly changing product range. Its competitive strategy has two pillars:

- An ability to follow fashion trends very quickly. The firm's designers can replicate styles similar to those on 'the catwalk' within one week.
- Aggressive management of costs. The firm has invested in world-class supply chain and inventory management systems, and has built a network of efficient garment manufacturers located in South-Asia.

Fashionesta Plc has already expanded successfully to both the UK and Germany. In the UK, the company moved quickly to acquire a competitor in financial difficulty, later rebranding the acquisition. In Germany, on the other hand, it organically built up its business, initially establishing outlets in larger cities before expanding to smaller cities and towns.

The company has now decided to enter the US market. Although not sure which is the best entry strategy, it has already ruled out using an acquisition due to the significant up-front investment required. Instead, it is considering the following strategic options:

1. Organic growth
This option would involve Fashionesta Plc using a similar approach to that deployed in Germany. The firm would initially target the larger cities, particularly on the east coast of the USA. Then, once it had built up market share and brand recognition, it would expand to smaller cities nationwide.
2. Franchise
This option would involve Fashionesta Plc using a network of franchisees to establish itself in the US. In addition to using Fashionesta Plc's business model and systems, each franchisee would be required to source 90% of its inventory from the firm. Franchisees would also have to provide the start-up capital and in consultation with Fashionesta Plc, find a suitable store location, staff etc. Fashionesta Plc would receive an up-front franchise fee and would also create a captive market for its own range of products.

REQUIREMENT:

Prepare a report for Fashionesta Plc that critically evaluates both growth strategies which the firm is considering for the US Market. The report should also recommend and justify which growth strategy Fashionesta Plc should pursue in the circumstances.

(Total: 25 Marks)

3. Naas Chilled Foods Ltd. (NCFL) was established in 2007 by Kate Dowling. NCFL currently produces chilled foods for four of the largest Irish supermarket and convenience store chains. The chilled foods are marketed and sold using the chains' own-brands. NCFL's product range includes curries, pies and quiches. The firm has been quite successful, due in particular to its excellent cost management and quality control and Kate's ability to build relationships with key decision makers in the client firms.

However, producing own-label products necessitates tight margins, and Kate is considering changing the firm's marketing strategy. On a trial basis, she has decided to produce high-quality, healthy chilled foods 'that suit today's busy lifestyles'. The product range will not change significantly. However, the new products will have superior ingredients, including many organic ones, and will be sold under NCFL's newly established brand, 'Mother's Best'. Kate has secured limited distribution for the brand with NCFL's existing clients: it will be sold in their Dublin outlets for an initial three-month trial period. Even if the new product range is successful, Kate has decided that the range will be produced in parallel with the existing own-label products, rather than replace these.

Kate is confident that the recipe, taste and quality of the new range of products will be attractive to consumers. However, she is concerned that NCFL has little experience of consumer marketing.

REQUIREMENT:

Prepare a report for Kate that critically assesses the likely changes to NCFL's target market and marketing mix strategies resulting from the new product range. The report should also recommend an effective integrated marketing communications campaign for the new product range for the initial three-month trial period.

(Total: 25 Marks)

- 4.** Gaelic National Insurance Corporation Plc (GNIC) is one of Ireland's largest domestic insurance providers. The company provides a range of financial services, including general insurance, life insurance, pensions and investment funds. It also has a subsidiary which operates a chain of eight hotels.

Imogen Barr has recently been appointed as CEO. Originally from the UK, she has worked in several insurance firms, both in the UK and the US, and is respected across the industry as someone who can 'really bring people on board'. This is her first appointment as CEO and also her first time to work in Ireland. Before she accepted the role, Imogen researched the company carefully. She concluded that it was fundamentally sound, but was underperforming when compared to its potential. Industry analysts' reports on the company agree with her assessment. For example, various analysts have concluded that there is:

- 'Evidence of strategic drift at the top of the organisation.'
- 'A lack of integration across GNIC's operational units and product ranges.'
- 'An inconsistency in decision making that undermines the firm's unity.'

Imogen has spent much of her first few weeks as CEO meeting with staff from around the firm. These conversations have convinced her that her first critical responsibility is to develop a coherent vision for the firm. One staff member commented, 'we do not seem to know who we are anymore.'

Over the course of her career, Imogen has come to identify four values which she believes are core to organisational performance: excellence, flexibility, integrity, and teamwork. She believes these values need to be at the heart of the organisational vision which she intends to build. However, her senior management colleagues are sceptical of the benefits of such a vision. They argue that GNIC needs solid, concrete actions to improve performance, not some 'woolly vision'.

REQUIREMENT:

- (a)** Critically assess the importance of having a clear and compelling organisational vision for GNIC. (13 Marks)
- (b)** Advise Imogen on how to develop and implement a vision statement for GNIC that would have a meaningful impact on the firm. (12 Marks)

(Total: 25 Marks)

END OF PAPER

SUGGESTED SOLUTIONS

THE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS IN IRELAND

STRATEGY & LEADERSHIP

PROFESSIONAL 2 EXAMINATION - APRIL 2018

CPA Consultants
Dublin
Ireland
27 August 2018

To: Ms Geraldine Berry and Mr Matt Toner
Aeda Marketing Ltd.
Swords
Co Dublin
Ireland

Re Strategic Review of Aeda Marketing Ltd

Dear Ms Berry and Mr Toner

Thank you for inviting CPA Consultants to evaluate and report on the Strategic Direction and Options open to Aeda Marketing Ltd. at this time. The enclosed report has three parts:

- (a) Analysis of the strategic position of the business.
- (b) Assessment of the key issues facing the business and evaluation of the business's strategic options.
- (c) Strategic proposals to develop Aeda Marketing Ltd. going forward.

I am available to discuss the report and to provide any additional information or explanations if you should require them.

Yours sincerely,
A. Student
CPA Consultants

(a) Strategic Analysis of Aeda Marketing Ltd.

A number of strategic analysis frameworks are used below in order to better understand the strategic position of Aeda Marketing Ltd.:

- PESTEL
- Five Forces Model
- Resource analysis
- Value Chain
- SWOT

The General Environment (PESTEL)

1. Political and Legal Factors

There are few laws that are specifically targeted to the advertising sector. For the most part, the sector is self-regulated by the Advertising Standards Authority for Ireland. This is an independent regulatory body set up and financed by the advertising industry itself. That is not to say that the Government has no influence in the sector. The Government is the largest single purchaser of advertising, either directly, or through Government agencies such as the HSE or the Road Safety Authority. Government departments and agencies spend approximately €200m per annum on advertising and information campaigns and are the sector's largest client. However, the contractual relationships between Government and individual advertising agencies are arms' length, subject to tendering and are in the normal course of business. These relationships do not go to influence the regulatory regime of the sector.

Occasionally, the Government does introduce legislation that directly impacts the advertising agency sector. For example, previously there has been significant restrictions placed on the advertising of tobacco products, and currently the Public Health (Alcohol) Bill is progressing through the Oireachtas. One of its main aims is to restrict alcohol advertising and promotions, including a watershed for advertising of alcohol products.

2. Economic Factors

The advertising sector is very sensitive to the general economic situation in a country, or region, and is highly procyclical. When there is positive business sentiment and firms perceive the potential for a good return on investment for advertising spend, they tend to spend more. Similarly, as an economy slows, there tends to be a rapid and sharp drop off in advertising spend.

The Irish economy is performing remarkably well, albeit with significant potential problems ahead. The ESRI's latest forecast states that GDP is expected to grow by 4.7% in 2018 and by 3.9% in 2019. In parallel, unemployment is expected to decline to 5.6% in 2018 and 5.0% in 2019. The problems facing the Irish economy are both internal and external. The internal concerns include the potential for the Irish economy to overheat as unemployment continues to fall, and the rising cost of housing and of rents, particularly in Dublin. The external concerns refer to increasing protectionism and the threat of a US EU trade war, and of course, the impact of the Brexit process. These external issues are obviously beyond the country's influence. Overall however, the economy should provide a boost to the advertising agency sector over 2018 and 2019.

3. Social and Cultural

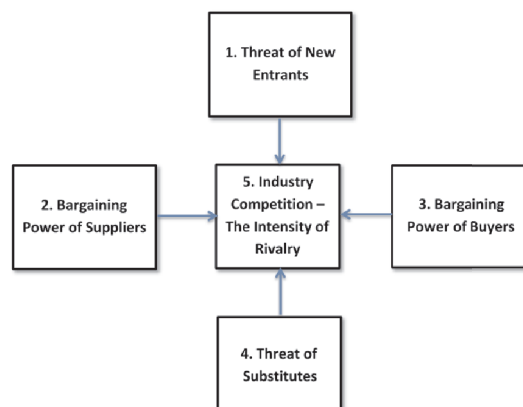
The advertising industry must be very aware and sensitive to societal and consumer attitudes and trends. Advertising agencies must be 'experts' in consumer behaviour and psychology, as in a sense, the advertiser's role is to manipulate these to push their clients' agendas and sales. Demographic factors such as age groupings and urban versus rural lifestyles and attitudes require advertising agencies to construct different campaigns depending on the target audience. For example, age stratification of the target audience is critical. The Irish population is growing and has a relatively young profile. Younger people interact in a different way with media compared to their parents, and even with very different media. Younger age groups are more likely to use online and social media to inform and entertain. Older age groups still mostly rely on TV, radio, newspapers, etc. for entertainment and information. Online shopping, and therefore online and digital advertising, has become 'the norm' for these younger age groups. Similarly, societal trends such as multi-ethnicity and liberalism need to be reflected in advertising content and style.

4. Technology

Technology has effectively revolutionised the advertising sector over the past 15-20 years. As mentioned above, traditional advertising channels (TV, radio, newspapers, etc.) are becoming less important over time, especially for younger age groups. Today, every advertising campaign needs an online and social media element, but especially so if the campaign has a younger target audience.

The IAPI estimated that in 2016, the spend on new advertising channels was €450m compared to €950m for traditional channels. In the relatively near future, online and social media based advertising will overtake traditional media and represent the majority of advertising media spend. For example, a recent report by PWC estimates that in Ireland by 2022, internet advertising will be around €581m compared with TV advertising of only €290m. Going forward, to reach the intended target audience advertising agencies must have an expertise in online and social media, as well as capabilities in activities such as SEO, influencer marketing, display advertising, analytics, etc

Competitive Environment (Porter's Five Forces Model)



Porter's Five Forces Model provides an insight into the nature and dynamics of competition in the advertising agency sector.

1. **The Intensity of Rivalry**

The advertising agency sector is in general highly competitive. The sector has recovered from the economic crisis, where it was almost literally decimated, and the estimated advertising spend will exceed €1.4bn in 2018. However, while the market is growing, there are a large number of competitors, all fighting for a part of the market. The IAPI have 58 members, almost all of which are clustered in Dublin. These agencies vary in size and focus and overall the sector is very fragmented. Partly as a consequence of this, agencies find it difficult to retain clients, and clients show little loyalty compared to, say, 20 years ago. In addition, as advertising agencies provide almost a pure service, it can be difficult for firms to differentiate their offering, as effectively they are all selling the same thing: creativity and imagination. Clients now tend to seek pitches for individual campaigns and therefore the switching costs faced by potential clients is low, exacerbating the underlying level of rivalry.

2. **The Threat of New Entry**

Although it seems counter-intuitive given the high level of rivalry in the sector, the threat of new entrants is relatively high. The outlook for the sector is very positive and this will inevitably tend to attract new competitors, perhaps even international competitors. The existence and nature of barriers to entry into an industry will significantly influence the likelihood of new entrants entering the market. The barriers to entry in the advertising agency sector are generally low. As already mentioned, potential clients face few switching costs and it is difficult for incumbents to differentiate their service. Clients emphasise access to the most creative advertising ideas, not loyalty. A young, dynamic agency can gain market share as creativity is valued as much as experience. Lastly, the capital requirements to enter the sector are low, and the necessary resources, in particular creative, qualified staff, are relatively easily available.

3. **The Bargaining Power of Buyers**

Overall buyers, especially those with large advertising budgets, enjoy a relatively powerful position in the advertising agency sector. The sector is very client driven and buyers will frequently use the agency pitching process to ensure that they receive the best possible service but at a reasonable cost. Buyers are in this relatively powerful position because as previously mentioned, they face few switching costs and agencies find it difficult to meaningfully differentiate their service. This makes it easier for clients to move to an alternative agency, and push for better terms. In addition, again as mentioned, there are lots of competing advertising agencies, and potential clients can choose among several alternatives. The ease with which clients may move agencies provides them with significant negotiating power.

4. **The Threat of Substitutes**

The threat from substitutes to the advertising agency sector is relatively low. If a service is to be perceived as a genuine substitute, it must be provided by a different sector, but fulfil the same need. The service must also be comparable, as readily available, and similarly priced. There are no close alternatives to the service provided by advertising agencies: creative and imaginative advertising. A possible substitute to advertising agencies is for a client to develop the advertising campaign in-house. However, even large firms do not tend to have the expertise and ability to do this, and instead prefer to outsource it.

5. **The Bargaining Power of Suppliers**

The influence on the advertising agency sector of suppliers is relatively low. While there are a number of important suppliers to the advertising agency sector, no particular supplier has a significant influence. For example, one important supplier sector are the various forms of media: TV, radio, newspapers, online, etc. These media are among the most common means to distribute advertising, however, equally, the advertising revenue stream is probably their main source of revenue. The relationship is reciprocal. A second example of a relevant supplier industry is the media production companies that produce the actual TV, radio, etc. advertisement. The sector tends to be fragmented and these firms tend to be quite small. Advertising agencies provide a lot of these firms' work and revenue and therefore are the more influential.

In general, the underlying determinants of intensity of competition in the advertising agency sector are relatively high. Importantly, rivalry is intense but the possibility of new entrants and the influence of buyers also increases the sector's intensity of competition. The influence of suppliers and substitutes are the only two factors that do not exacerbate the intensity of competition. Therefore, firms in the advertising agency sector need to be effectively managed to succeed, even survive.

Resources and Competences

Resources may be assessed from a number of perspectives

1. Physical resources, human resources, financial resources, intangible resources
2. Strategic capabilities: threshold and unique resources and competencies

1. Physical Resources

As the advertising agency sector is almost completely service based, physical resources do not play an important role. Aeda Marketing Ltd. (AML) does not own any relevant physical resources; only renting its offices in a business and technology park in Swords, Co Dublin.

2. Human Resources

AML is a very small business, only employing six people, apart from Ms Berry and Mr Toner. AML also make use of its links with a local third level college to obtain interns and occasional staff. Ms Berry and Mr Toner are the joint managing directors and are the decision-makers and energy behind the firm. AML tends to recruit staff that are not very experienced. The firm requires staff to be very flexible, and pays them at a relatively low to average sectoral rate. As a consequence, staff turnover tends to be high.

3. Financial Resources

Financially, AML is relatively successful. 2017 was a record year for the firm, and it achieved revenue of €920,000. Ms Berry and Mr Toner were both able to take salaries of €100,000. AML carefully manages its cost base, allowing it achieve an excellent return on revenues. AML's most important liability is the €90,000 'investment' obtained by Ms Berry and Mr Toner to set up the firm.

4. Intangible Resources

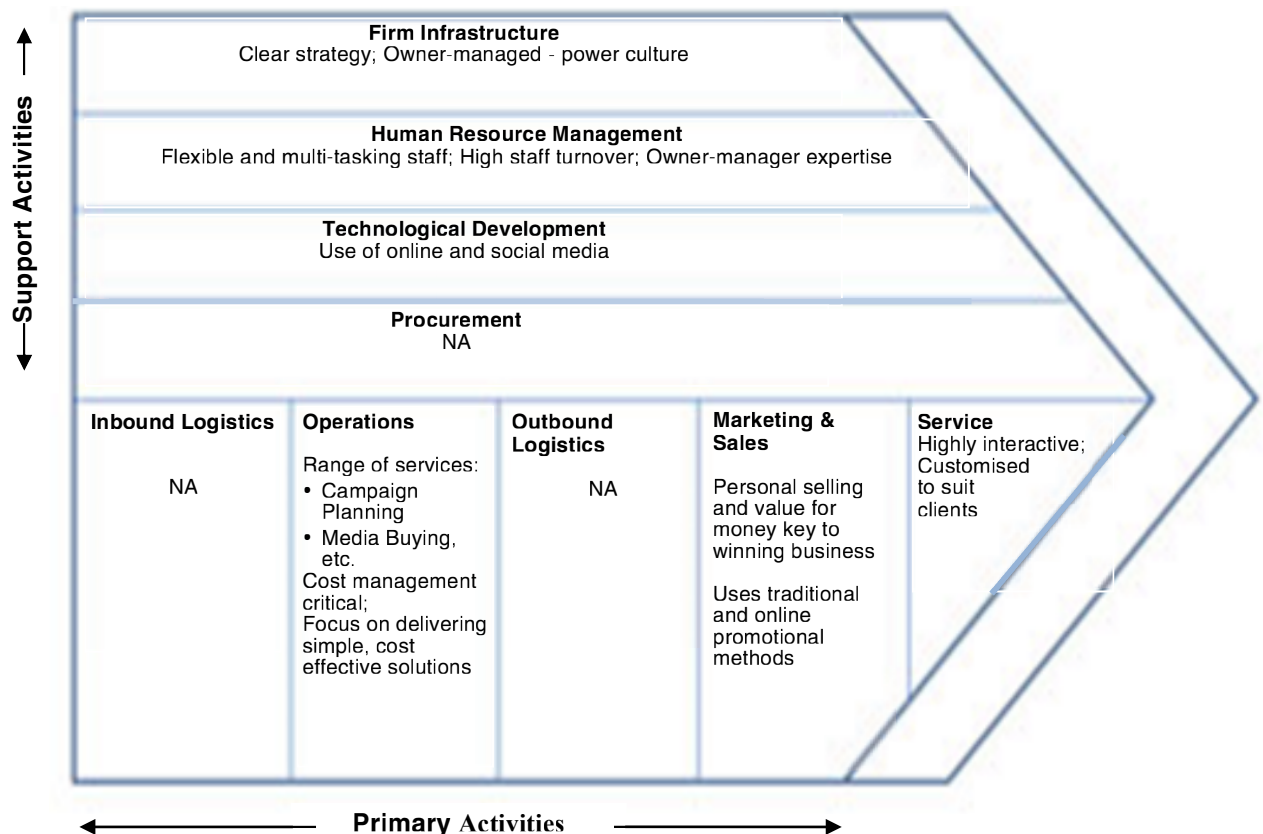
Ms Berry and Mr Toner had over 20 years' combined experience before they founded AML six years ago. Since it was set up, AML has developed a network of professional contacts: local newspapers and radio stations in Dublin, media production firms, etc. The firm generally enjoys a good business reputation.

5. Unique resources and competencies

The resource based view of the firm, popularised by theorists such as Prahalad and Hamel, and Jay Barney, proposes that firms should identify the resources and capabilities it possesses, particularly those that are superior to rivals, and base their competitive strategy around them. In that context, the relevant unique resources and competencies that AML may leverage include:

- Experience and dynamism of Ms Berry and Mr Toner
- Staff flexibility and responsive organisational culture
- Good business reputation
- Network of professional contacts
- Proprietary templates and designs for campaigns
- Ability to deliver relatively high quality campaigns at low prices

Value Chain of Aeda Marketing Ltd.



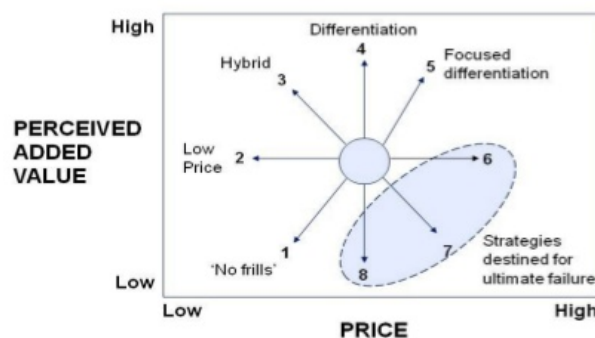
SWOT Analysis of Aeda Marketing Ltd.

A useful analytical summary and decision-making tool is a SWOT Analysis. However, the analyses need to be based on research and data, not just management opinion.

Internal	Strengths <ul style="list-style-type: none"> • Currently profitable • The experience and drive of the joint managing directors • Clear and effective business model • Generally good reputation for service <ul style="list-style-type: none"> - Good levels of repeat business • Well-known brand • Excellent cost management • Staff are flexible and the organisation is agile • Templates and standard designs shorten development time and reduce costs • Good relationship with suppliers 	Weaknesses <ul style="list-style-type: none"> • Low level of advertising creativity <ul style="list-style-type: none"> - Focus on cost rather than creativity • High level of staff turnover • The level of planning and organisation is poor <ul style="list-style-type: none"> - Chaotic • Management stretched too thinly • Sometimes takes on more clients than it has resources to manage <ul style="list-style-type: none"> - Can undermine reputation
External	Opportunities <ul style="list-style-type: none"> • Continued economic growth in Ireland leading to positive consumer sentiment • Irish firms are optimistic about the future <ul style="list-style-type: none"> - Leading to increased marketing spend • Open a new office <ul style="list-style-type: none"> - Cork would be the most obvious location • Invest in online and digital advertising services <ul style="list-style-type: none"> - The industry is becoming ever more focussed on this area 	Threats <ul style="list-style-type: none"> • The competitive and fragmented nature of the sector • The possibility that another firm might begin to specifically target AML's niche • Potential clients migrate towards more expensive and better service agencies as their budgets increase • The implications of Brexit for the Irish economy <ul style="list-style-type: none"> - This may impact on consumer sentiment and economic growth • Ongoing or increasing regulations <ul style="list-style-type: none"> - For example, the possibility that social media sites will become more regulated in how they distribute advertising • Technology advances that change how consumers interact with businesses

(b) Issues and Challenges facing Aeda Marketing Ltd.

Bowman's Strategy Clock

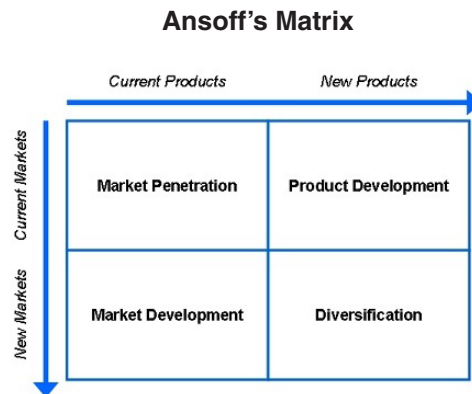


Bowman's 'Strategy Clock' is a model that describes the different approaches that firms may use to out-compete their rivals. The model contrasts firms' strategies in terms of price and perceived value added. The model identifies eight alternative competitive strategies, although three of these, positions 6, 7 and 8 will eventually lead to business failure over the longer term.

AML is competing using a 'focussed low price' strategy. The firm provides a range of advertising services to clients located around the Dublin area and which have a relatively low advertising budget: one that is generally too small to interest larger agencies. AML uses a lower fee structure compared to its rivals, and tends to provide relatively basic advertising solutions. AML emphasises price and value for money rather than innovative advertising

campaigns. As is noted by Mr Toner in the brief, AML ‘will never win an award for creativity, but the clients don’t really care; so long as the advertising works, and doesn’t cost too much.’

To date, this competitive strategy seems to have worked for AML. The firm has grown in size, revenues and profits over the past six years. AML also enjoys considerable repeat business. The firm targets a potential market that seems to be generally overlooked. The strategy also makes sense from the point of view that it avoids AML having to compete directly against the larger, better resourced and longer established agencies. Overall the rationale for AML’s competitive strategy is cogent. However, there are dangers associated with AML’s strategy also. There have been complaints that AML has failed to deliver or only delivered bland, ineffective campaigns. AML needs to remember that even if clients are paying a lower fee, it needs to provide an effective and professional service. AML needs to also be mindful that as competition for larger pitches and accounts becomes more competitive, rivals may choose, or be forced, to compete in AML’s niche.



Similar to Bowman's ‘Strategy Clock’, Ansoff’s matrix describes strategic options available to a firm. However, instead this model describes the different directions the firm may strategically grow. The model combines existing and new products and existing and new markets to arrive at four possible product-market growth options. Depending on the firm’s objectives, resources and competences, each of these alternatives, or a combination of them, represent possible growth directions for the firm.

As a starting point, and as a natural part of doing business, AML should maintain and hopefully further penetrate its current market to increase its market share. This will provide AML with a stronger base from which to compete against its larger rivals, and will go some way to protect its existing market from those rivals. At present, AML’s resources seem stretched, even though it has more employees than ever before. If AML wants to protect and develop its ‘home market’ it will need to evaluate the level of resources, in particular staff, that it employees, and which it uses on any particular campaign. If AML tries to grow market share without a matching increase in staffing, it is likely to deliver a poorer quality service and over time undermine its brand reputation and market share.

In addition, another option available to AML might be to open an office in a different location, for example, Cork City. The target market where AML competes is to an extent, geographically bound. When potential clients’ advertising budget is relatively low, they are more likely to use a local, and smaller, advertising agency rather than a national agency. AML’s services may be attractive to a similar target market in Cork as they are to Dublin based clients. Obviously, to do this successfully will require a relatively substantial investment by AML.

A last growth option potentially available to AML would involve the firm developing a dedicated online and digital marketing service. AML already provides this service, albeit at quite a basic level. To provide the service AML seems to frequently use students from the local third level college. As the firm already has some experience with this service, and it is likely to be the main growth area in advertising, AML seems well placed to develop into this space. There are a large number of firms already in this market, so if AML is to be competitive, an amount of recruitment and investment will be necessary.

In the context of the above analysis, and the concern that Ms Berry and Mr Toner have expressed about their workload, the following are the key issues facing the AML.

1. Ms Berry and Mr Toner need to decide if they wish to continue with AML and if they want to dedicate so much time to the business. They already feel that the business takes up too much time, and that they would earn as much, with far less stress, working for one of the larger advertising agencies.

2. AML provides a relatively low level of advertising creativity to clients. While AML focusses on cost, and clients also emphasise this, AML nevertheless does need to provide some creativity to clients.
3. The level of staff turnover in AML is high. The advertising agency sector in general suffers from high levels of staff turnover, and Ms Berry and Mr Toner do not seem concerned, however, staff turnover leads to reduced productivity, and may be a symptom of other underlying issues.
4. By virtue of their nature and size, smaller firms tend to be less structured and require more employee flexibility. AML seems to be very unorganised however, with one employee describing the firm as 'chaos'. This will lead to reduced productivity as employees are being pulled in too many directions, and can be off-putting to potential clients who want a professional level of service.

(c) Recommendations for Aeda Marketing Ltd.

The following are recommendations that Aeda Marketing Ltd. may use to address its current concerns and to develop into the future.

1. Bearing in mind the reservations expressed by Ms Berry and Mr Toner about their excessive workloads, they both need to consider their commitment to AML. They need to reflect on whether they want to continue working such long hours, especially in light of their assertion that now the sector is buoyant, they would earn as much in a managerial role in a large agency as the salary they earn running AML.
2. In the event that AML continues in business, Ms Berry and Mr Toner should promote or hire an experienced person to share the managerial responsibilities and to reduce the workload pressure on them. For example, they might promote an existing staff member to be responsible for social media or liaising with suppliers and then recruit to fill that person's position.
3. AML should continue with its current focus low cost strategy and to also continue to target the same small business target market. This competitive strategy has been successful for the firm up until now and AML seems to be able to implement it very effectively. In addition, this strategy avoids the need for AML to compete directly with the larger, full service, agencies.
4. Although Ms Berry and Mr Toner are not overly concerned with the complaints received from clients, these are a warning that AML should take seriously. Although the issues identified by the complaints have not affected revenues so far, if they continue they may in the future. In particular, AML need to be careful not to take on too many client campaigns at the same time, where the firm simply does not have the resources to dedicate sufficient time and focus to them.
5. Related, AML uses template designs and approaches as a base to develop clients' advertising. This enables AML to reduce development and operational costs. Although AML does not claim to be very creative it does need to provide a level of creativity – and 'impact' – to clients. AML perhaps needs to broaden the variety of templates and designs it uses, and to add an additional layer of creativity to their development process.
6. It is clear that AML values staff flexibility, and this is an important element of its organisational strategy. While staff flexibility is important, especially for smaller firms, AML does need to ensure that it plans activities and organises its staff more effectively. Flexibility should be organised, and not 'chaos' as mentioned by a former staff member.
7. Related, although again Ms Berry and Mr Toner are not very concerned, staff turnover is an issue that AML needs to address. While at first it might seem to be a way to manage costs, staff turnover reduces organisational productivity, and tends to indirectly increase costs. AML needs to accept that it may in fact be in its interest to increase salary levels to retain staff.
8. In the context of the ever increasing importance of online and social media, AML should invest in more dedicated resources and staff for this service. This area is more technical and fast-moving than AML's other services and it will require more specialised and trained staff. It is very difficult for part-time or occasional staff to have the technical knowledge and to ensure consistency in 'message' if they are haphazardly assigned a client or a campaign.

Indicative Marking Scheme for Question 1

	Marks
(a) Application of PESTEL	
• PESTEL implications should be related to the case scenario	
• 6 elements x 2 marks; maximum of 10 marks	10
Application of Five Forces Model	
• Drivers identified by Porter must be used to reach a conclusion for each force	
• 5 forces x 2 marks	10
Analysis of Resources and Competences	
• Explain main resources, should indicate relative importance to competitiveness	3
• Explain main competences, should indicate relative importance to competitiveness	3
• Use of Value Chain analysis	<u>3</u>
	9
Preparation of a SWOT Analysis	
• Should relate and link strengths to weaknesses, opportunities and threats	
• Issues in the SWOT should be prioritised, not just listed	<u>5</u>
	34
(b) Assessment of issues and options	
• Must be logical and clearly relate to previous analysis	
• Should refer to relevant models (Bowman or Porter, Ansoff...)	
• Issues and options should be prioritised, not just listed	8
(c) Strategy / Proposals	
• Must be logical and clearly relate to previous analysis	
• Recommendation(s) should be prioritised, not just listed and justified	8
Total Marks	<u><u>50</u></u>

SOLUTION 2

To: Fashionista Plc
Dublin
Ireland

From: A Student
CPA Consultants
Dublin
Ireland

Date 27 August 2018

Introduction

There is a growth imperative present in most firms. In particular, listed firms face pressure from shareholders for ongoing and ever increasing returns. Irish firms face a natural barrier and limit to their growth potential. The Irish domestic market is relatively small, and if an Irish firm focuses only on this market its growth potential is inevitably curtailed. Therefore to grow, an Irish firm must internationalise and expand outside of the Irish market.

Fashionista Plc is a leading competitor in the fast-fashion sector in Ireland. The limited size of the Irish market restricted its growth and in response Fashionista decided to expand into both the UK and Germany. Fashionista Plc's response was to expand into both the UK and Germany. In the UK, FashionistaPlc moved opportunistically to acquire a competitor that had got into financial difficulty. In Germany, it built up its business organically, establishing itself initially in larger cities, before expanding countrywide.

Fashionista Plc has now decided to enter the largest clothing retail market in the world, the US market. It hopes to replicate its strategy of low price and frequent fashion changes to attract US customers. There are a number of options available to a service firm to enter a foreign market, the most popular of which are organic market entry, an acquisition or franchising. Fashionista Plc has already ruled out using an acquisition due to the significant up-front investment required.

This report will critically evaluate the growth strategy options Fashionista Plc is considering, organic market entry and franchising. The report will then provide a recommendation based on this evaluation and on the circumstances facing Fashionista Plc.

Franchising

Franchising is a business relationship in which a franchisor (the business providing the service) assigns to independent businesses (the franchisees) the right to market and distribute the franchisor's service, and to use its business name and systems in a given location for a fixed period of time. The franchisor will usually also provide advice and training. The franchisee will provide the start-up capital and will manage the local franchise. If it is to be successful, franchising requires a high degree of standardisation and consistency across all elements of the franchise. Franchising is a very common strategy to enter international markets.

Fashionista Plc is effectively seeking to use a 'business format franchising' model to enter the US market. Fashionista Plc want to franchise its service and trademark, as well as the entire business concept: marketing strategy, operational standards and systems, ongoing assistance, etc. Fashionista Plc will require an up-front franchise fee but instead of royalties, the franchisee will be required to source 90% of its inventory from the firm. This creates a captive market for Fashionista Plc's products. This model is common in clothes retailing.

Fashionista Plc will have to consider a number of issues when deciding if it is going to use this strategy to enter the US market. Firstly, Fashionista Plc has already concluded that it does not have the capital necessary to meaningfully enter the US market by acquisition. In a franchising model, the franchisees must provide the capital, so this dramatically reduces Fashionista Plc's level of capital investment. Relatedly, this entry strategy would reduce the financial risk associated with the US expansion.

Using a franchising strategy is also a relatively fast means of entering the US market, at least in comparison with organic growth. Once Fashionista Plc finds suitable franchisees, the firm's role will focus on providing support and advice. The firm will not be involved in the day-to-day development of the local franchises. The investment of time by Fashionista Plc management will be relatively lower because it will not have an operational role. Therefore the firm can have multiple franchises in different cities being developed simultaneously.

In addition to capital, another benefit that local franchisees have is their local market knowledge. Fashionista Plc is Irish based, and although it has gained international experience from its UK and German chains, it has no in-house experience or expertise in the US clothes retailing sector. In the retail sector, each country does tend to have its own particular trends, in particular in relation to consumer behaviour, and therefore it is important to have local market knowledge. Using franchising will enable Fashionista Plc tap into this local market insight.

Lastly, and perhaps the most critical issue for Fashionista Plc, or any franchisor, will be its ability to find suitable businesses to act as franchisees, and for Fashionista Plc to be able to manage the ongoing relationship with them. Franchising is a collaborative strategy, and if Fashionista Plc is to succeed in the US, it needs to find local US partners that are experienced, motivated and above all, trustworthy. Fashionista Plc will be reliant on its US franchisees to manage their business effectively, and to not act opportunistically, which is a risk in any collaborative strategy. Fashionista Plc needs to ensure that franchisees will act in the interest of the overall business in the US, but contractual limitations and head office controls can only achieve so much. Fashionista Plc will inevitably face the inherent principal-agent risk associated with franchising.

Organic Growth

Fashionista Plc has a long history of organic growth, both domestically in Ireland, and internationally, particularly in Germany. The US market is significantly larger and more difficult. Developing organically in the US will require a significant organisational, not just financial commitment. This is the type of potential investment that might ruin Fashionista Plc if it were to go wrong. Of course, if it were to be successful, it would bring Fashionista Plc to a new competitive level in terms of international clothes retailers. The stages in organically developing a US business will involve the typical development steps: finding suitable locations, obtaining staff and premises, promotion and brand awareness, etc. However, before Fashionista Plc decide to pursue an organic development entry strategy, there are a number of issues it should consider.

As mentioned above, Fashionista Plc already has many years' experience of using organic development, including using the strategy to enter a foreign market. While accepting that the US market is inevitably different, this experience would be very useful to Fashionista Plc if it were to decide to use organic development. Related, using this strategy would lead to Fashionista Plc entering the US market in a more considered and incremental manner. This would provide Fashionista Plc with more managerial control over the market entry process, where the firm would only expand in the US at a pace it is comfortable managing. It is likely the combination of experience and incrementalism would reduce Fashionista Plc's level of risk in the US.

An organic development entry strategy also provides Fashionista Plc with more operational control of its US business. As alluded to previously, trust and opportunistic behaviour are always concerns in collaborative strategies such as franchising. There is a potential risk that franchisees will operate to boost short term returns and in so doing undermine Fashionista Plc's long term market position. Fashionista Plc will have considerably tighter control of its US business, both soft and hard controls, if it uses organic development, as operations and decisions are internal to the business.

An organic development entry strategy will allow Fashionista Plc to spread its investment and cash flow commitments over a longer period of time. The level of Fashionista Plc's investment necessary to organically develop in the US will be higher than that required if it were to use franchising, however, the firm will be able to either decrease or delay investment depending on circumstances. Therefore, while the overall investment is higher, Fashionista Plc should be able to manage the financing and cash flow impact of organic development.

Lastly, but again, probably most importantly, if Fashionista Plc uses an organic development entry strategy in the US, it will take considerable time to achieve any significant market share or scale. In contrast to franchising, or an acquisition for that matter, organic development requires significant senior management attention over a lengthy period of time, is incremental, and ultimately time consuming. Fashionista Plc simply will not have the managerial resources to support organic development at a comparable rate to that available using franchising. If Fashionista Plc decides to utilise an organic development entry strategy, it is accepting a slower, incremental but perhaps less risky strategy.

Recommendation

Fashionista Plc can utilise either a franchising or an organic development entry strategy in the US. Both strategies are suitable and feasible for Fashionista Plc, although both also present considerable challenges for the firm. If it were to use a franchising entry strategy, Fashionista Plc would be able to expand into the US market more quickly, and invest less capital while doing so. On the other hand, if it were to use an organic development entry strategy, Fashionista Plc would face a lower level of risk and would have more control of operations and brand presence in the US.

Overall, however, a franchising strategy is likely to be the better option. It represents an opportunity for Fashionista Plc to obtain higher returns in a shorter period. US consumers and business people are very familiar with franchising as a business model, and this should make issues that arise easier to resolve. However, if it pursues this strategy, Fashionista Plc needs to retain excellent US based legal representation, and appoint consultants who have experience in supporting firms which have used franchising to enter the US market. Lastly, Fashionista Plc needs to recruit a respected and experienced senior manager with significant franchising experience as their US Country Manager. The combination of these supports and experience should enhance the likelihood of Fashionista Plc entering the US market successfully.

Indicative Marking Scheme for Question 2

	Marks
Explain nature and importance of organisational growth strategies	
• Especially in the context of Fashionista Plc	2
Explain nature of [international] franchising	2
Possible issues relating to franchise growth in US:	
• Facilitates faster expansion but with less capital investment required	
• Ability to find suitable franchisees	
• Shared and limited returns	
• Trust and control	
• Local understanding	
• Franchising widely used and popular business model in US	
• Any other relevant issue	<u>8</u>
4 issues x 2 marks; maximum 8 marks	10
Explain nature of [international] organic growth	2
Possible issues relating to organic growth in US:	
• Slower US market entry	
• Incremental and therefore less risky	
• Spreads required investment over time	
• Greater operational control and quality control	
• Any other relevant issue	<u>8</u>
4 issues x 2 marks; maximum 8 marks	10
Recommendation	<u>3</u>
Total Marks	<u>25</u>

SOLUTION 3

To: Ms Kate Dowling
Naas Chilled Foods Ltd.
Naas
Ireland

From: A Student
CPA Consultants
Dublin
Ireland

Date 27 August 2018

Introduction

Marketing is a core activity in commercial organisations and it is critical to the success of the organisation that its marketing activity is integrated into the organisation and its decision-making. Related, it is critical that the marketing activities of the organisation are themselves integrated and consistent. According to the American Marketing Association, marketing is 'the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.'

Up until now, NCFL has been producing chilled foods on behalf of four of the largest Irish supermarket and convenience store chains. The firm has now decided to produce its own range of chilled foods. These will be convenient but high-quality, healthy chilled foods. However, because of how the business has developed, NCFL has little experience of consumer marketing.

Business and Consumer Marketing

NCFL needs to be aware that business and consumer marketing are quite different and that the firm will have to adjust its marketing strategy considerably if it is to be successful in the new venture.

In business marketing, business customers are motivated by rational considerations, such as price, utility, and business relationships. On the other hand, consumer marketing is built on the assumption that consumers are driven by desires: for example, status, want and recognition. In communicating with the consumer, the firm will need to connect with them. Consumers want to products they buy to 'say something about them'. Consumers are worried about what their friends, colleagues and family will think of the purchase.

In business marketing, the target market is much smaller and the buying process may last months. The sale tends to be complex, often taking additional months to complete, and it is driven by budgets. It is a very rational decision. In contrast, consumer purchases usually have a short purchasing period: the impulse buy of a few minutes to a few days for something quite complex. Consumers' purchase decisions tend to have a stronger emotional element.

Therefore the decision to introduce the new product range will impact on all areas of NCFL's target marketing and marketing strategy.

Target market

A target market is a segment within the overall market that a business has decided to target its marketing efforts towards. Firms, particularly small firms, do not have the resources to 'target everyone'. Firms need to focus their marketing efforts on their 'typical customer' and construct a marketing strategy that is likely to be successful for this group. Up until the launch of 'Mother's Best...' the target market for NCFL was effectively their client supermarket chains, not the consumers who bought NCFL's products in the shop. The supermarket chains determined the range, size, pricing etc. of NCFL's products. NCFL dealt with the supermarket chains, not the consumer of the products. Therefore, NCFL had no direct contact with the final user and the information and the decisions about the target consumer were in effect filtered by NCFL's clients.

In launching the new product range, NCFL must now directly target and construct a marketing strategy to try to influence the final consumer. The contrasts between business to business and business to consumer marketing were identified above. There are several ways in which to segment the consumer market: geographic, socio-graphic, psychographic, etc. Bearing in mind the market research and product testing that NCFL have already done, the firm should have a fairly clear idea of the 'typical customer' for their products. NCFL's new product range are high-quality, healthy chilled foods, that suit busy lifestyles. The target market for such products is likely to be middle and higher income earners, who are busy with work and family, but who are also health conscious. They want easy to prepare but nutritious food, and are able to pay a little more for it. The target market is likely to consist of educated professionals, single or with young families, in their twenties to forties, who are time-poor.

The identification of this target market should drive the other marketing strategy choices made by NCFL.

Product

Fundamentally, in marketing 'the product' is what is being offered to the buyer. In the case of NCFL, in one sense there is very little that has changed, but in another sense, the products are quite different. NCFL's original own-brand product range are convenience chilled foods that are quick to cook and relatively cheap. The firm's new product range is the same – curries, pies and quiches – but while still fast and convenient to cook, they are healthy and more expensive. The product positioning of the new product range is very different to the own-brand product range: high quality and high price compared to the original's low quality and low price.

Packaging

Packaging is sometimes viewed as 'the fifth P', and is influenced by all the other elements of marketing strategy, especially product and distribution strategy. When producing chilled foods on behalf of the supermarkets, NCFL was 'given' the packaging design, however, now targeting consumers directly, the firm will have to give careful consideration to the packing it uses. The role of packaging in consumer marketing is varied. Packaging is part of the brand identity and NCFL will need to design packaging that differentiates its products from those of rivals. NCFL should pay particular attention to colouring, making sure to use colours which will catch the attention of the shopper and convey sentiment. For example, green packaging tends to suggest more natural. Packaging also provides descriptive and persuasive information to consumers, including ingredients. NCFL will need to use packaging to emphasise the benefits of the products: healthy and fast. A final packing issue NCFL will need to consider is how the packaging can protect the product and make it easier to store and use. In terms of convenience for example, it would be useful if the packaging contained a tin-foil tray that could be put directly into the oven.

Distribution (or Place)

In marketing, the distribution of products usually has two related components. Firstly, producers need to decide the channels of distribution that they will use, and agree access to these channels. The access to distribution is one of the important barriers that new businesses frequently have to overcome. For example, supermarkets have inherently limited shelf space and it is difficult for new products to negotiate placement when products that are already known to sell can be placed there instead. NCFL has secured limited distribution for their range with their existing clients. The firm is very fortunate that Ms Dowling's relationships with the supermarket chains have provided the firm with an opportunity that might take another firm years to obtain.

The second component of distribution is the actual physical distribution or delivery of the product to the buyer or the intermediary. Again, NCFL are in the fortunate position that it already delivers almost identical products to the same supermarkets. The firm can simply share the delivery using one transport, so physical distribution of its new product range should not present difficulty, at least for the initial three months. This may also be a reason why NCFL are planning to maintain the own-brand product range.

Pricing

The pricing of a product is obviously a key decision for a producer and an important influence in a purchaser's decision to buy. The pricing determination for NCFL's own brand range was the result of a negotiation between the firm and its clients. However, for its own product range, several factors will influence the pricing strategy that NCFL will pursue, including the cost of production, the level of competition, the influence of intermediaries, the perceived value and quality of the product, the income of the target market and the economic situation. In addition to these, NCFL need to consider whether it should initially price the product range to gain sales and market share, called 'price penetration', or whether to price at a level reflecting the quality and image of the product range, or 'premium pricing'. In doing this, NCFL need to be aware that for many people, pricing is a signal of quality. Whether accurate or not, people associate low prices with poorer quality and vice versa.

Integrated Marketing Communications (or Promotion)

There are several methods for producers to communicate with the market. According to Kotler, Integrated Marketing Communications (IMC) is where 'a company carefully integrates and coordinates its many communications channels to deliver a clear, consistent message'. Up until now, NCFL did not really have, or need, an IMC strategy as it was only producing on behalf of its clients and it was the clients' brand that consumers purchased. To effectively promote its new product range, NCFL will have to carefully construct a marketing communications strategy that informs consumers and persuades them to purchase its products. It will require a combination of new and older media channels to achieve this. (IMC is developed further under the recommendations section below.)

Recommendations for Initial IMC Strategy

NCFL has secured limited distribution for the 'Mother's best...' brand with NCFL's existing clients for an initial three month trial period. Shelf space is always limited in retailers and they will usually stock what they know will sell. At least as an initial target, NCFL has three months to build up sufficient sales to retain its distribution agreement, and hopefully widen it to more outlets. To do this, NCFL need to create a communication and promotion strategy that informs consumers and motivates them to buy its brand. When constructing the integrated marketing communications strategy, NCFL need to carefully target the niche they have identified: educated professionals, single or with young families, in their twenties to forties, who are time-poor. This group is likely to be highly active on online and social media.

Bearing this in mind the majority of NCFL's communication efforts should focus on the following. NCFL need to develop a website that promotes its brand and the health and time benefits of the product range. As with all integrated communication strategies, the styles, colours, imagery, etc. needs to be consistent with NCFL's other promotional activities (and product packaging). Related, NCFL needs to ensure visibility in search engines. Very few people, look beyond the first five to ten results, so a search such as Healthy + Convenience + Food, needs to return NCFL in the first five or so results.

NCFL's target audience are very connected via social media, for example, Instagram, Facebook and Snapchat. NCFL need to develop a presence on these, perhaps using 'social media influencers' to promote the product range, as well as generating their own trends. These platforms will be key to the firm and product range gaining brand recognition. Although expensive, it would be more effective if a professional advertising agency was retained to complete the online and social media work, at least initially.

In addition to these advertising methods, NCFL should also engage in in-store promotions. The objective of these promotions will be to motivate consumers to make an initial purchase of the product. These promotions are designed to boost sales in the short-term only, but this is the timeframe with which NCFL are initially concerned. There are various options available, but coupons for price reductions and 'buy two for the price of one' are common. Related, NCFL might organise in-store tasters. This is where a customer is offered a sample to taste, and the representative also pushes for a sale. This might be conjunction with a price offering.

NCFL might also seek some public relations opportunities, ideally free ones. This might involve a 'product launch' where a local celebrity would appear and the local newspapers would be given a press release. A second opportunity might involve Ms Dowling appearing on local radio channels in Dublin and Kildare.

Conclusion

Naas Chilled Foods Ltd. (NCFL) was established in 2007 and manufactures chilled foods for four of the largest Irish supermarket and convenience store chains. Its managing director, Ms Dowling, has decided to develop NCFL's own product range and brand. The new product range is very similar to what NCFL already produces but will be positioned in a very different market segment. If it is to successfully launch the new range of products however, NCFL needs to re-imagine its target market and marketing mix strategies, which are unsuited to consumer markets. The time and investment necessary to build up a sustainable market share will be significant, however NCFL will be able to subsidise the new product range with the revenues generated from its existing business.

Indicative Marking Scheme for Question 3

	Marks
Explain nature and importance of consumer marketing	
• Especially in the context of Naas Chilled Foods Ltd.	2
• Compare business to business and business to consumer marketing	
Target Market	3
Changes to marketing mix strategy:	
• Product	2
• Packaging	2
• Distribution (or place)	2
• Price	2
• IMC (or promotion)	2
	<hr/>
	10
Recommendations for IMC immediate strategy:	
• Website and SEO	
• Social media presence	
• In-store and price promotions	
• Public relations	
• Any other relevant IMC strategy	
4 strategies x 2 marks; maximum 8 marks	8
Conclusion	2
Total Marks	<u>25</u>

SOLUTION 4

- (a) To paraphrase Alice's Adventures in Wonderland 'If you do not know where you are going, all roads will get you there.' An organisation needs to have a sense of why it exists and what it is seeking to achieve. An organisational vision provides this perspective. Vision is integral to strategic management and to strategic leadership. The first critical stage in the strategic management process is the articulation of a vision and mission for the organisation, as this provides the direction for all subsequent strategic analysis and decision-making. Related, as identified by Kotter, a clear and compelling vision is a key element in successful strategic transformational programmes.

Similarly, vision is a key element of strategic leadership, and the creation of a clear and compelling vision is perhaps the most important responsibility of senior management. Hitt, Ireland and Hoskisson detail a number of key strategic leadership actions, the first of which is determining the strategic direction of the organisation. They describe the ideal vision as having two parts: an envisioned future and a core ideology, or set of values. This mirrors closely the analysis by Rowe, who sees the ability to develop and utilise vision as a critical competency of effective strategic leaders – as well as of visionary leaders, obviously. Rowe essentially argues that a manager cannot be described as a strategic leader without having a clear and compelling vision, and being able to leverage that vision to improve the organisation.

Gaelic National Insurance Corporation Plc (GNIC) is one of Ireland's largest domestic insurance providers, however it is underperforming compared to its potential. There are likely to be several interrelated reasons for the underperformance, but the lack of a clear compelling organisational vision is probably the most important and pervasive. The comments made by the analysts, 'strategic drift', lack of integration' and 'inconsistency', are all indicative of an organisation that lacks an underpinning vision. Ms Barr is correct in her analysis that her first critical responsibility needs to be to develop a coherent vision for the firm. Once this has been effectively developed, it should provide a framework for the subsequent strategic decisions that the senior management are likely to need to make. Unfortunately, Ms Barr will initially have to persuade her senior management colleagues of the usefulness of developing a vision statement for GNIC. If she is unable to persuade her senior management colleagues, then she is very unlikely to be able to persuade the rest of the organisation, or its stakeholders.

Ms Barr will need to convince her senior management colleagues of the organisational benefits of a clear and compelling vision. The most effective arguments that she may use relate to:

1. Purpose and identity
2. Motivation and belonging
3. Consistent decision-making
4. Enhanced financial performance

A clear and compelling vision statement creates a sense of purpose for an organisation. Vision statements are an articulation of organisational identity and describe an organisations underlying values. Ms Barr and the senior management team may use the development of a [new] vision as a means of reinforcing the rationale for the firm. A vision statement should ameliorate the criticism that staff seem to have in relation to the firm not knowing 'who we are anymore'. A clear vision statement should provide a focal point for GNIC, and communicate what the firm stands for.

Another significant benefit of a clear and compelling vision statement is it can be motivating and even inspiring. Staff are likely to be more motivated when their values are aligned with the purpose and values of the organisation. Ms Barr and the senior management team should be able to use the vision statement to generate an enhanced sense of staff belonging and commitment. The alignment of GNIC's vision with personal values should create the belief that the firm is doing something meaningful and GNIC staff will therefore want to contribute. GNIC can more likely achieve its objectives with engaged and motivated staff.

A clear and compelling vision statement also provides a guide for management and staff decision-making. At present, analysts believe that GNIC suffers from inconsistency in decision making and a lack of integration across its operating units. A well communicated vision will provide a context for decision-making within and across GNIC's units. Ms Barr and the senior management team should be able to use the vision statement to guide staff actions and align efforts so everyone is working towards the same understood objectives.

Finally, while research results are mixed, the overall research conclusion is that there is a probable and positive link between having a clear and compelling organisational vision and organisational performance. Ms Barr should emphasise to her senior management colleagues that an effectively implemented vision should lead to GNIC showing improved financial performance. In other words, a clear and compelling organisational vision, backed up with effective decision-making and actions, will result in concrete improvements by GNIC.

As can be seen from the above coherent and meaningful vision statements contribute to organisational identity and staff engagement, as well as organisational decision-making and ultimately enhanced organisational financial performance. Ms Barr should be able to make use of these arguments to convince her senior management colleagues that the development and implementation of a vision is a priority, and the cornerstone of GNIC's future performance.

- (b) One of the main reasons why there is an amount of scepticism associated with organisational vision, as suggested by Ms Barr's colleagues, is the frequent disconnect between the stated vision and the organisational reality. Organisations need to ensure that their vision is 'translated' into meaningful actions, policies and objectives that impact across the organisation and at the operational level. There are a number of actions that Ms Barr can use to ensure that a clear and compelling vision has a real impact on GNIC. These are:

1. Inclusive development process
2. Ongoing communication
3. Development of organisational objectives
4. Development of organisational policies

A CEO and the senior management team cannot impose a vision 'by fiat'. The organisation needs to have an emotional connection with the vision. When developing a vision, and articulating it in a vision statement, a senior management team must use a collaborative approach, involving management and staff from around the organisation, and even external stakeholders. Ms Barr has some clear ideas about the fundamental values that she believes should be included in GNIC's vision, including excellence, flexibility, integrity and teamwork. However, if staff are going to accept and internalise these values, staff need to be involved in their articulation. Ms Barr and GNIC might begin the development process with a draft vision, but need to integrate the beliefs and understandings of staff if the vision is to be accepted. GNIC may use tools such as focus groups and 'away days' to facilitate a dialogue about the firm's vision. GNIC needs to consult widely within the organisation – each location, operating unit and level of staff and management needs to have the opportunity to influence the firm's vision. The firm may even employ management consultants as part of the process to provide additional credibility. The process of development is critical to the acceptance, and therefore impact, of the organisation's vision.

The development of the organisation's vision, as noted above, is also the organisation's initial steps in communicating the vision to staff. Through participating in its development, management and staff are made initially aware of the rationale for the organisation's vision, and the logic and proposed impact underlying it. The organisation needs to build on this initial awareness however. Ms Barr and the senior management team need to implement a communication strategy that reflects the rationale and meaning of GNIC's new vision. They must take every opportunity to promote the vision. For example, GNIC might consider the publication of the vision and its rationale etc. in an organisational booklet distributed to all staff. Similarly, it may be disseminated using the firm's email and website. However, the use of short socialisation seminars and meetings where staff can discuss the vision with management is likely to be the most effective. In addition, when making and explaining decisions, Ms Barr and the senior management team need to constructively refer to GNIC's vision and how it helped influence the decision made. In a sense everything should be constantly related back to GNIC's articulated vision.

To allow it capture the nature of the organisation, an organisation's vision inevitably needs to be articulated in relatively general language that is useful across the organisation and time. However, at a strategic and especially at an operational level, to effectively manage, an organisation needs to use more specific and meaningful aims. Once Ms Barr and the senior management team develop GNIC's vision, they will then need to transform its generality into a coherent web of specific objectives. These objectives will need to be prepared for every unit and department in the firm. However, the objectives developed must clearly and deliberately derive from GNIC's vision. Senior management, and importantly, staff in general, need to be able to trace the specific objectives they are responsible for back to the firm's vision. The network of objectives created will cascade down the firm, but will clearly identify how GNIC intends to realise the stated vision.

Lastly, and similar to the actions just outlined, organisations need to build a detailed set of organisational policies and procedures that reflect the organisation's vision. For example, in the case of GNIC, the firm must integrate the values identified in the vision statement – excellence, flexibility, integrity and teamwork – into the firm's human resource policies and procedures. This might include using a number of measures of flexibility, teamwork and performance in managers' and employees' performance reviews. Again, these metrics should be traceable to GNIC's vision. The metrics should illustrate to all staff how the firm's expectations in terms of behaviours and performance create a coherent policy framework, but with the firm's vision as its cornerstone.

In conclusion, vision is at the heart of strategic leadership: an organisation that lacks a vision of itself will drift and lose coherency: just as has happened GNIC. As can be seen from the above, articulate, coherent, and meaningful vision statements can significantly influence a firm's sense of purpose and identity, improve staff motivation and

enhance decision-making and ultimately financial performance. However, this is not inevitable, an organisation's senior management must develop and effectively implement a meaningful vision. In order to do this, GNIC and organisations like it, must realise the vision using objectives, policies and procedures as well as ongoing communication and reference to the vision. Otherwise, the vision becomes merely an academic, even cynical exercise.

Indicative Marking Scheme for Question 4

		Marks
(a)	Explain the nature of organisational vision	
	• Relate explanation to GNIC	2
	Explain the importance of vision in the context of strategic leadership	3
	Possible benefits of having a clear and compelling organisational vision	
	• Purpose and identity	
	• Motivation and belonging	
	• Consistent decision-making	
	• Enhanced financial performance	
	• Any other relevant consequence	
	Any 4 issues x 2 marks; maximum 8 marks	8
		<u>13</u>
(b)	Introduction	2
	Possible actions to implement organisational vision	
	• Involve organisational members in developing the organisational vision	
	• Clear, interesting and ongoing communication	
	• Develop web of related and specific objectives	
	• Develop organisational policies realise the vision	
	• Any other relevant action	8
	Any 4 actions x 2 marks; maximum 8 marks	<u>2</u>
	Conclusion	
		12
	Total Marks	<u><u>25</u></u>