

**Getting Marketing Back in the Boardroom
- how to prove that your marketing
strategies create rather than destroy
shareholder value**

by

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14th April 2005

Objectives

- To outline why a new process is necessary for demonstrating the shareholder value inherent (or lacking) in the business plan
- To demonstrate how company valuation can be taken from an art to a science

Agenda

- Why current methods of evaluating the future are inadequate
- The process of Marketing Due Diligence
- Using Marketing Due Diligence to investor and company advantage

Executive Summary

- The business world is powered by estimates of future profit growth
- The way we estimate profit growth now is not good enough
- New work at Cranfield suggests a better approach
- This new approach has advantages to both investors and companies
- We invite you to challenge yourselves and your companies!

Justifying investment in marketing assets

Whilst accountants do not measure intangible assets, the discrepancy between market and book values shows that investors do. Expenditures to develop marketing assets make sense if the sum of the discounted cash flow they generate is positive.

Balance sheet

Assets	Liabilities
<ul style="list-style-type: none">- Land- Buildings- Plant- Vehiclesetc.	<ul style="list-style-type: none">- Shares- Loans- Overdraftsetc.
£100 million	£100 million

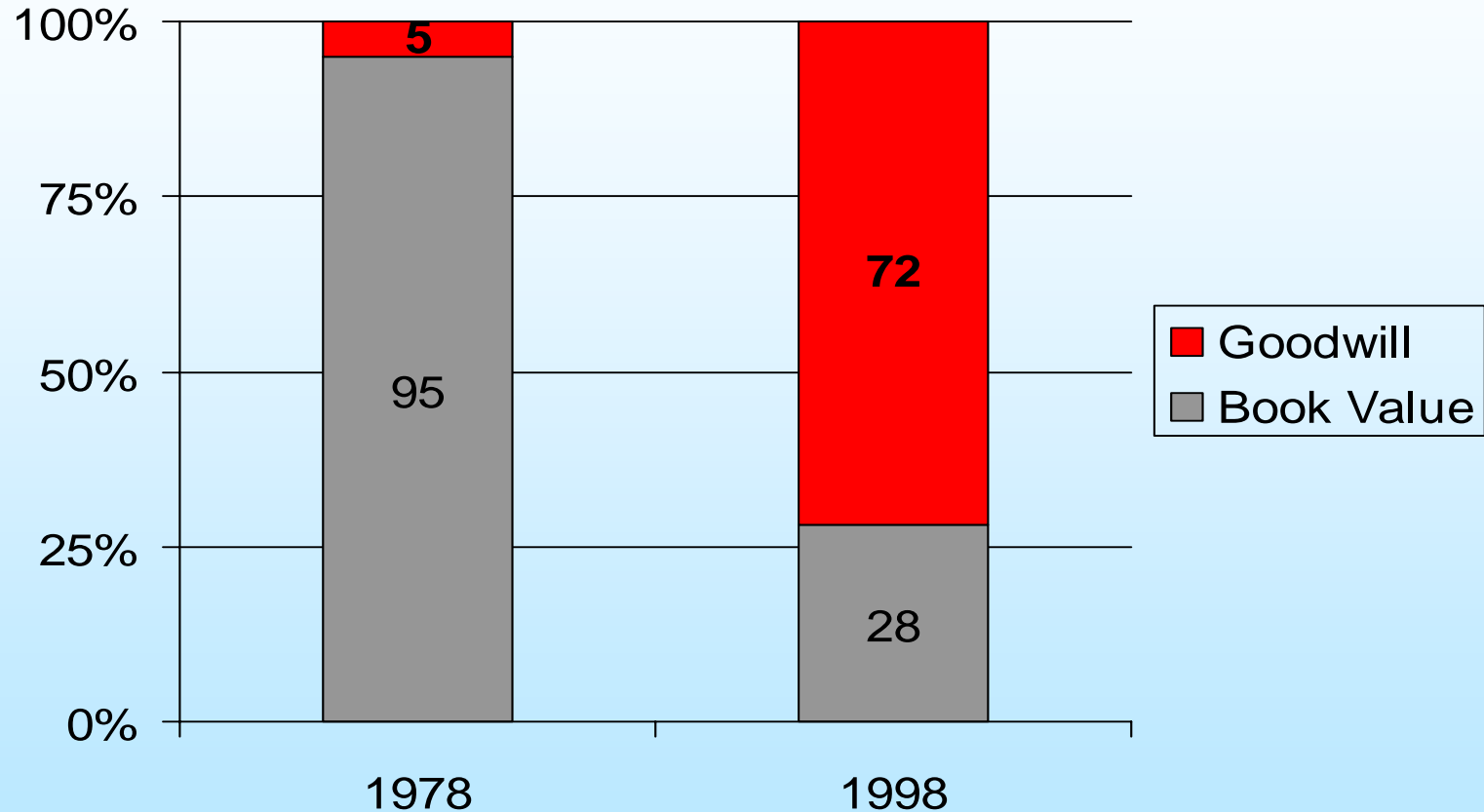
Balance sheet

Assets	Liabilities
<ul style="list-style-type: none">- Land- Buildings- Plant- Vehiclesetc.	<ul style="list-style-type: none">- Shares- Loans- Overdraftsetc.
£100 million	£900 million

Balance sheet

Assets	Liabilities
<ul style="list-style-type: none">- Land- Buildings- Plant- Vehicles <p>Goodwill £800m</p>	<ul style="list-style-type: none">- Shares- Loans- Overdrafts etc.
£900 million	£900 million

Intangibles are the key driver of shareholder value



Comparison of market value with book value for 3,500 US companies over the period 1978 - 1998

Source: Fortune, April 16 2001

“If you decompose the stock prices of the leading companies, you will see that future growth accounts for as much as 54% of the stocks’ total value”

HBR, November 2004, McGovern, G., Court, D., Quelch, A. and Crawford, B.

About 20 years ago, traditional accounting assets composed about 80 percent of market value. By March 2000, this ratio had flipped to a peak point where the traditional accounting assets only composed about 15 percent of market value. Despite the subsequent market crash, traditional accounting assets still explain only about 25 percent of market value. The amount of market value explicable through traditional assets has clearly shrunk.

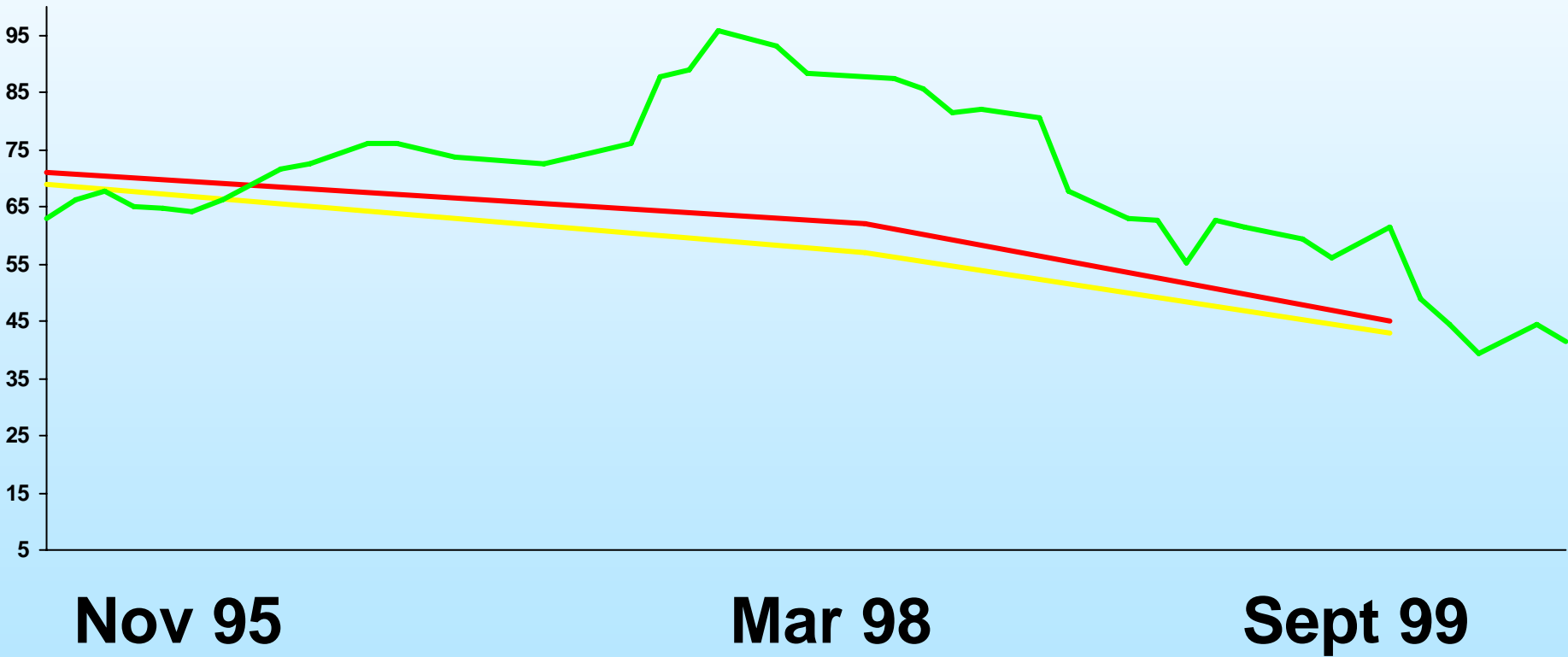
Managing for shareholder value: Intangibles, future value and investment decisions, *Journal of Business Strategy*, Vol. 25, No. 3, 2004, p.29

“The information appearing in the majority of boardrooms remains predominantly financial in nature. Without (additional) information on value-creating activities management are typically flying blind – when financials tell them there is a problem management have already missed the optimal point for taking appropriate corrective action”.

PricewaterhouseCoopers – ValueReporting™ Review 2003,
Transparency in Corporate Reporting, p.25

Marks & Spencer's Trends

— Service Positive — Value for Money — Share Price (Indexed)



Base: M&S Customers

Measuring marketing performance isn't like measuring factory output – a fact that many non-marketing executives don't fully grasp.

In the controlled environment of a manufacturing plant, it's simple to account for what goes in one end and what comes out the other and then determine productivity.

But the output of marketing can be measured only long after it has left the 'plant'.

HBR, November 2004, McGovern, G., Court, D., Quelch, A. and Crawford, B.

Improvements in a short-term financial measure such as economic profit can be achieved through postponing capital investments, reducing marketing and training expenditures, or by divesting assets, each of which may have a positive effect on near-term performance but could adversely affect long-term value creation performance. Nevertheless, when incentivised with bonuses to ‘manage for the measure’ this is exactly what many managers will do irrespective of the consequences on shareholder value.

‘Why Value-Based Management Goes Wrong’,
Simon Court, Market Leader, 2002

Budgets (1)

- 90% of USA and European firms think budgets are cumbersome and unreliable, providing neither predictability nor control.
- They are backward-looking and inflexible. Instead of focussing managers' time on the customers, the real source of income, they focus their attention on satisfying the boss, i.e. The budget becomes the purpose.
- Cheating is endemic in all budget regimes. The result is fear, inefficiency, suboptimisation and waste.

Budgets (2)

- In companies like Enron, the pressure to make the numbers was so great that managers didn't just doctor a few numbers, they broke the law.
- People with targets and jobs dependent on meeting them will probably meet the targets, even if they have to destroy the enterprise to do it.

(Simon Caulkin, Escape from the Budget Straitjacket.
Management Today, January 2005, pp. 47-49)

In search of excellence (Peters)

- 43 “excellent” companies
- 14 “excellent” companies 5 years later
- 6 “excellent” companies 8 years later

(Richard Tanner Pascale
*“Managing on the Edge:
how successful companies
use conflict to stay ahead”*
1990, Viking, London)

Britain's top companies (Management Today)

Year	Company ¹	Market Value (£m)	ROI ²	Subsequent performance ³
1979	MFI	57	50	Collapsed
1980	Lasmo	134	97	Still profitable
1981	Bejam	79	34	Acquired
1982	Racal	940	36	Still profitable
1983	Polly Peck	128	79	Collapsed
1984	Atlantic Computers	151	36	Collapsed
1985	BSR	197	32	Still profitable
1986	Jaguar	819	60	Acquired
1987	Amstrad	987	89	Still profitable
1988	Body Shop	225	89	Still profitable
1989	Blue Arrow	653	135	Collapsed

1. Where a company has been top for more than 1 year, the next best company has been chosen in the subsequent year e.g. Polly Peck was related top 1983, '84 and '85
2. Pre-tax profit as a percent of investment capital

From Professor Peter Doyle, Warwick University

Britain's top companies

Year	Company ¹	Market Value (£bn) ²	ROI ³ %	Subsequent performance
1990	Maxwell Communications Plc	1.0	5	Collapsed
1991	Imperial Chemical Industries Plc	8.6	13	Collapsed
1992	Wellcome Plc	8.3	40	Acquired
1993	ASDA Group	1.6	7	Acquired
1994	TSB Group Plc	3.7	20	Acquired
1995	British Telecommunications Plc	22.2	17	Not Profitable
1996	British Steel Plc	3.3	19	Collapsed
1997	British Airways Plc	6.1	7	Not Profitable
1998	National Westminster Bank Plc	19.6	14	Acquired
1999	Marconi Plc	29.8	22	Acquired
2000	Marks & Spencer Plc	5.3	7	Not Profitable

1. Each company was a FTSE100 when selected
2. Market Values as of 31 December of each year
3. Pre-tax profit as a percent of Equity & Long Term Debt

From Professor Malcolm McDonald

Inter Tech's 5 year performance

Performance (£million)	Base Year	1	2	3	4	5
Sales Revenue	£254	£293	£318	£387	£431	£454
- Cost of goods sold	135	152	167	201	224	236
Gross Contribution	£119	£141	£151	£186	£207	£218
- Manufacturing overhead	48	58	63	82	90	95
- Marketing & Sales	18	23	24	26	27	28
- Research & Development	22	23	23	25	24	24
Net Profit	£16	£22	£26	£37	£50	£55
Return on Sales (%)	6.3%	7.5%	8.2%	9.6%	11.6%	12.1%
Assets	£141	£162	£167	£194	£205	£206
Assets (% of sales)	56%	55%	53%	50%	48%	45%
Return on Assets (%)	11.3%	13.5%	15.6%	19.1%	24.4%	26.7%

Why Market Growth Rates Are Important

InterTech's 5 Year Market-Based Performance

Performance (£million)	Base Year	1	2	3	4	5
Market Growth	18.3%	23.4%	17.6%	34.4%	24.0%	17.9%
InterTech Sales Growth (%)	12.8%	17.4%	11.2%	27.1%	16.5%	10.9%
Market Share(%)	20.3%	19.1%	18.4%	17.1%	16.3%	14.9%
Customer Retention (%)	88.2%	87.1%	85.0%	82.2%	80.9%	80.0%
New Customers (%)	11.7%	12.9%	14.9%	24.1%	22.5%	29.2%
% Dissatisfied Customers	13.6%	14.3%	16.1%	17.3%	18.9%	19.6%
Relative Product Quality	+10%	+8%	+5%	+3%	+1%	0%
Relative Service Quality	+0%	+0%	-20%	-3%	-5%	-8%
Relative New Product Sales	+8%	+8%	+7%	+5%	+1%	-4%

External Investor Marketing Disclosure

INFORMATION NEEDED

- Market value (86%)
- Key competitors (85%)

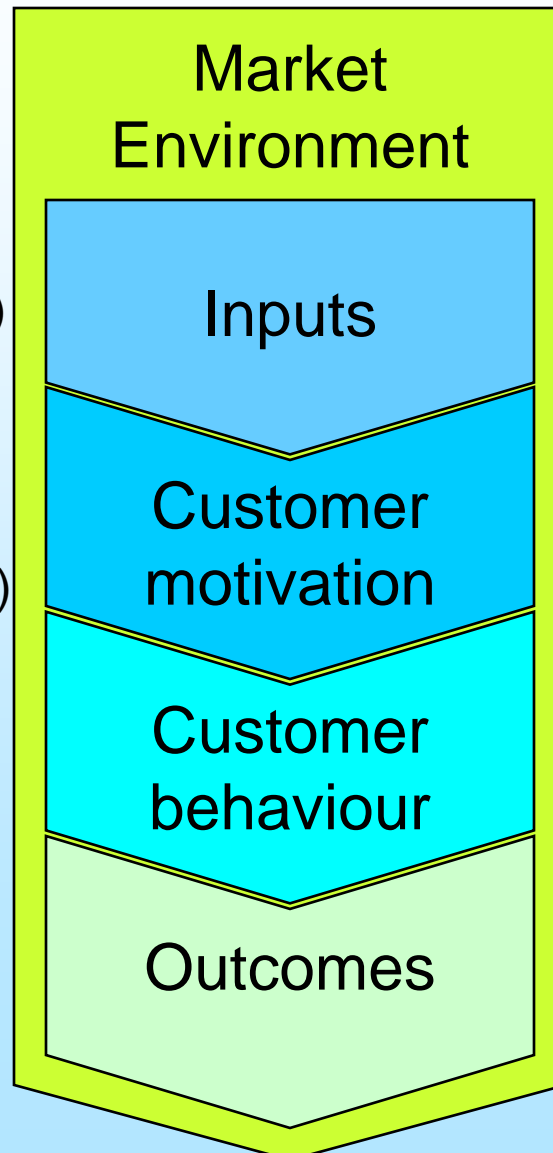
- Marketing investment (71%)
- New product stats (68%)

- Brand awareness (62%)
- Customer satisfaction (60%)

- Distribution coverage (68%)
- Price elasticity (72%)

- Market share (91%)

Source:
Brand Finance 1999



DISCLOSED

- Market size/trend (8%)

- Mktng investment (10%)
- Innovation (10%)
- Efficiency (6%)

- Brand preference (16%)

- Customer loyalty (18%)

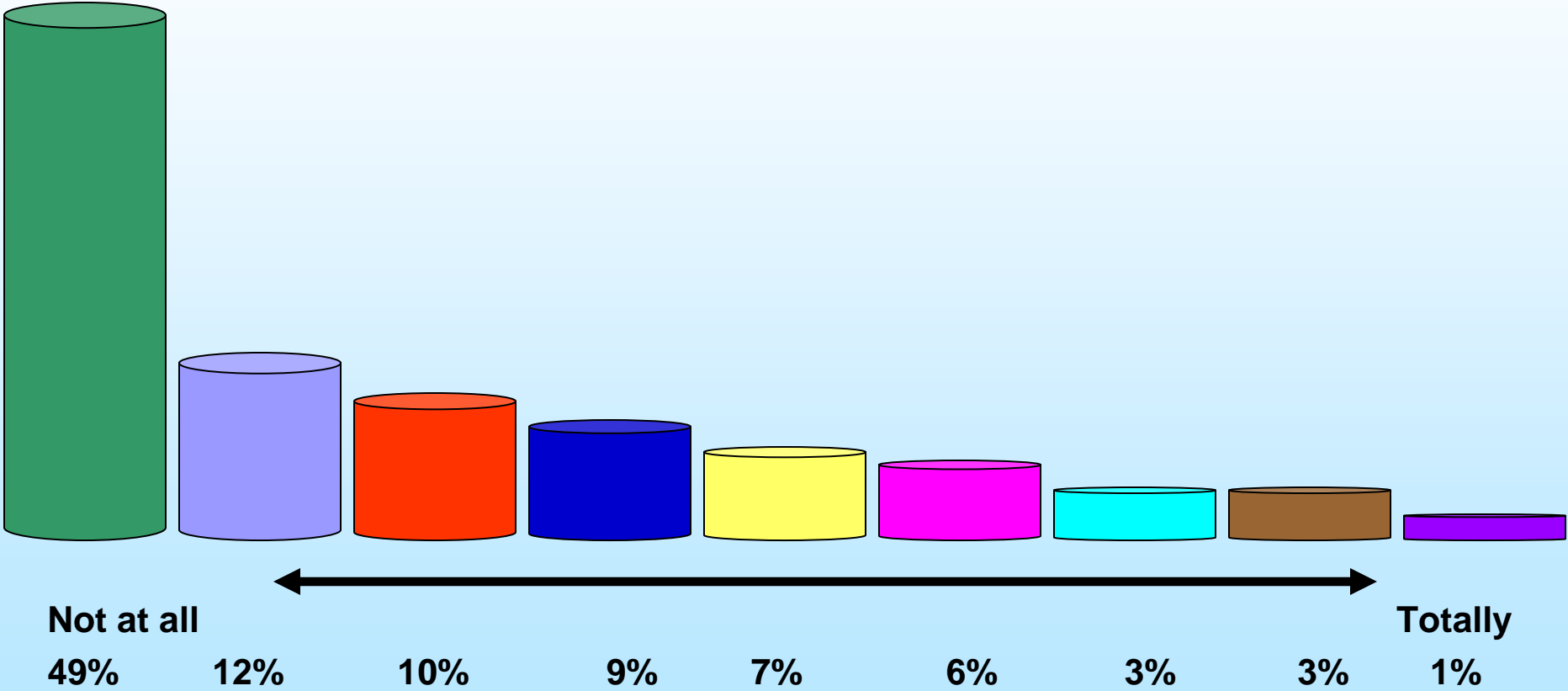
- Relative perf (16%)
- Trade distribution (8%)

Source:
Professor Hugh Davidson,
(Cranfield visiting professor)

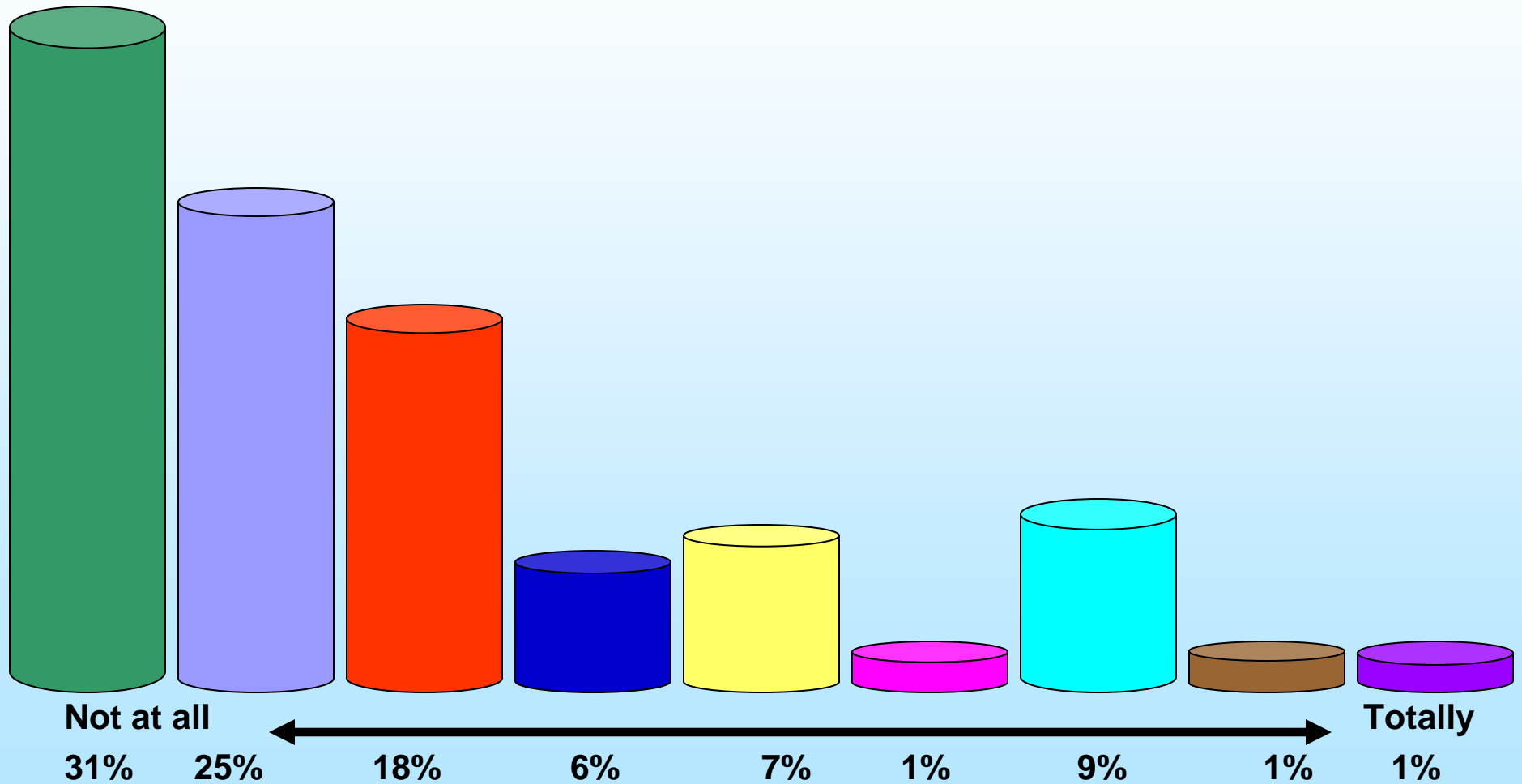
Measurement of segment profitability

	Total Market	Segment 1	Segment 2	Segment 3	Segment 4	Segment 5	Segment 6
Percentage of market represented by segment	100.0	14.8	9.5	27.1	18.8	18.8	11.0
Percentage of all profits in total market produced by segment	100.0	7.1	4.9	14.7	21.8	28.5	23.0
Ratio of profit produced by segment to weight of segment in total population	1.00	0.48	0.52	0.54	1.16	1.52	2.09
Defection rate	23%	20%	17%	15%	28%	30%	35%

We measure customer retention by market segment.



We know the financial impact of all the elements of our marketing strategy and we measure and report them to the board



The Cultural Web (What senior non marketers believe about marketers)

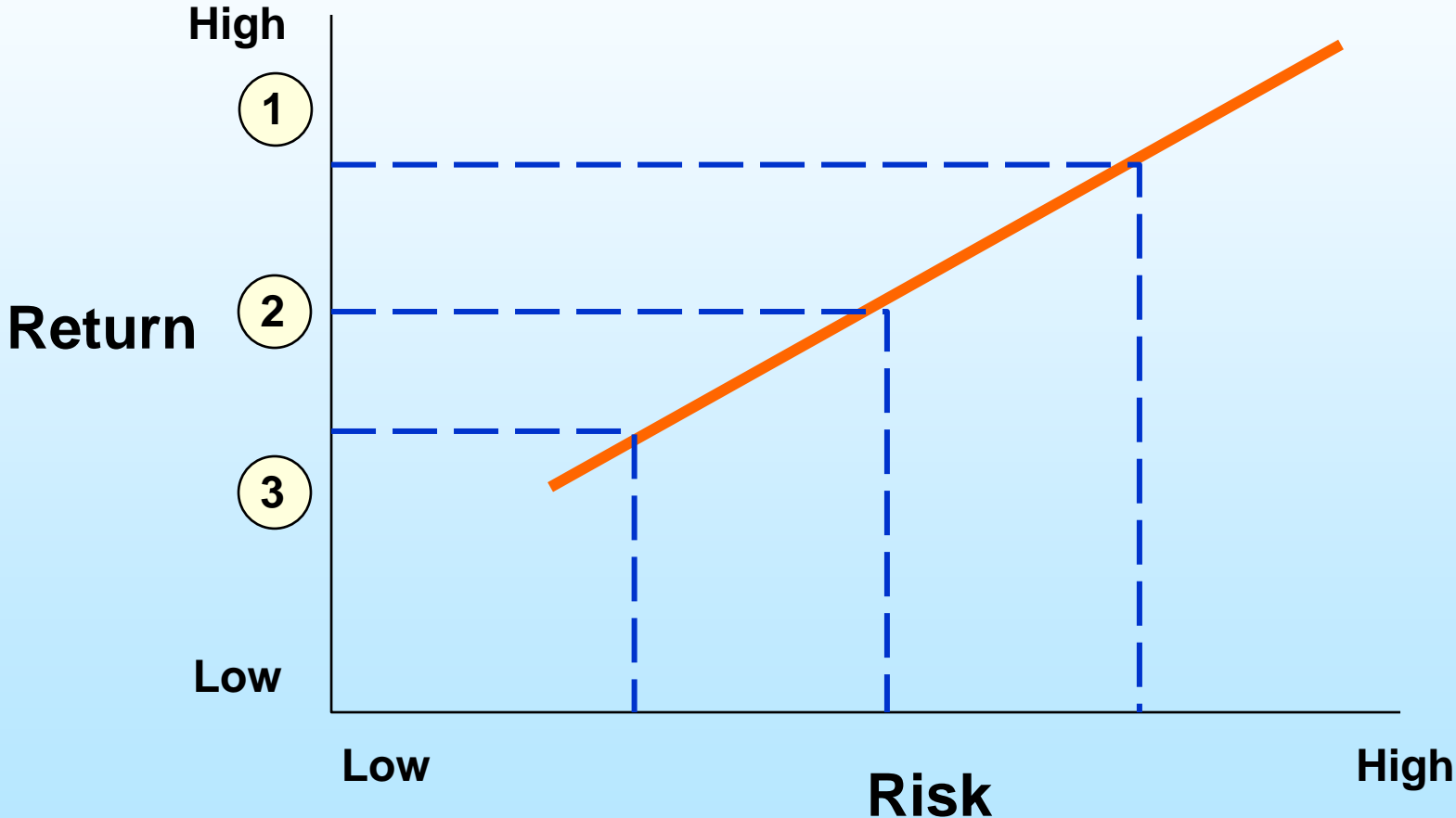


Marketing Accountability

Financial Risk

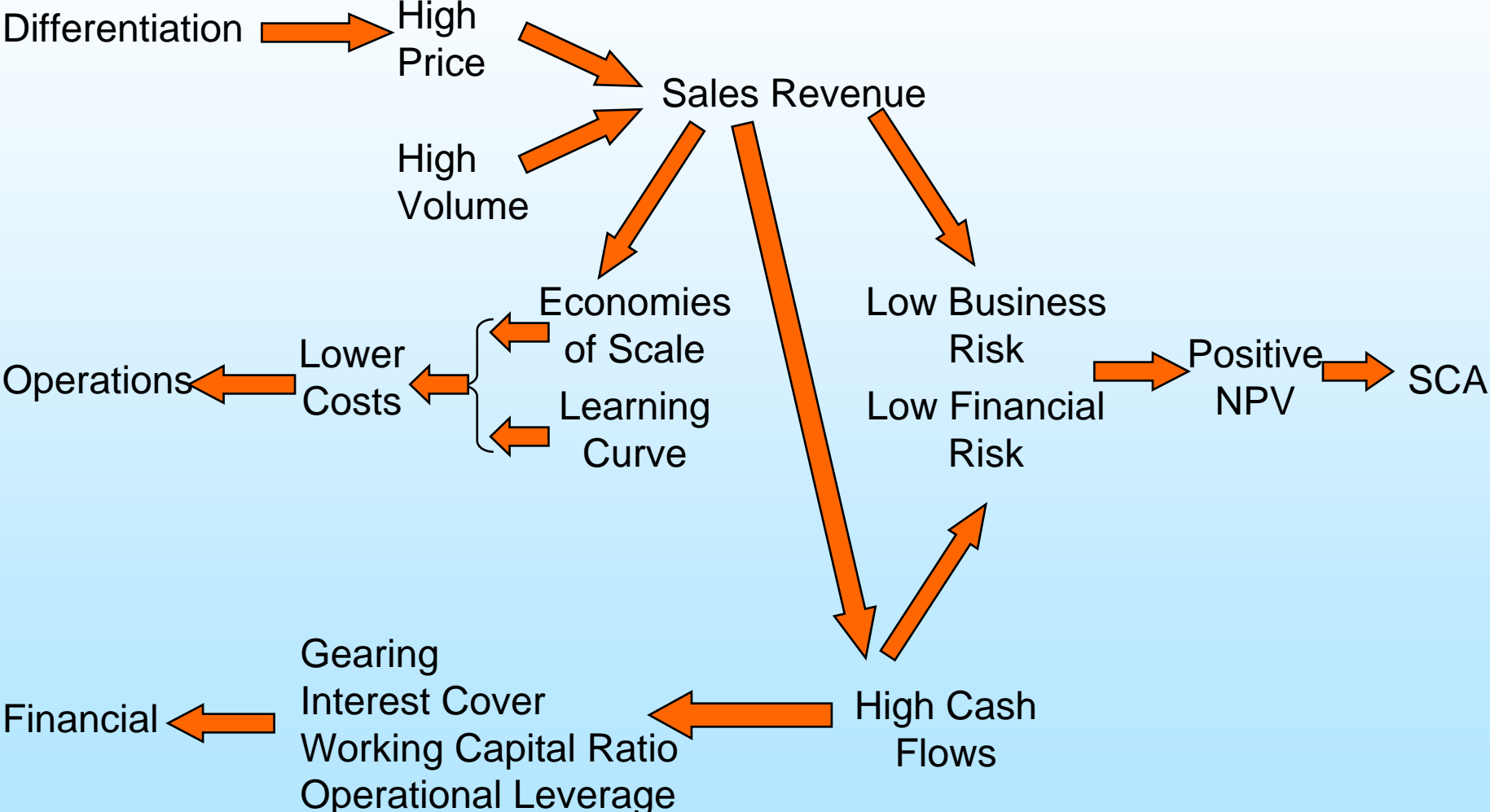
		High	Low
Business Risk	High	✗	✓
	Low	✓	✗

Financial Risk and Return



Adapted from Sri Srikanthan, Cranfield School of Management

The route to Sustainable Competitive Advantage (SCA)



From Sri Srikanthan, Cranfield School of Management

“The customer is simply the fulcrum of the business and everything from production to supply chain, finance, risk management, personnel management and product development all adapt to and converge on the business value proposition that is projected to the customer”.

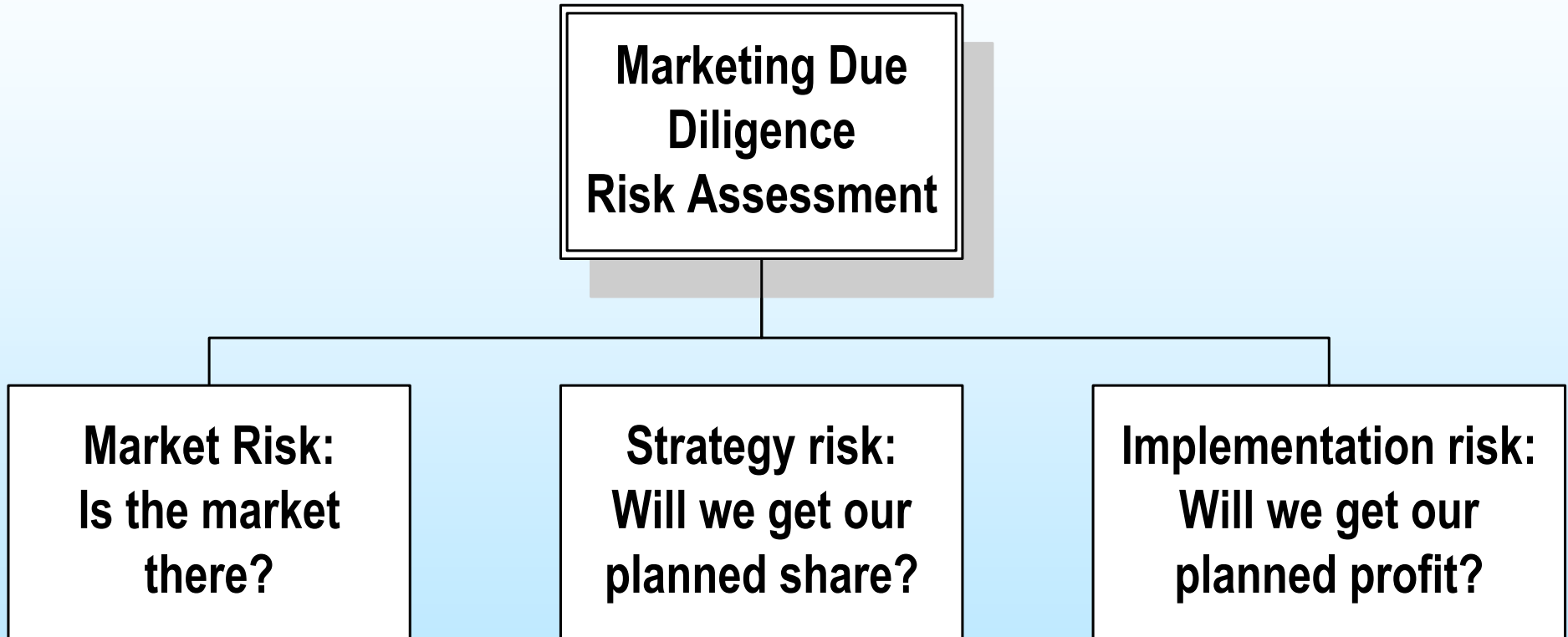
(The Customer Information Wars, Sean Kelly, Wiley, 2005)

Three questions need to be answered

- How does the company plan to generate its predicted future sales and profits?
- Will the marketing strategy on which these plans are based work?
- Will this strategy create shareholder value, given its inherent level of risk?

-
- Market risk profile
 - Market share risk profile
 - Shareholder value risk profile

What is Marketing Due Diligence?



Market Risk Profile

- Product Category Existence
The marketing strategy has a higher probability of success if the product category is well established
- Segment Existence
If the target segment is well established
- Sales Volumes
If the sales volumes are well supported by evidence
- Forecast Growth
If the forecast growth is in line with historical trends
- Pricing Assumptions
If the pricing levels are conservative relative to current pricing levels

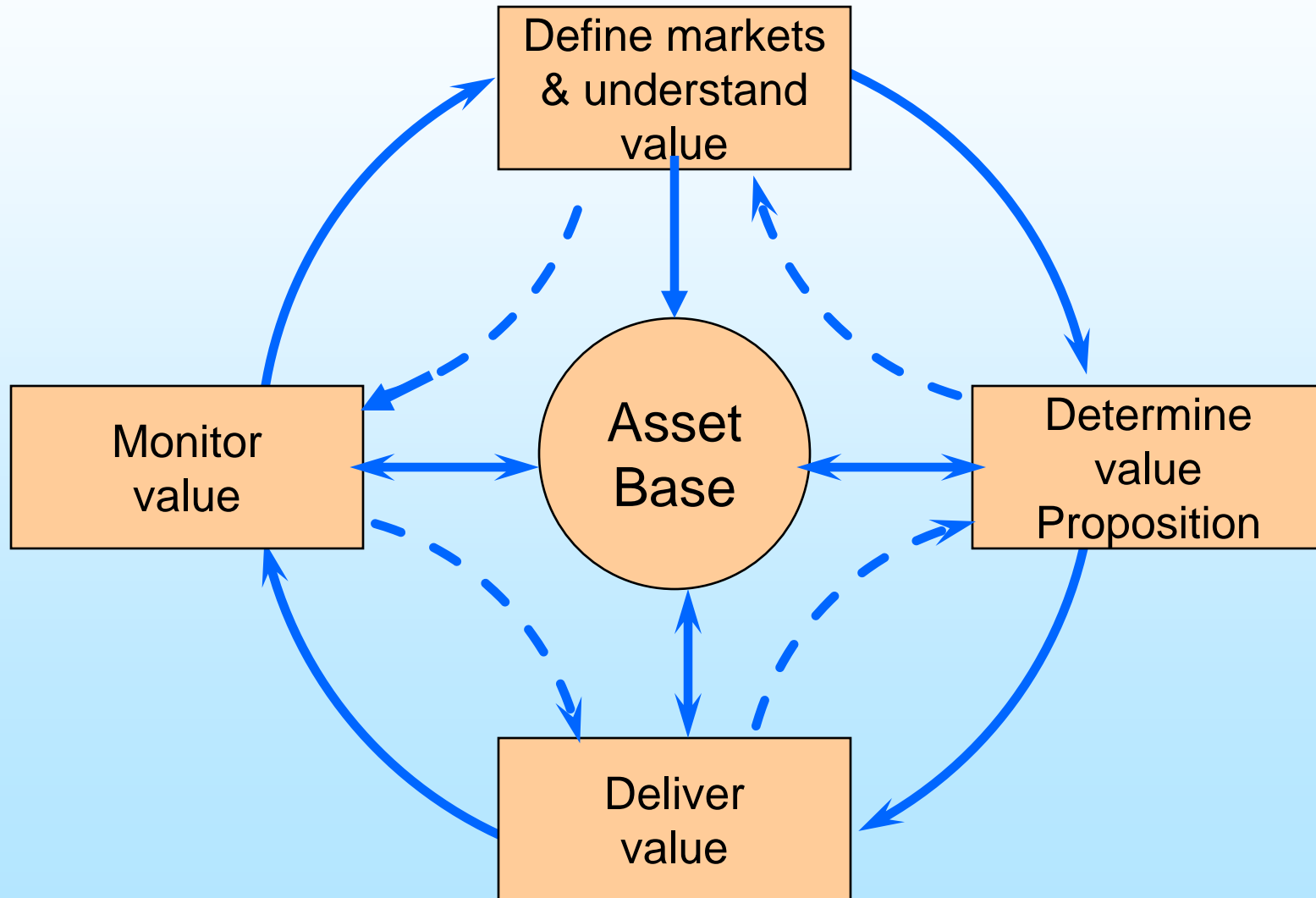
Definition of marketing

Marketing is a process for:

- defining markets
- quantifying the needs of the customer groups (segments) within these markets
- putting together the value propositions to meet these needs, communicating these value propositions to all those people in the organisation responsible for delivering them and getting their buy-in to their role
- playing an appropriate part in delivering these value propositions (usually only communications)
- monitoring the value actually delivered

For this process to be effective, organisations need to be consumer/customer-driven

Map of the marketing domain

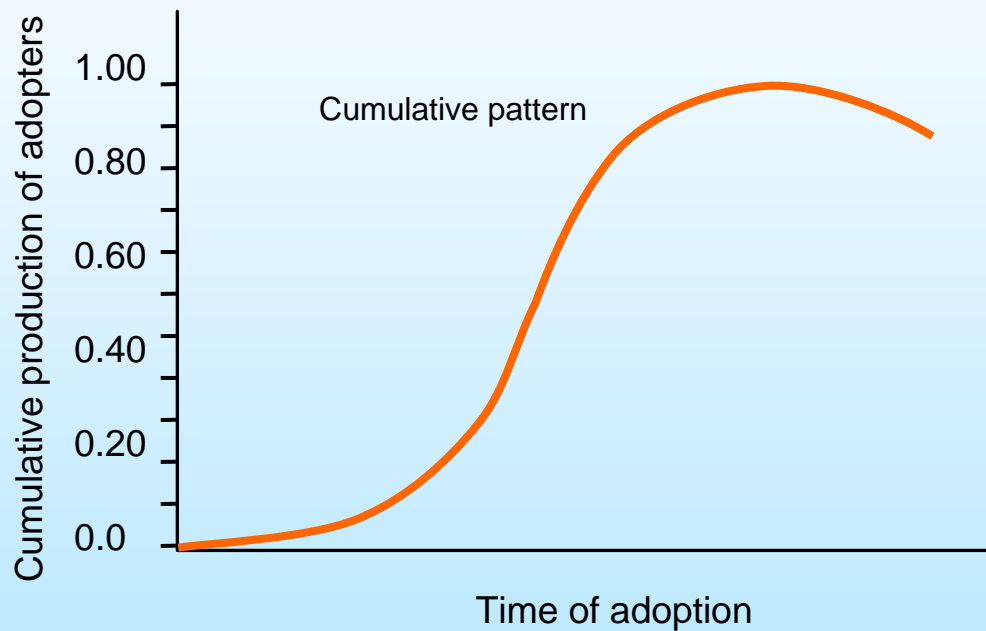


Key elements of world class marketing

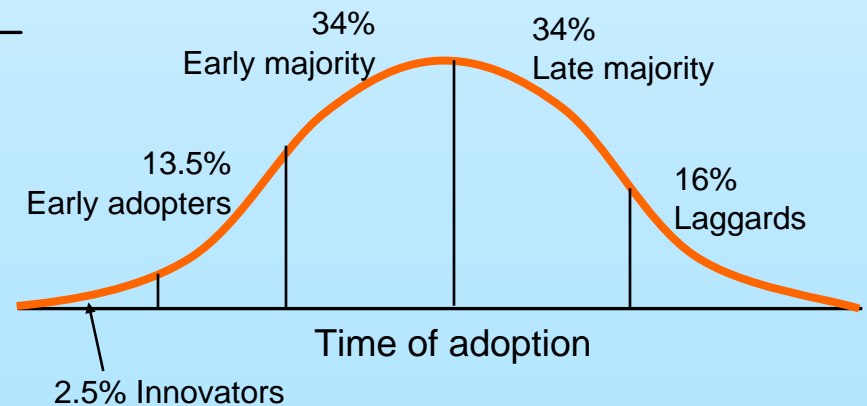
1. Profound understanding of the market-place
2. Creative segmentation and selection
3. Powerful differentiation positioning and branding
4. Effective marketing planning processes
5. Long-term integrated marketing strategies
6. Institutionalised creativity and innovation
7. Total supply chain management
8. Market-driven organisation structures
9. Careful recruitment, training and career management
10. Vigorous line management implementation

Generalised cumulative and non-cumulative diffusion patterns

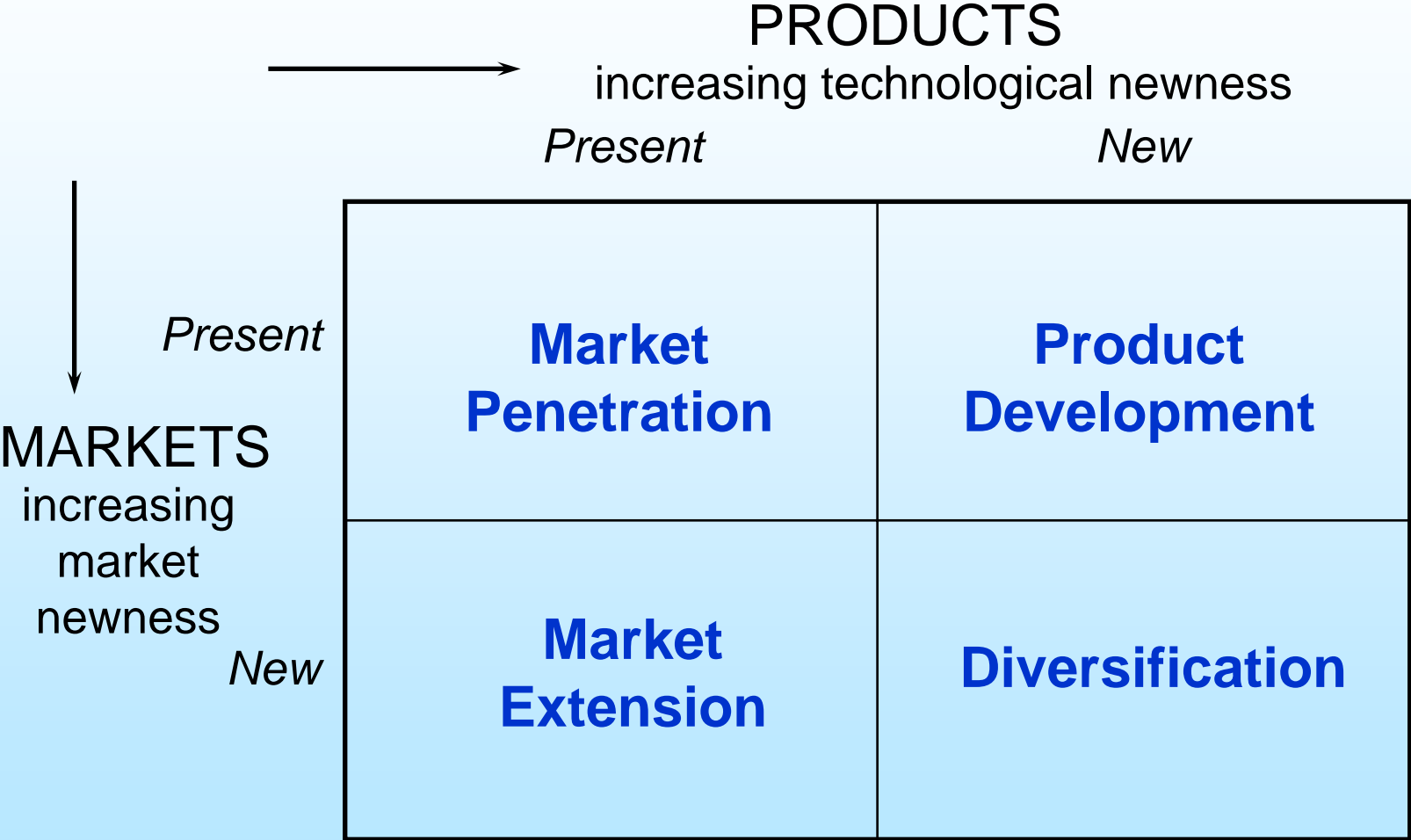
Cumulative diffusion pattern

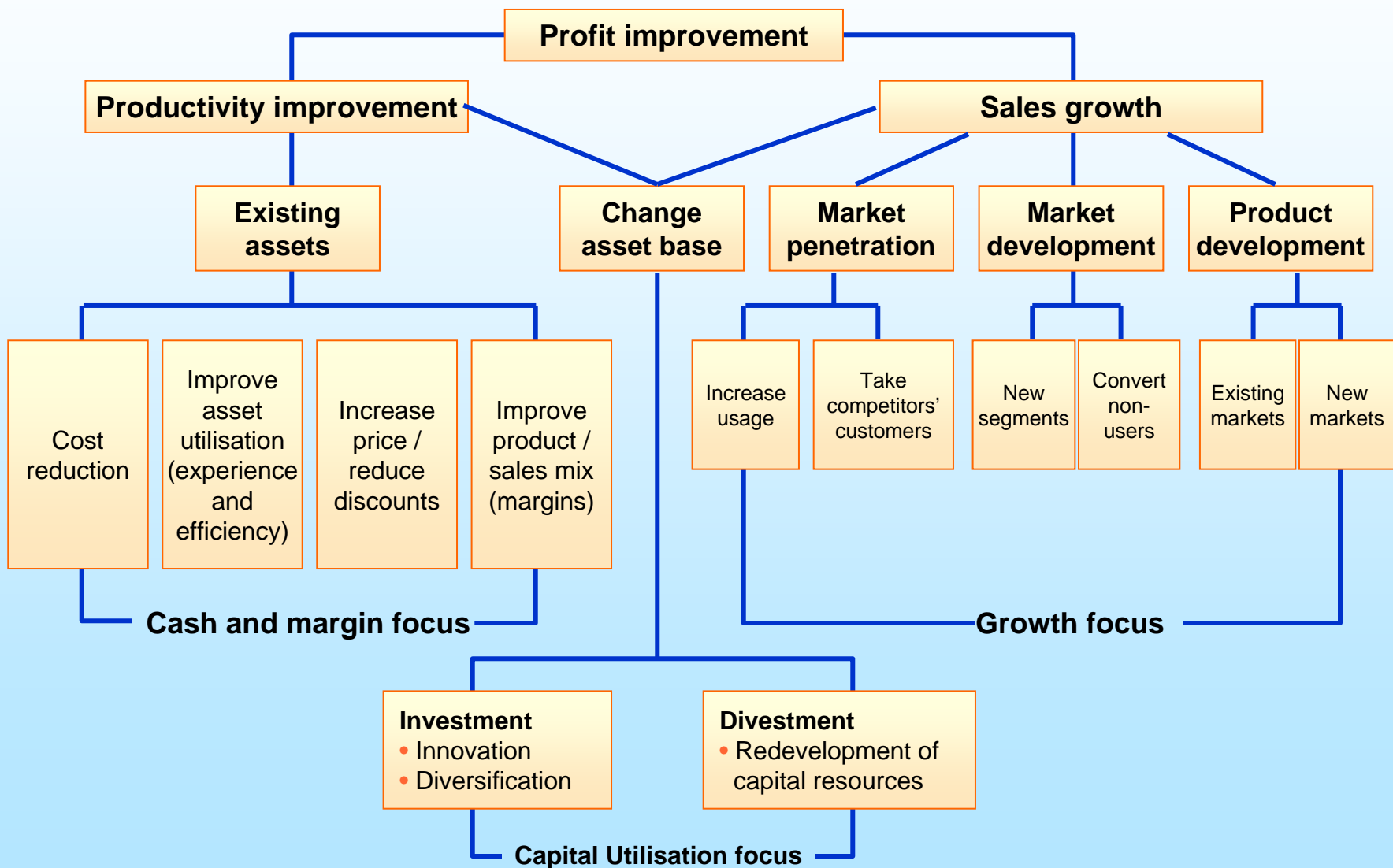


Non-cumulative diffusion pattern



Ansoff matrix





Market Share Risk Profile

- Target Market Definition
The marketing strategy has a higher probability of success if the target is defined in terms of homogeneous segments and is characterised by utilisable data
- Proposition Specification
If the proposition delivered to each segment is different from that delivered to other segments and addresses the needs which characterised the target segment
- SWOT Alignment
If the strengths and weaknesses of the organisation are independently assessed and the choice of target and proposition leverages strengths and minimises weaknesses
- Strategy Uniqueness
If choice of target and proposition is different from that of major competitors
- Anticipation of market change
If changes in the external microenvironment and macroenvironment are identified and their implications allowed for

Market definition and segmentation

Correct market definition is crucial for:

- Share measurement
- Growth measurement
- The specification of target customers
- The recognition of relevant competitors
- The formulation of marketing strategy

Some Market Definitions (personal market)

Market

Need (on-line)

Emergency Cash ('Rainy Day')

Cash to cover an undesired and unexpected event (often the loss of/damage to property).

Future Event Planning

Schemes to protect and grow money which are for anticipated and unanticipated cash calling events (e.g.. Car replacement/repairs, education, weddings, funerals, health care)

Asset Purchase

Cash to buy assets they require (eg. Car purchase, house purchase, once-in-a-lifetime holiday).

Welfare Contingency

The ability to maintain a desired standard of living (for self and/or dependants) in times of unplanned cessation of salary.

Retirement Income

The ability to maintain a desired standard of living (for self and/or dependants once the salary cheques have ceased).

Wealth Care and Building

The care and growth of assets (with various risk levels and liquidity levels).

Day-to-Day Money Management

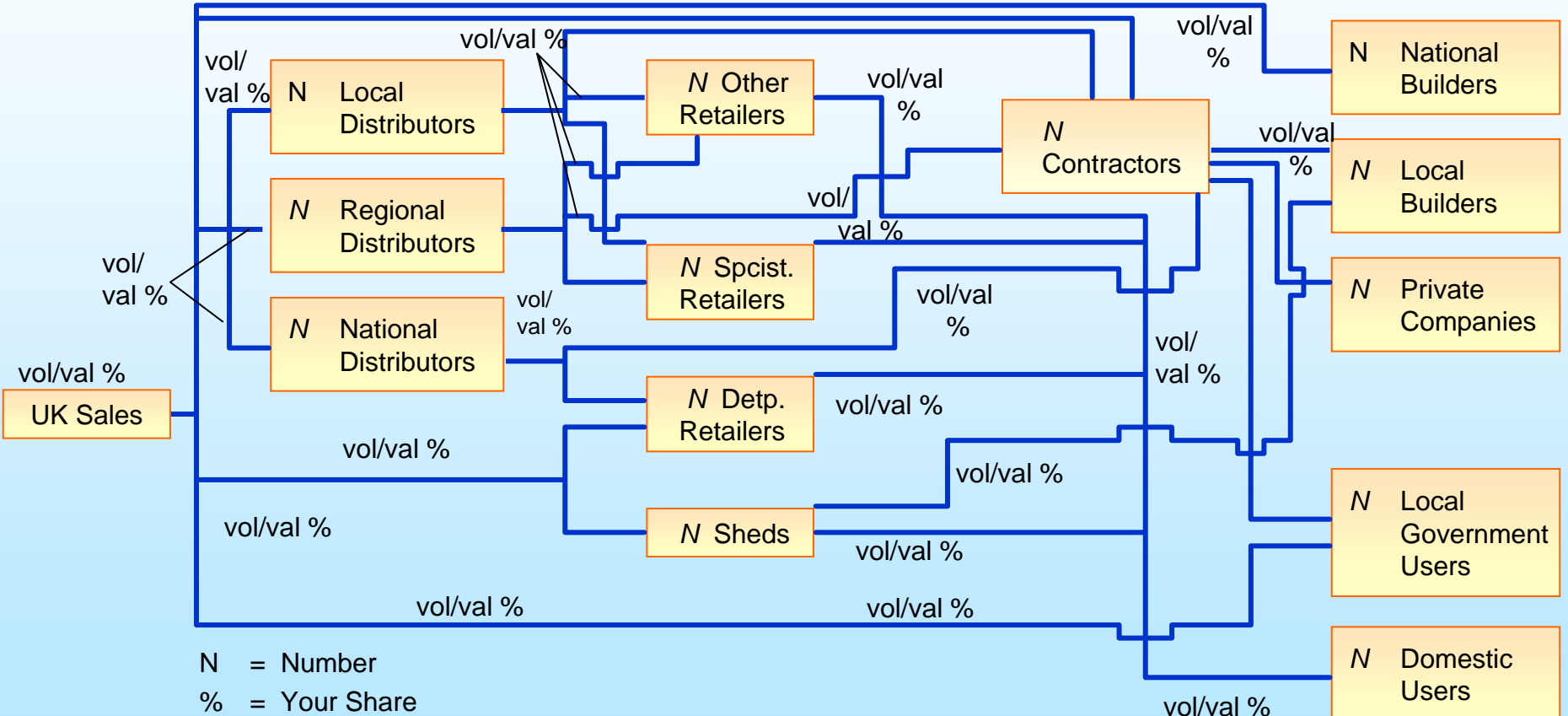
Ability to store and readily access cash for day-to-day requirements.

Personal Financial Protection and Security from Motor Vehicle Incidents

Currently known as car insurance.

Market mapping

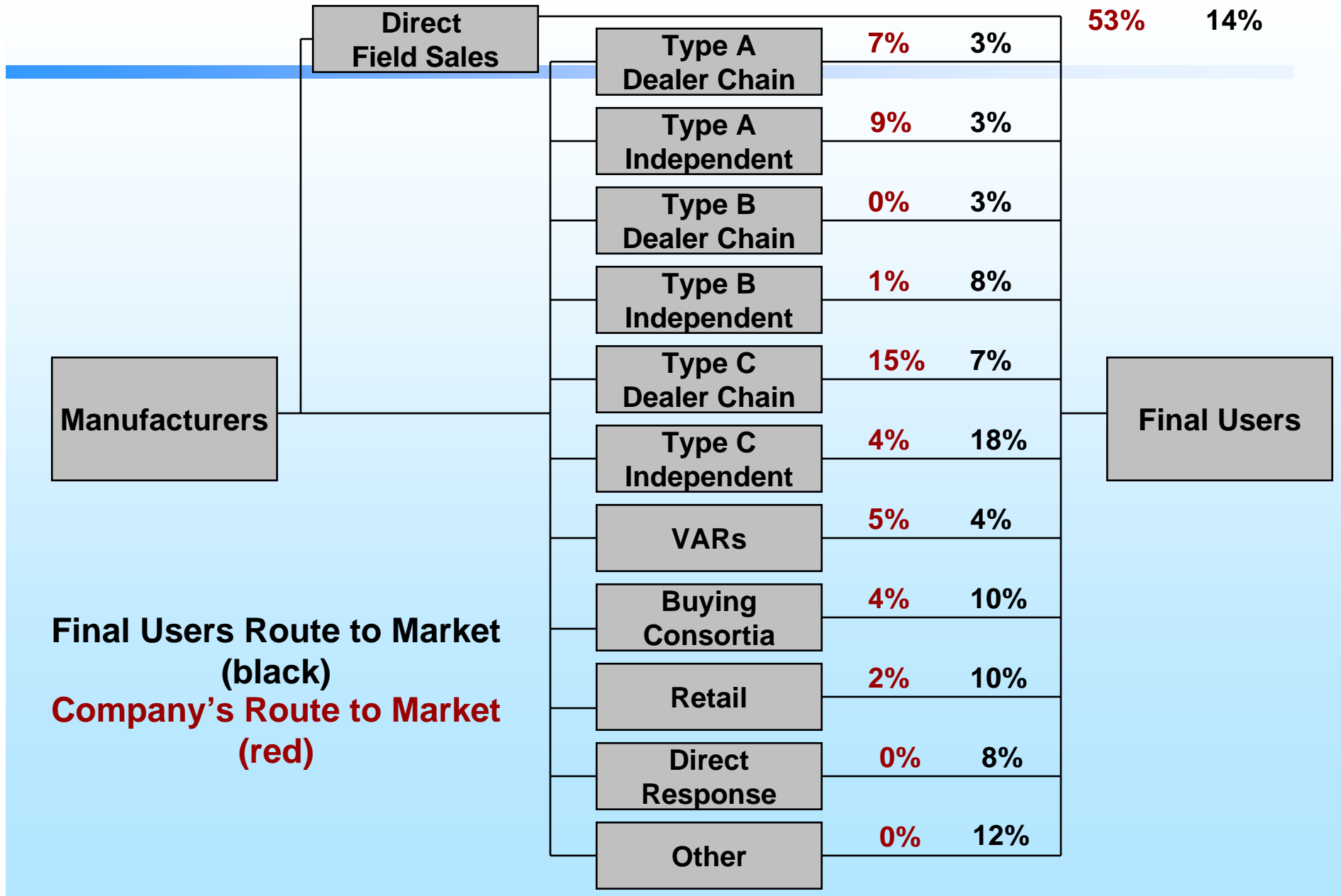
...including the number of each customer type



NB. Sketch out complex junctions separately. Alternatively, build an outline map, applying details at the junctions to be segmented.

Market Map - Office Equipment

Colours
Red Black
53% 14%



The product / market life cycle and market characteristics

Key Characteristics	Unique	Product Differentiation	Service Differentiation	"Commodity"
Marketing Message	Explain	Competitive	Brand Values	Corporate
Sales	Pioneering	Relative Benefits Distribution Support	Relationship Based	Availability Based
Distribution	Direct Selling	Exclusive Distribution	Mass Distribution	80 : 20
Price	Very High	High	Medium	Low (Consumer Controlled)
Competitive Intensity	None	Few	Many	Fewer, bigger International
Costs	Very High	Medium	Medium/Low	Very low
Profit	Medium/High	High	Medium/High	Medium/low
Management Style	Visionary	Strategic	Operational	Cost Management

Personalising segments



Listen to how customers talk about category need

Customer View

Advice

- **cutting costs**
- **future technology direction**

Help

- **design & configuration**
- **process engineering**
- **electron commerce**

Run

- **international network**
- **disaster recovery**

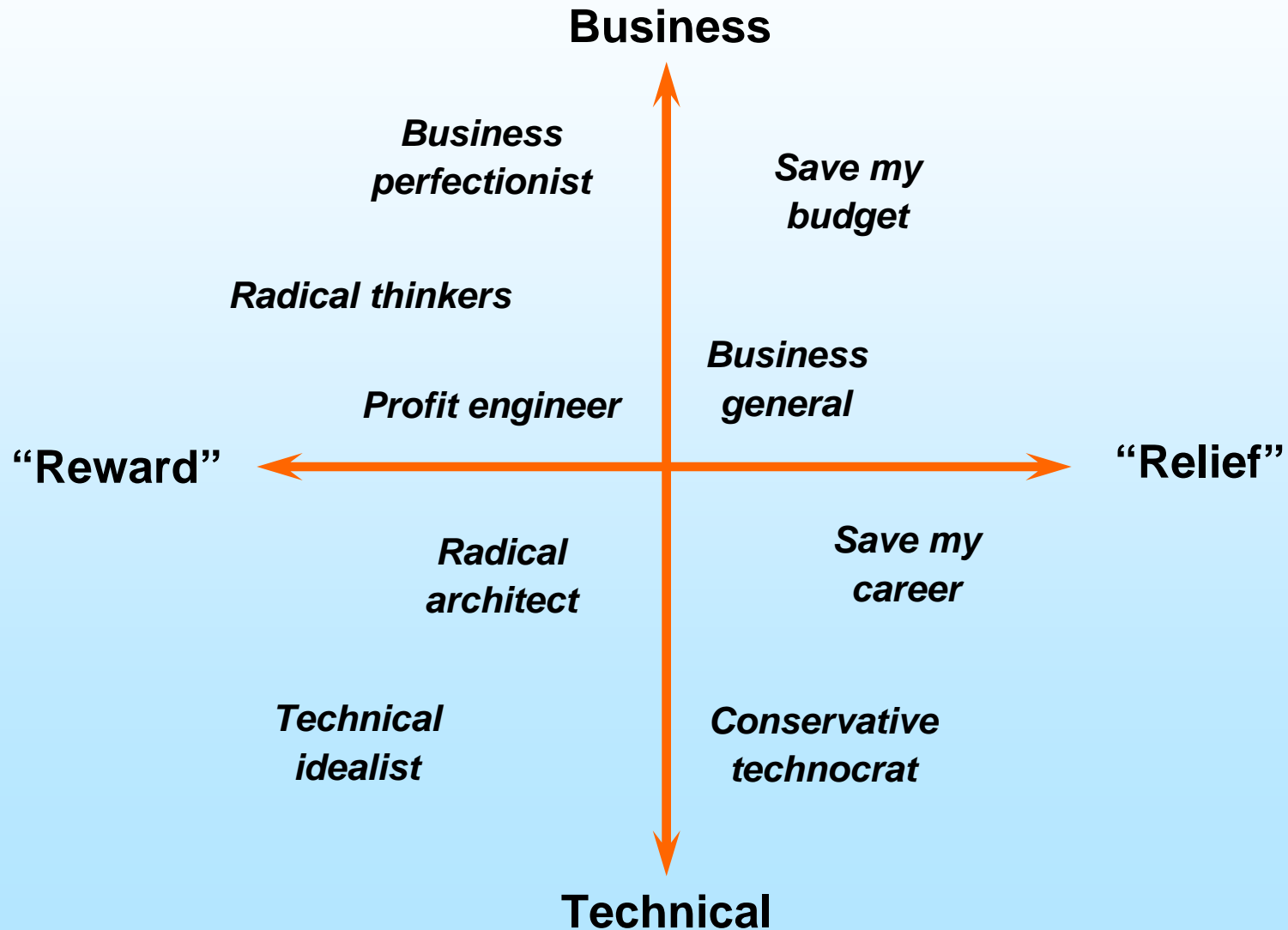
Supplier View

- fast PAD family
- multimedia FRADs
- PIX firewall

- Solutions
- Gigabit Ethernet
- solutions

- high performance
- LAN support

Understand the different category buyers



What do most marketing strategies look like?

1. Do they define true segments?
 2. Does it have segment specific propositions?
 3. Is it SWOT aligned?
 4. Does it anticipate the future?
 5. Is it unique?
1. No, only products, channels or descriptor groups
 2. No, it is a single offer tweaked by sales
 3. No, it simply lists factors
 4. No, they don't see the combined implications of market changes
 5. No, it's often the same thing to the same people in the same way for about the same price

The risks of weak strategies

1. If you don't define true segments?
 2. If you don't have segment specific propositions
 3. If it isn't SWOT aligned
 4. If it fails to anticipate the future?
 5. If it is not unique
1. Resources are wasted on customers that can't be won
 2. The proposition is not differentiated and becomes commoditised
 3. The company fails to use all its competencies and neglects weaknesses
 4. The proposition and target reflects yesterday's market
 5. The company goes head on with its competitors and the biggest wins

Shareholder Value Risk Profile

- Profit Pool

The marketing strategy has a higher probability of success if the targeted profit pool is high and growing

- Profit Sources

If the source of new business is growth in the existing profit pool

- Competitor Impact

If the profit impact on competitors is small and distributed

- Internal Gross Margin Assumptions

If the internal gross margin assumptions are conservative relative to current products

- Assumptions of Other Costs

If assumptions regarding other costs, including marketing support, are higher than existing costs

What do most marketing strategies look like?

1. They do not quantify the total profit pool
2. They do not specifically identify sources of profit growth
3. They do not quantify the impact on key competitors
4. They often assume higher levels of gross margin in the future
5. They frequently include significant improvements in other cost levels, even though the plans may require new product developments and launches

The potential impacts of high implementation risks

1. The strategy results in very aggressive competitor reactions.
2. The total profit generated from the market is significantly reduced.
3. The basis of competition can become much more focused on selling price.
4. The market can become much more volatile and unstable.
5. The profit objectives of the strategy are not achieved even if the total market size and share are in line with the plan.

Translating MDD risk assessment into shareholder value

- The resulting probability assessments for each risk category are used to modify, if necessary, the financial outcomes of the marketing strategy.
- The level of adjustment clearly depends on how the plan was originally put together; an optimistic ‘best case’ plan will require much greater modification than a ‘most likely’ plan.
- This adjusted value is then put into the context of the risk capital required to implement the marketing strategy.
- This calculation includes an assessment of the potential downside on this risk capital of the failure of the plan; e.g. such as can be caused by the inappropriate use of umbrella branding.

Implications of Marketing Due Diligence

- Corporate assets and their associated competences are only relevant if customer markets value them sufficiently highly that they lead to sustainable competitive advantage
- If the market environments in which the corporate assets are engaged are changing, there is a danger that competencies will cease to be distinctive
- The manner in which distinctive competencies are applied in the market needs to be continuously monitored in the light of best practice

The Implications of Marketing Due Diligence

- Marketing Due Diligence has important implications for four groups:
- Investors and their proxies
 - A way to see through the smoke and mirrors of “investor relations”
- For boards and equivalents
 - A way to prove your value creation to financiers
- For strategy makers
 - A way to prove your value to the board
- For strategy implementers
 - A way to prove your value to your boss!

The Marketer's Dilemma

- Marketers are torn between two groups whose wants are contradictory:
 - Customers who want the most value and utility for the least cost;
 - Shareholders who want the biggest return on the lowest investment and risk.
- Neither group is loyal if they can do better elsewhere.
- The skill shareholders pay us for is the ability to use their funds better than other marketers. These skills manifest themselves when customers see our offers as meeting their shifting needs better than competing offers. The trick is to do this continuously.

Valuing Key Market Segments

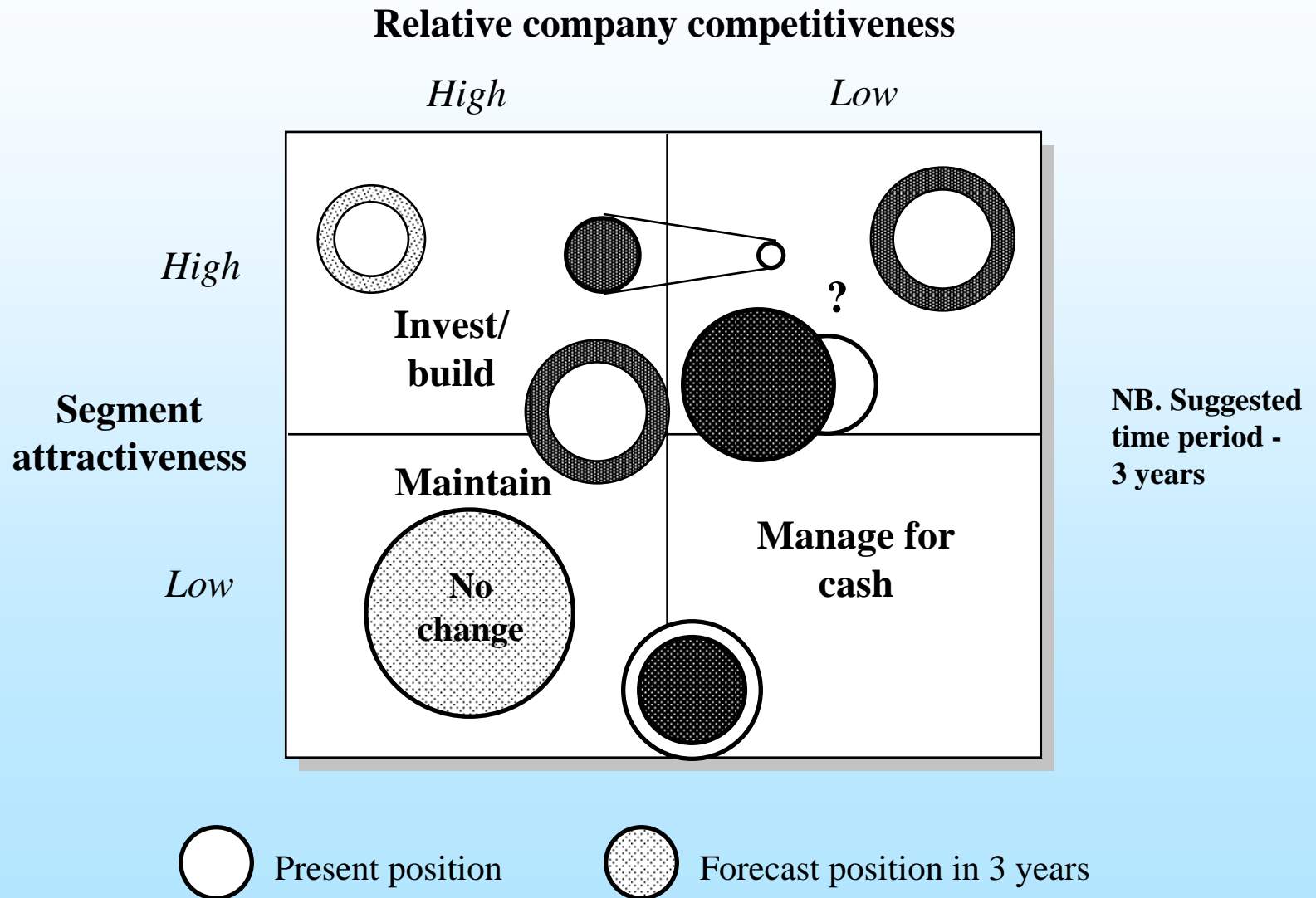
Background/Facts

- Risk and return are positively correlated, i.e. as risk increases, investors expect a higher return.
- Risk is measured by the volatility in returns, i.e. the likelihood of making a very good return or losing money. This can be described as the quality of returns.
- All assets are defined as having future value to the organisation. Hence assets to be valued include not only tangible assets like plant and machinery, but intangible assets, such as Key Market Segments.
- The present value of future cash flows is one of the most acceptable methods to value assets including key market segments.
- The present value is increased by:
 - increasing the future cash flows
 - making the future cash flows 'happen' earlier
 - reducing the risk in these cash flows, i.e. improving the certainty of these cash flows, and, hence, reducing the required rate of return.

Suggested Approach

- Identify your key market segments. It is helpful if they can be classified on a vertical axis (a kind of thermometer) according to their attractiveness to your company. 'Attractiveness' usually means the potential of each for growth in your profits over a period of between 3 and 5 years. (See the attached matrix)
- Based on your current experience and planning horizon that you are confident with, make a projection of future net free cash in-flows from your segments. It is normal to select a period such as 3 or 5 years.
- These calculations will consist of three parts:
 - revenue forecasts for each year;
 - cost forecasts for each year;
 - net free cash flow for each segment for each year.
- Identify the key factors that are likely to either increase or decrease these future cash flows.
- These factors are likely to be assessed according to the following factors:
 - the riskiness of the product/market segment relative to its position on the ANSOFF matrix;
 - the riskiness of the marketing strategies to achieve the revenue and market share;
 - the riskiness of the forecast profitability (e.g. the cost forecast accuracy).
- Now recalculate the revenues, costs and net free cash flows for each year, having adjusted the figures using the risks (probabilities) from the above.
- Ask your accountant to provide you with the overall SBU cost of capital and capital used in the SBU. This will not consist only of tangible assets. Thus, £1,000,000 capital at a required shareholder rate of return of 10% would give £100,000 as the minimum return necessary.
- Deduct the proportional cost of capital from the free cash flow for each segment for each year.
- An aggregate positive net present value indicates that you are creating shareholder value – i.e. achieving overall returns greater than the weighted average cost of capital, having taken into account the risk associated with future cash flows.

Portfolio analysis - directional policy matrix (DPM)



For further details of Marketing Due Diligence
contact:

m.mcdonald@cranfield.ac.uk

Appendix 1

Activities by medium

Activity

Recognise potential *Initiate dialogue* *Exchange information* *Negotiate / tailor* *Commit*

Medium

Personal contact

Direct mail

Telephone

Advertising

Electronic

Communicate the offer: activities

Supplier perspective		Interaction perspective		Buyer perspective	
Advertising	Selling	Marketing activity	Interaction	Decision theory	Consumer behaviour
		Define mkts/ understand value Create value proposition	<i>Recognise exchange potential</i>	Problem recognition	Category need
Brand awareness					Awareness
	Prospecting		<i>Initiate dialogue</i>		
Brand attitude				Information search	Attitude
- info re benefits	Provide information		<i>Exchange information</i>		
- brand image				Evaluation of alternatives	Information gathering & judgement
- feelings	Persuade		<i>Negotiate/ tailor</i>		
- peer influence				Choices / purchase	Purchase process
Trial inducement	Close sale		<i>Commit</i>		
				Post-purchase behaviour	Post-purchase experience
Reduce cognitive dissonance	Deliver		<i>Exchange value</i>		
	Service		↓ <i>Monitor</i>		

The Sunworshippers



Background

- Live in Braintree in Essex; the family comprises Mum and Dad and three children, the oldest of which is just about to start her GCSEs
- Holidays are an important part of their lives: they book early and enjoy the ritual of preparing for their departure
- Mrs Sunworshipper and her daughter always book a programme of sunbed sessions in the month leading up to their holiday

Holidays

- Have holidayed in The Med for years, even when the kids were quite young
- They always get a package deal to the same tried and trusted resort and tend not to stray too far from the beach or hotel pool
- Now that their children are a bit older, they want to spread their wings and are planning to holiday in Florida next year

The Sunworshippers

	Internet	Mobile telephone	iTV	Broadcast TV	Traditional channels
• Recognise					
• Exchange potential					
• Initiate dialogue					
• Exchange information					
↓					
Negotiate/tailor					
↓					
↓					
↓					
Commit					
↓					
↓					
• Exchange value					
• Monitor					

John and Mary Lively



- Background**
- Live in Luton; childhood sweethearts, John and Mary have been seeing each other seriously for three years
 - They were planning to buy a house together but put their plans on hold to ensure that they could take a holiday this summer
 - John DJs part-time in a local nightclub and would happily leave his job as a mobile phone salesman to pursue a DJ-ing career in a European beach resort

- Holidays**
- Feel like The Med doesn't have anything else to offer them and are keen to travel further afield: Mary likes the sound of Tunisia
 - Tend to book a holiday on the basis of the facilities available, and are always keen to get involved in watersports and other beach activities
 - Wouldn't dream of holidaying anywhere that doesn't have thriving nightlife

John and Mary Lively

	Internet	Mobile telephone	iTV	Broadcast TV	Traditional channels
• Recognise					
• Exchange potential					
• Initiate dialogue					
• Exchange information					
↓					
Negotiate/tailor					
↓					
↓					
↓					
Commit					
↓					
↓					
• Exchange value					
• Monitor					

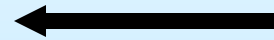
Appendix 2

Strategic Marketing Planning Quality Test

**by Dr. Brian Smith
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Effective Marketing Strategies Contain

A definition of one or more target market ***segments***



A definition of the value proposition for each segment

And have properties of

- Defining tactical activity
- Leveraging strengths
- Minimising weaknesses
- Enabling synergy
- Meeting customer needs
- Allowing for competitive strategy
- Allowing for macro-environmental trend implications
- Meeting our business objectives
- Being achievable with the resources allocated
- Differing significantly from competitors

Strategy test 1

- Our marketing strategy makes it clear what markets or parts of the market we will concentrate our efforts on
 - If your strategy attacks all of your market sector (e.g. retail groceries, super-conducting magnets) equally = 0
 - If your strategy is focused by “descriptor group” (e.g. ABC1s, Large firms, SMEs etc.) = 1
 - If your strategy attacks needs-based segments (e.g. efficacy focused customers with high ego needs) = 2
 - If you don't know = -1

Strategy test 2

- Our marketing strategy makes clear what actions fit with the marketing strategy and what does not
 - If your strategy allows complete freedom of action = 0
 - If your strategy allows a high degree of freedom of action = 1
 - If your strategy makes most of your action plan decisions for you = 2
 - If you don't know = -1

Strategy test 3

- Our marketing strategy clearly defines our intended competitive advantage in the target market segments
 - If there is no strong and supported reason why the customer should choose you = 0
 - If there is a reason the customer should buy you but no strong proof = 1
 - If you can state clearly the reason the customer should buy you and not the competitor and substantiate that reason = 2
 - If you don't know = -1

Strategy test 4

- Our marketing strategy allows synergy between the activities of the different parts of the organisation
 - If the strategy is a compromise of what each department is capable of = 0
 - If the strategy uses the strengths of only one or two departments = 1
 - If the strategy uses the best strengths of all departments = 2
 - If you don't know = -1

Strategy test 5

- Our marketing strategy is significantly different from that of our competitors in our key market segments
 - If we attack the same customers with the same value proposition = 0
 - If we attack the same customers OR use a the same value proposition = 1
 - If we attack different customers with a different value proposition = 2
 - If you don't know = -1

Strategy test 6

- Our marketing strategy recognises and makes full allowance for the needs and wants of our target customers
 - If you only meet the basic functional needs (safety, regulation, efficacy) = 0
 - If you also meet the higher functional needs (efficiency, service, price) = 1
 - If you also meet the emotional and ego needs (brand, confidence) = 2
 - If you don't know = -1

Strategy test 7

- Our marketing strategy recognises and makes full allowance for the strategies of our competitors
 - If you are ignoring the competitors' strategy = 0
 - If you are allowing for some of the competitors' strategy = 1
 - If you are allowing for all of the competitors' strategy = 2
 - If you don't know = -1

Strategy test 8

- Our marketing strategy recognises and makes full allowance for changes in the business environment that are beyond our control, such as technological, legislation or social change
 - If your strategy is designed for today's conditions = 1
 - If your strategy allows for one or two changes (e.g technology or demographics) = 1
 - If your strategy considers the combined effects of all the external factors = 2
 - If you don't know = -1

Strategy test 9

- Our marketing strategy either avoids or compensates for those areas where we are relatively weak compared to the competition
 - If you have taken little or no account of your relative weaknesses = 0
 - If you are trying to fix your relative weaknesses = 1
 - If your strategy means that your relative weaknesses don't matter = 2
 - If you don't know = -1

Strategy test 10

- Our marketing strategy makes full use of those areas where we are relatively strong compared to the competition
 - If you have taken little or no account of your relative strengths = 0
 - If you are trying to use your relative strengths = 1
 - If your strategy means that your relative strengths become more important = 2
 - If you don't know = -1

Strategy test 11

- Our marketing strategy, if successfully implemented, will meet all the objectives of the organisation
 - If your strategy, fully & successfully implemented, does not deliver your financial or non-financial objectives = 0
 - If your strategy, fully & successfully implemented, delivers only your financial objectives = 1
 - If your strategy, fully & successfully implemented, delivers your financial & non-financial objectives = 2
 - If you don't know = -1

Strategy test 12

- The resources available to the organisation are sufficient to implement the marketing strategy successfully
 - If you have neither the tangible nor the intangible resources to implement the strategy = 0
 - If you have only the tangible or the intangible resources, but not both = 1
 - If you have both the tangible and the intangible resources need to to implement the strategy = 2
 - If you don't know = -1

How did you score?

- 18-24 - Well done! (are you sure?)
 - Can I buy some shares?
- 12-17 - You will succeed
 - If your competition is weak!
- 6-11 - You will survive
 - If your competition is weak!
- Less than 6
 - Oh dear, it was nice knowing you