

IMPACT OF MARKETING  
ON COMPUTER SERVICES  
COMPANY PERFORMANCE

INPUT EUROPE



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# IMPACT OF MARKETING ON COMPUTER SERVICES COMPANY PERFORMANCE

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## I. INTRODUCTION





## I. INTRODUCTION

- This report is one of the series of reports published within INPUT's Market Analysis Service (MAS) for computer services companies.
- The function of marketing in computer services companies is sometimes branded as a non-contributor or as an expensive overhead. INPUT feels that this subject is under researched and that an attempt should be made to establish the present state of the art.
- Research for this study was conducted with eight of the largest computer bureaux and consultancy/system houses in the U.K. Ten companies were originally included in the sample but the effort required to complete the research process caused two of these to drop out.
- Each interview has been written in the form of a case study. A set of case studies appears in Appendix A. Each participating company received a draft of its case study for comment and approval.
- Each interview was conducted with the marketing director or in two cases a person of equivalent status and function. A formal seven page questionnaire was used to record the information obtained. A sample questionnaire is given in Appendix B.
- This report contains an assessment of the present state of the art in computer services marketing; this assessment has been related to company performance as far as possible within the limitations of available financial data.



## II. EXECUTIVE SUMMARY





## II. EXECUTIVE SUMMARY

- Compared with other functions, such as design, production control, cost accounting, etc., marketing is loosely and inconsistently defined by its practitioners in the computer services industry. Equally the measurement of results achieved by the marketing function is a branch of accounting and management information which is very low on the development curve.
- There is a strong tendency to merge marketing with selling in the computer services industry; this is seen in the way marketing personnel are organised (e.g., integrated marketing and sales groups), or, in other cases the way in which their results are measured (e.g., value of sales made).
- A high consistency of marketing practice was observed at the level of activities. The majority of companies use a similar range of promotional methods, plan with the same drafting, approval and timescale procedures and, have consistent approaches for identifying, justifying and launching new products and services.
- More traditional sales promotion methods are rated highest for effectiveness in generating sales leads. Such traditional methods as referrals, presentations and seminars are cheaper, particularly in accounts payable terms. Advertising, newsletters, exhibitions and mailshots are less favoured, although these methods would be more effective with a higher level of investment.
- Both bureaux and consultancy/systems companies are broadly consistent in their aim to project an image as providers of a total service. This may be regarded as a very significant indicator of the current trend towards "User Site Hardware Services" and "Turnkey Systems". Likewise there is an increasing trend towards product and industry orientated marketing.

- A common view in computer services companies is that they're relatively unknown in the general marketplace; this excludes, of course, clients and competitors. Perceived competitor's views were generally rather more flattering than competitor's views collected in the survey; this serves as an indicator that computer services companies, with few exceptions, are not fully aware of how the marketplace assesses them.
- Almost as a corollary to the previous point, computer services companies do not plan on a basis of large sales volumes. A profit is sought on the first one or two examples of a new product; thus, a cost plus pricing approach dominates any form of market pricing on a wider scale.
- Objectives for marketing groups are primarily stated to be support of the sales force; most of the secondary objectives given amounted to various means for providing sales support. The large majority of computer services companies do not quantify their objectives to give targets; thus, there is a general absence of standards for the measurement of the performance of marketing staff. The nearest approach to the setting of targets is at a lower level in the common requirement for adherence to cost budgets and activity schedules.
- Bureaux have a much higher level of expenditure on marketing whereas consultancy/systems company marketing staff are more thinly spread in terms of turnover per person. No respondents volunteered any ratios to relate turnover per salesman with turnover per marketing person.
- No computer services companies are known to have accounting and management information procedures which monitor the performance of the marketing function (let alone individuals within it).
- An effective marketing group undoubtedly creates a beneficial effect on both sales growth and cost of sales. In the absence of both quantified targets and accounting/management information procedures it is not possible to determine the true impact of marketing. Neither do the means to establish proper operating ratios exist, nor does the facility to manipulate the marketing function and the individuals within it.



- The computer services industry is a relatively low spender on marketing. Some companies spend significantly more than the norm; it cannot be any coincidence that their growth and profitability records are also significantly better than their competitors.
- There can be no doubt that the marketing function can make a greater impact on computer services company performance. In order that this can be achieved INPUT recommends the following actions in the industry:
  - Define in terms of company performance the objectives and targets for marketing groups. These should be quantified and directly attributable to and controlled by marketing staff.
  - Develop and install the necessary accounting/management information procedures to monitor marketing group and individual performance.
  - Develop new and improved marketing methods, especially those which will maximise the turnover and growth contribution achieved by each marketing person.
  - Develop more effective and relevant training schemes for marketing staff together with clearly identified career paths.
  - Increase expenditure on marketing activities, methods and staff in line with quantifiable increases in company performance.



### III. MARKETING METHODS



### III. MARKETING METHODS

#### A. DEFINITION: WHAT IS MARKETING?

- The scope of marketing is commonly understood in the services industry to include, or even mean, selling. Each respondent was asked to conform in his answers to the standard textbook separation of marketing and sales. The effect of the marketing function on sales was still to be included, however, where appropriate.
- The majority of respondents tended to define marketing in terms of activities with rather less emphasis on what the function is intended to achieve. Exhibit III-1 presents the key elements of the definitions given by respondents.
- No one element of respondent definitions was common to all. Exhibit III-2 shows the relative importance placed by respondents on the key elements of their definitions.
- The highest proportion of commonality in definition was in product and market orientation of the marketing function. All bureau companies included a product element in their definitions; all but one included a market element in their definition. In contrast, no consultancy/systems company included the product element; only one included the market element.
- When the product element was included it referred to the definition, acquisition, development and documentation of products.
- When the market element was included, it referred to the identification and analysis of client and, hence, market requirements.

EXHIBIT III-1

DEFINITION OF MARKETING: QUOTES FROM RESPONDENTS

**BUREAU COMPANIES**

- " All activities which are not operations or accounts; everybody else should be marketing . . . . . finding, developing and supporting products "
- " Ensuring a sufficiency of profitable products that can be profitably sold "
- " Selection and presentation of products to chosen markets with a view to increasing sales force productivity "
- " Analysis of markets leading to formulation and development of products to meet market needs "
- " Ability to provide products and services at the time and price required by customers . . . . . providing new products for the sales force accompanied with promotional materials and facilities "

**CONSULTANCY/SYSTEMS COMPANIES**

- " Representing likely customer demands to the board . . . . . enhance and support company credibility "
- " Set of activities directed at facilitating and acquiring new business . . . . . everybody is involved starting with the telephonists and receptionist "
- " Receptivity to what the client wants . . . . . creation of sales prospects . . . . . everybody is involved in broadest sense "



EXHIBIT III-2

RELATIVE IMPORTANCE OF KEY ELEMENTS IN RESPONDENT  
DEFINITIONS

---

PRODUCT ORIENTATION	<input type="text"/>	(5)
MARKET ORIENTATION	<input type="text"/>	(5)
ALL STAFF INVOLVEMENT	<input type="text"/>	(3)
SALES LEVERAGE	<input type="text"/>	(2)
PROFITABILITY	<input type="text"/>	(1)

- NOTES:
- (i) Total number of respondents: 8
  - (ii) Bracketed numbers represent number of respondents referring specifically to the element in their definition
  - (iii) Data source: Question 1.1

- The majority of consultancy/systems companies (two out of three) defined marketing as a function involving a larger proportion of all staff than those dedicated on a full time basis. Only one bureau company (one out of five) defined marketing with this element included.
- Two respondents included sales leverage as an element in their definition of marketing. Sales leverage in this context referred to:
  - increasing the productivity of the sales force,
  - creation of prospects for sales.
- Only one respondent, a bureau, included the development of profitability as an element of marketing.

#### B. PROMOTION METHODS

- Sales promotion methods were rated by respondents on a scale of 1 to 5 for their effectiveness in generating sales leads. (1 = most effective; 5 = non-effective). Exhibit III-3 lists the methods considered in descending order of effectiveness. Some respondents gave accompanying comments and these are set out in Exhibit III-4.
- Recommendations and referrals are considered by a large margin to be the most effective promotion method. To be more precise, the promotional activity relates more to past projects well done than the consequence of satisfied clients passing the word on. The chief merits of this form of promotion are that it costs nothing and the conversion rate of prospects to sales is relatively high.

### EXHIBIT III-3

#### AVERAGE RESPONDENT RATING OF PROMOTION METHODS

Recommendations/Referrals	1.06
Own Seminars *	1.70
Presentations	1.81
Press Events *	2.20
Product Advertising	2.81
Newsletters	2.94
Technical Press Articles	3.00
Exhibition Stands	3.00
Mailed Literature	3.11
Press Releases	3.13
Cold Telephone Calls	3.21
Corporate Advertising	3.63

- NOTE:
- (i) Rating on a scale of 1 to 5:  
1 = most effective; 5 = non effective
  - (ii) Criterion for rating: effectiveness in generating sales prospects
  - (iii) Promotion methods marked \* were added by respondents to original prompt list in questionnaire (see Appendix B)
  - (iv) Data source: Question 2.6

### EXHIBIT III-4

### RESPONDENT COMMENTS ON PROMOTION METHODS

- Recommendations/Referrals - " Cost nothing and powerful "  
" Clearly the most effective "
- Own Seminars - " Captive audience"
- Presentations - " Must be done well, otherwise potentially disastrous "
- Press Events - " Expensive but worthwhile for publicising major projects "
- Product Advertising - " Can choose journals with precise target coincidence "  
" Could be swamped by response "
- Newsletters - " Hard to assess - will devote future issues to specific industry sectors "  
" Too general to be effective, have dropped them "
- Technical Press Articles - " Best for staff morale "  
" Narrowly based response "  
" Produce high quality leads "  
" Have effect on particular areas of the market "
- Exhibition Stands - " Good for staff morale "  
" Not so good (the respondent) at converting interest into sales "
- Mailed Literature - " Can target well and trickle mail to make follow up and response manageable "  
" Depends on quality of name and address list "
- Press Releases - " Best form of corporate advertising "  
" They (the press) write what they want! "  
" Not so good at winning business - more a form of corporate promotion "  
" Best way to attract general management attention "
- Cold Telephone Calls - " Difficult to motivate people to do it "  
" Cold calls get a cold reception "  
" Cheap, must rate highly "
- Corporate Advertising - " Would rather take clients to Ascot for the day "  
" Not directed to lead generation "  
" Know our image needs enhancing "

NOTE: (i) Data source: Question 2.6

-10-



- Promotional events at which the company gives a presentation are rated second in effectiveness. Events which are hosted by the company are rated a little higher than those at which the company is an invited contributor. The former event is more effective since it has a captive invited audience which, in many cases, will consist of prospects rather than contacts. In either case presentations must be well done, otherwise the effect on potential sales can be disastrous.
- Press events include outings and visits arranged by a company to gain publicity for new products or a significant stage or achievement gained in a current project. A press release would be an additional vehicle for communication instead of the sole means. Only two of the respondent companies (one bureau and one consultancy/systems company) use this method but both rate this method highly enough for it to be the fourth most effective method.
- Product advertising was considered by respondents to be the next most effective. Bureaux rated this method more highly than consultancy/systems companies - the latter being less product oriented and therefore having less to gain. The main comment by respondents on product advertising was that the promotion can be precisely targeted by careful selection of journals.
- Newsletters appear to be less commonly used compared with other promotional methods. Those with a general coverage appear to be less well regarded than those which devote issues to specific industries. Their effectiveness is hard to assess due to the absence of a direct link between a sale and the decision making involvement of the reader(s).
- Technical press articles appear in the middle of user ratings with an average of 3; this rating equates to an acceptable level of effectiveness. The method is usually narrowly based in terms of readership, and the readers of such articles are not normally the prime decision makers. The internal benefits in terms of author satisfaction and general staff interest in publicity for their company often exceed any tangible benefits in terms of sales prospects.

- Exhibition stands rate the same on average as technical articles. Exhibition stands are rated lower by bureaux. Again, this method is said to be good for staff morale. Large numbers of contacts are usually registered at exhibitions; subsequent conversion of these to hard sales often gives rise to disappointment.
- Mailed literature depends for its effectiveness on the quality of the name and address list and the timing and thoroughness of the follow up. Before follow up, a 5% to 15% response rate is par for the course; a good follow up will usually at least double the initial response rate and have a corresponding effect on the effectiveness of this method.
- Press releases suffer from the lack of control which the company has over how a story is presented. Respondents who expressed a view feel that press releases are a good form of corporate promotion particularly to general management. The low rating is, of course, attributed to the low effectiveness of press releases to generate specific sales prospects.
- Cold telephone calls are disliked by most marketing staff; consequently they are infrequently used as a promotion method. One respondent rates the method highly although his company does not use the method. This is a relatively cheap method which has not been developed.
- Corporate advertising, as most respondents pointed out, is not primarily intended for specific sales prospect generation; by definition the method is least effective. One respondent felt that he would get better value for money by taking a group of clients to the Ascot races for the day!
- Had the assessment of promotion methods been on a cost per sales prospect basis the order of effectiveness would no doubt have looked somewhat different. For example, it is probable that exhibition stands would fall to a lower position and mailed literature would rise to a higher position.



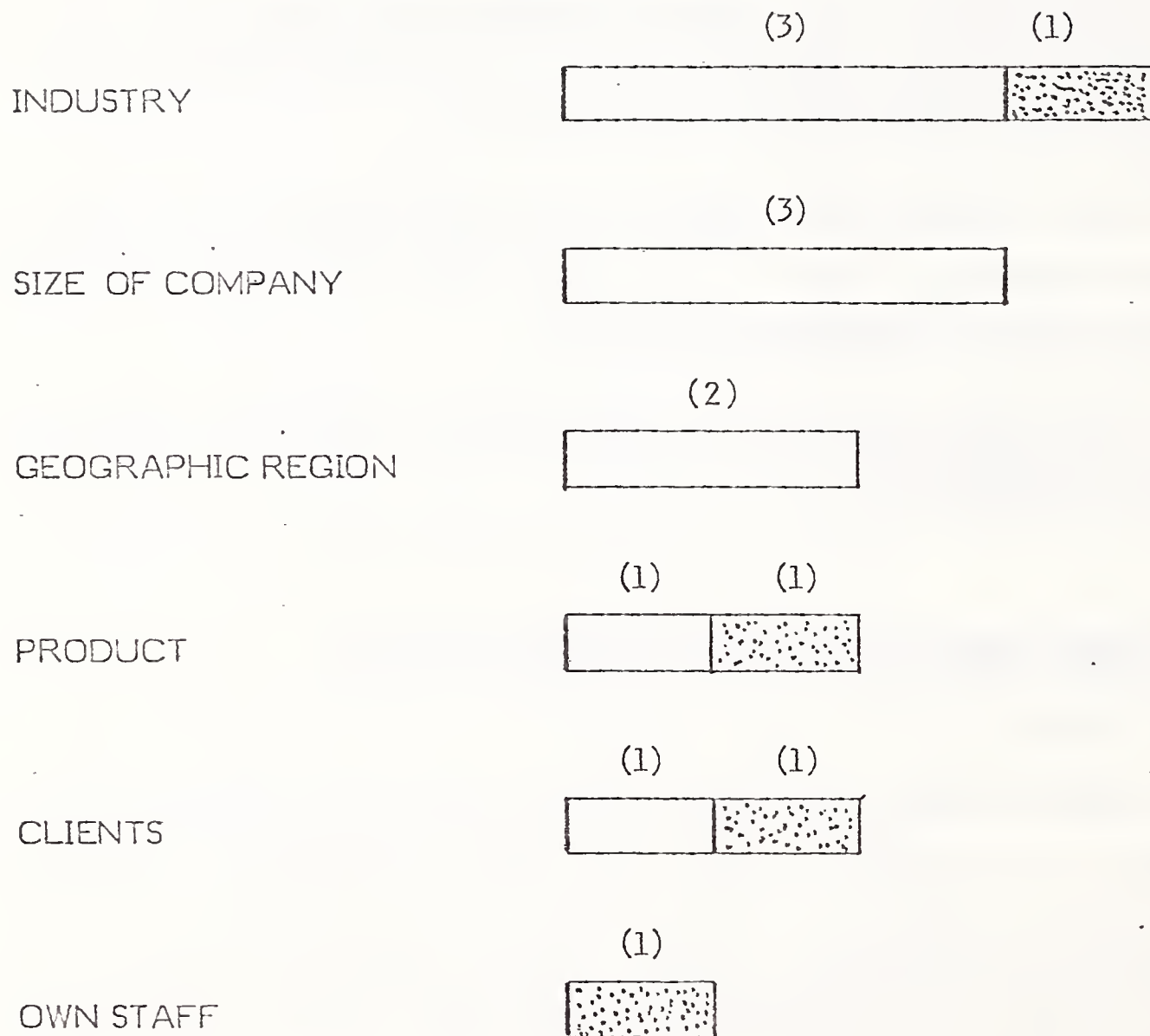
- Most respondents target their promotional effort by industry sector. Exhibit III-5 shows that half the sample target their promotional effort in this way; the tendency is stronger in the bureau part of the sample.
- Bureaux are more concerned than consultancy/software companies about the size of company at which promotional effort is being directed; generally they are more interested in the largest companies as a source of large and more profitable contracts. Conversely, none of the consultancy/systems companies base their promotion targetting on company size.
- The third most prevalent factors in promotion targetting are geographic region, products and clients. For understandable operational reasons, geographic region is important only to bureaux.
- One consultancy/systems company included its own staff as one of two targets for promotional effort.

### C. THE IMAGE WHICH RESPONDENTS AIM TO PROJECT

- As shown in Exhibit III-6, bureaux aim to project an image firstly, of, high quality and, secondly, of total service and specialisation. For consultancy/systems companies an image of total service and advanced technology is the prime aim. Both types of company coincide in their aim to project a total service image - a very significant indicator of the current trend is computer services companies.
- Bureaux are more concerned about their quality image than consultancy/systems companies. The opposite is true for their total service and advanced technology images.

EXHIBIT III-5

TARGETTING OF PROMOTIONAL EFFORT



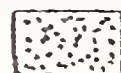
NOTE:

(i)



= bureau respondents

(ii)



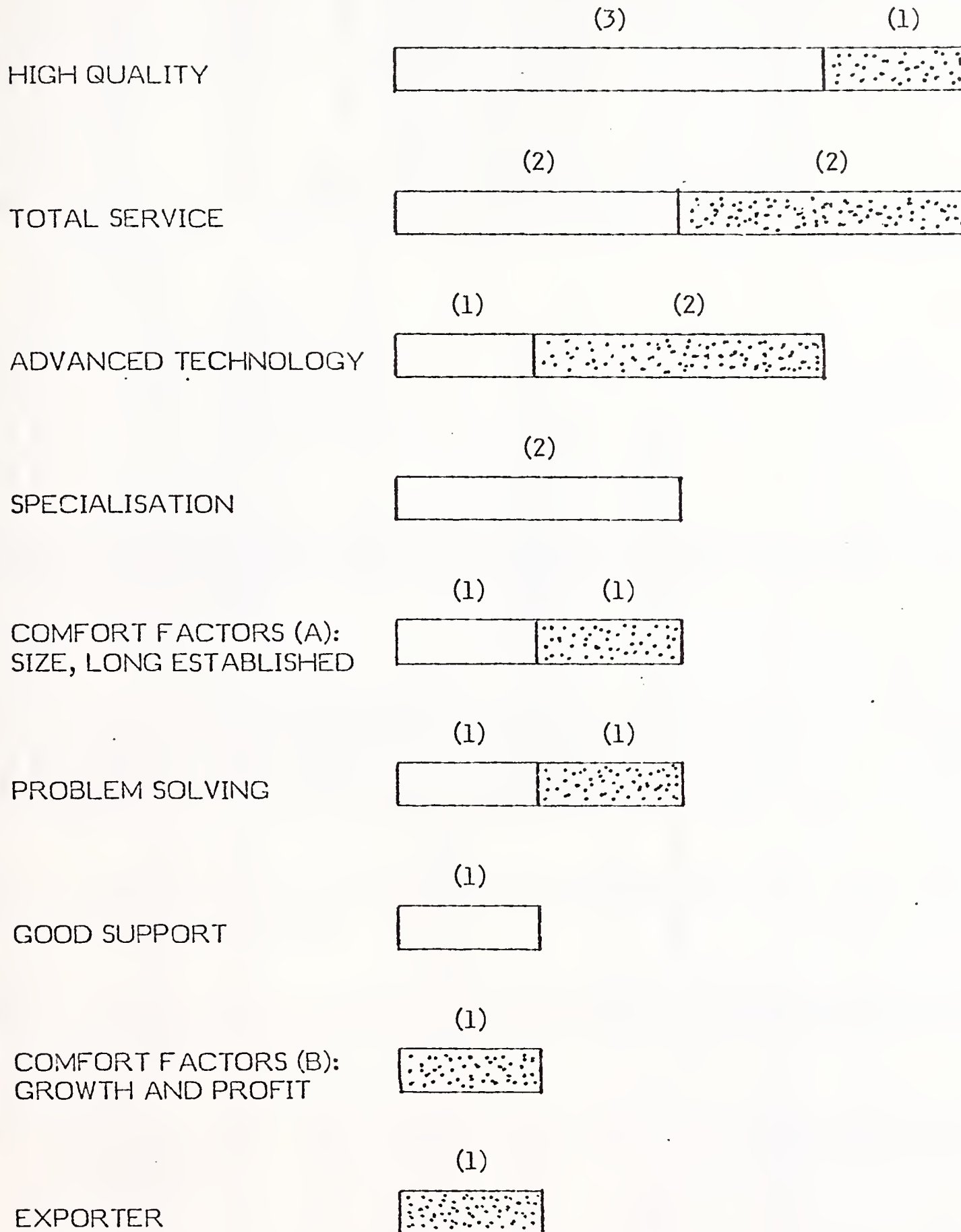
= consultancy/systems company respondents

(iii)



Data source: Question 2.7

# EXHIBIT III-6

## PROJECTED IMAGES



### NOTE:

- (i)  = bureau respondents
- (ii)  = consultancy/systems company respondents
- (iii) Data source: Question 1.5

# EXHIBIT III-7

## COMPARISON OF RESPONDENTS' IMAGE INTENTIONS AND HOW THEY FEEL REGARDED BY CLIENTS AND THE MARKETPLACE

RESPONDENT CODE	IMAGE INTENTION	PERCEIVED CLIENT VIEW	PERCEIVED MARKET VIEW
BA	High quality, advanced technology, specialist, total service	"Like us but expensive; support to the end to get things done".	"A bit of an institution; you've got to be doing something special to be a client. High quality, specialists".
BB	High quality, problem solving, good support	"High quality, slightly conservative; some feel we don't sell hard enough".	"Generally unknown excepting for two specialist areas. "..... who"?
BC	Specialist	Cooperative, responsive, reliable. The best for main (specialist) products offered". Enjoyable to do business with".	"Young entrepreneurial company. People look to us for innovation. Approachable, successful, fast growing".
BD	High quality, large size/part of big group.	"High price, high service".	"Largest bureau with broad range but indistinct image".
BE*	Total service	"Number one in industry but perceived to be expensive".	"High quality product but expen- sive".
SA*	Total service, advanced technology	"Regarded well; competent, nice people to work with. International coverage and finan- cial stability of low priority".	"Generally relatively unknown except in one industry sector".
SB	High quality, growth/profit, advan- ced technology, long established/ part of big group	"High professional, particularly good at diffi- cult tasks. Up market in all services including price".	"Not well known outside clients and competition".
SD*	Total service, problem solving	"They would buy again from us. They feel we have more energy than other suppliers".	*A lot of non clients are still unaware of us".

NOTE: (i) Companies marked \* have conducted attitude research (ii) Data Source: Questions 1.3 (a) and 1.3 (b).



- Bureaux are concerned to be seen as specialised, and to be providing good customer support; consultancy/systems companies did not volunteer any aim in these directions at all. Conversely bureaux did not report any aim to project any growth, profit or export ("positive effect on the U.K. balance of trade") aims.
- It should be observed that none of the respondents reported any aims in the direction of:
  - high/low price/value for money,
  - competitiveness,
  - dependability/reliability.

#### D. HOW RESPONDENTS FEEL REGARDED BY THEIR CLIENTS AND THE MARKETPLACE

- All three aims for image projection which were omitted from the intentions of respondents are included in their perception of how they are regarded by clients.
- Exhibit III-7 shows that half of the sample perceive that clients view their products as expensive.
- Three respondents see clients viewing them as being dependable and reliable to the end of the project.
- One respondent sees clients thinking that they compare favourably with competitors.
- Half of the sample feel that they're either unknown or relatively unknown in the general marketplace.

- The greatest proportion of the sample (five respondents) felt that they were known as suppliers of special services to specialist markets.
- It is noteworthy that three respondent companies have conducted attitude research in the last two years.

#### E. HOW RESPONDENTS FEEL REGARDED BY THEIR COMPETITORS

- Exhibit III-8 shows the comparison for each respondent between his own and his competitors' view of his image. This demonstrates that among the leading companies interviewed there is a fair measure of correspondence of view.
- In only two cases were the respondents perception not borne out:
  - BB - Not regarded as the 'prime' vendor.
  - BE - Not regarded as dated, perhaps unsophisticated operationally.
- Predictably the competitors of each respondent were able to add items to the perceived image, - some were flattering and others not so. Among the additional items were:
  - BA - Well managed, very competitive,
  - BB - Specialists in two main areas,
  - BC - Aggressive and fast growing, dated products,
  - BD - Lack of credibility in comprehensive coverage, lots of money; lacking direction,
  - BE - Well financed,
  - SA - Quiet,
  - SB - Known for work in specific non European regions,
  - SD - Unethical, aggressive, client dissatisfaction.



## COMPARISON OF RESPONDENTS' AND COMPETITORS' VIEW OF THEIR IMAGE

RESPONDENT CODE	PERCEIVED COMPETITOR VIEW	ACTUAL COMPETITOR VIEWS
BA	"Respected for technical and scientific work by similar companies. The rest don't rate us".	<p>"Not tremendously competent for LP but known for latter".</p> <p>"Grew in shadow of parent company".</p> <p>"No image, if called in would make massive investment in PR".</p> <p>"Very competitive in specialist areas".</p> <p>"Good in scientific field - don't compete".</p> <p>"Well managed specialised bureau activity".</p> <p>"Professional primarily offering service to particular sectors, trying unsuccessfully to cover".</p>
BB	"High quality, conservative, smaller than they really are".	<p>"Good at things they concentrate on especially time-sharing".</p> <p>"Image related to engineering. Haven't capitalised on strengths".</p> <p>"Have stretched into strange markets. Gentlemen in a Jungle".</p> <p>"Good in construction and technical areas".</p> <p>"Associate with engineering/construction work".</p> <p>"Similar to ..... for bias to engineering and scientific applications".</p> <p>"Construction, engineering - and as .....".</p>
BC	"The market - a yardstick for comparison"	<p>"Most aggressive (marketing wise) and seem to be most successful (growth) (in particular industry sector and weren't there a few years ago)".</p> <p>"Highly regarded, high growth, profitable tremendous achievement".</p> <p>"Industry oriented marketing (not in love with computers), fast growing".</p> <p>"Originally good, deteriorating quickly now though - dated packages".</p>
BD	"The prime competitor due to wide market coverage".	<p>"Don't believe their success story - probably mostly captive".</p> <p>"Low quality service generally - use money well".</p> <p>"Effective salesmen - but not satisfied clients".</p> <p>"Large and well financed, suspect growth".</p> <p>"They've bought business. Biggest most powerful".</p> <p>"Hardware probably empty. Impressed with oil industry effort".</p> <p>"No clear strategies or direction. All things to all men, not master of any".</p> <p>"Much press comment - a situation rather than achievement. If I were a user I'd be a little bit suspicious".</p> <p>"First European company to take opportunities to make a big services group".</p>

Continued.

## COMPARISON OF RESPONDENTS' AND COMPETITORS' VIEW OF THEIR IMAGE

RESPONDENT CODE	PERCEIVED COMPETITOR VIEW	ACTUAL COMPETITOR VIEWS
BE	"Not in certain areas; service becoming a little dated".	<p>"Very good in time-sharing, comprehensive service".</p> <p>"Not as effective as could be for size; lots of credibility".</p> <p>"Doesn't grow as fast as should".</p> <p>"Effective sales/marketing - high growth - good products".</p> <p>"Technically sophisticated operationally".</p>
SA	"Well respected for general commercial systems, competitive".	<p>"Seem to be quiet in market place - not heard much about them".</p> <p>"Quiet".</p> <p>"Software house for minis".</p> <p>"Would acquire if available. good reputation. Good quality".</p> <p>"Below average".</p> <p>"Relatively fast growing. Set themselves objectives and pursuing in determined fashion".</p> <p>"A bit stuck with computing technology and never branched out into marketing sectors. Some very good people".</p>
SB	"Highly professional, good at difficult tasks. Viewed with a little awe and respect".	<p>"Very good in management science. Unable to find new markets."</p> <p>"Real professional consultants good reputation".</p> <p>"Can't think of any particular expertise".</p> <p>"Highly regarded for professional standards in specialist areas".</p> <p>"Fair".</p> <p>"Rarely bid against".</p> <p>"Never tackled profit".</p>
SD	"Increasing respect for the track record - moved from small outfit to one which is professionally managed".	<p>"Aggressive, getting big - can they maintain their margins on their turnkey systems"?</p> <p>"Super image - high regard. Good target market. Selling hard".</p> <p>"Fast growing, becoming visible. Successful and to be watched".</p> <p>"Extremely unscrupulous bunch of cowboys - trail of disaster in all known clients".</p> <p>"Very good turnkey and system house. Users think highly".</p> <p>"Successful, quite a sharp set of bandits, buccaneers etc".</p> <p>"Dynamic thrusting. Found a niche which is a gold mine. Suspect they could go a long way further".</p>



F. HOW RESPONDENTS FEEL REGARDED BY OTHER PARTS  
OF THEIR COMPANY

- Marketing departments are inherently vulnerable to criticism due to the lack of a satisfactory qualitative measurement for their performance. Judgements are mostly made on a qualitative basis particularly by other departments. Exhibit III-9 displays respondents' quoted assessments of how they are regarded.
- Marketing respondents are less confident about the way in which they're regarded in the consultancy/systems companies compared with their counterparts in the bureaux. One consultancy/systems company respondent out of three was able to state that his department is well regarded for good results and as a necessity; other respondents bordered on the negative in their appraisals. Four out of five bureau respondents were positive.
- Positive views included the following elements:
  - Control of revenue prospects (2).
  - Helping to gain more business.
  - Provided a discussion forum.
  - Keep product specification simple.
- Negative views included the following elements:
  - Not innovative enough.
  - Too remote.
  - Supernumery/overhead.
  - Insufficient budget to please everybody.
  - Kill joys for sophisticated products.

EXHIBIT III-9

HOW RESPONDENTS PERCEIVE REGARD FOR THEM  
BY OTHER DEPARTMENTS

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"Not as clever as we could be; not innovative enough. But respected for controlling revenue prospects".

"Highly regarded for doing work which helps to gain more business. But there is conflict between marketing and product development because the former simplifies products and the latter prefers sophistication; thus, marketing is seen as a kill joy".

"Guardian of future prospects of the company in developing products for sale in two year's time".

"Too remote from the front line; supernumery newcomer".

"Well supported and enthusiastic attendance at marketing meetings. Has fulfilled need for market discussion forum".

"Having built reputation from good results, now felt to be extremely necessary. (It took three years to gain acceptance)".

"Wide range of views depending on degree of contact".

"Don't imagine that there are not criticisms - don't have sufficient budget to please everybody".

## G. MONITORING OF COMPETITORS

- All respondents but one maintain a filing system to hold information on their competitors.
- Those holding files keep the following categories of information:
  - Annual reports.
  - Product/service details.
  - Organisation data/key personnel.
  - Orders taken.
  - Acquisition/mergers.
  - Competitive strengths/weaknesses.
- The sources of this information include:
  - Press.
  - New staff recruits.
  - Exhibition stands.
  - Direct bi-lateral meetings.
  - Specialist companies (e.g. Greene & Co., INPUT).
  - Salesmen's reports.
  - Personal contacts elsewhere in the industry.
- Six out of eight respondents monitor specific companies by name; these are chosen according to size and overlapping market interests.
- The single respondent not keeping any competitor files feels that they are too difficult to keep up to date. Instead, the best external source is used to provide competitive information as the requirement arises.





#### IV. BUSINESS DEVELOPMENT AND PLANNING



#### IV. BUSINESS DEVELOPMENT AND PLANNING

##### A. STRATEGY FORMULATION

- The formulation of market strategy is basically an iterative process between key senior managers. No sophisticated forecasting or decision making techniques are used (e.g., Box Jenkins, mathematical/econometric modelling, etc.).
- In all but one respondent company the process of strategy formulation is fairly democratic; in one case, it is autocratic in that the chief executive imposes the strategy on his management.
- The democratic process involves either a marketing manager/director or a strategy/corporate planning manager as the catalyst. They collect contributions on a continual basis enabling them to draft a market plan document; contributions are forthcoming from market planning meetings, comments on drafts issued and informal contributions. The contributors are usually operational branch or departmental managers and, in companies where they exist, product/market managers.
- In all respondent companies, the board of directors has the final word on the strategy to be adopted.
- No respondent companies reported any special strategy making meetings at exotic non-office locations.
- External assistance with strategy making is used by three respondents. They each made special reference to assistance from market research organisations as the only external contact in the process of strategy formulation.

- Respondent companies include a major subset of the following strategy items in their plan:
  - Product mix.
  - Pricing.
  - Product licensing.
  - Agents, distributors.
  - Customer profile.
  - New regions/countries.
  - Acquisitions/joint ventures.
- Formulation of strategy is made with reference to predicted economic and legal conditions in each country market; for network based operations legislation on trans border data flow, local processing capacity and data privacy are especially important. One respondent included potential currency gains and losses in his reference factors.

## B. IDENTIFICATION AND POTENTIAL OF NEW PRODUCTS AND SERVICES

- All but one respondent saw the identification of new products and services as a function of market demand. The dissenting view was that the market is technology driven and that products and services are developed on an evolutionary basis in the absence of any reliable knowledge of market demand.
- Of the seven respondents which recognise market demand as an important factor, four respondents use as a means of identification:
  - feedback from salesmen, and,
  - market research.
- Market research methods employed are concentrated on desk research on press articles, conferences, competitive activity and government and trade association statistics. Two of the four companies using external market research organisations for this purpose use them for user interviews.



- The transformation of identified products and services into market demand is a process which lacks formalised methods, particularly in the area of quantification. However, the two respondents using market research organisations gain quantification in the product and market areas treated in this way.
- Other than when market research organisations are used, the method of market forecasting depends on desk research; this is often a "back of an envelope" calculation involving guesses of market acceptable pricing, number and type of suitable potential customers and sales hit rate.
- None of the respondents indicated any procedures or intentions for entirely new products or services. Half of the respondents indicated that new products services were developments of existing ones; one stated that his company had never launched an entirely new product.
- Understandably most respondents feel that any new products and services should draw mainly on existing facilities. However, there was very little indication by respondents of any plans or even interest in examining completely new products and services which may draw on different facilities.

### C. COMMERCIAL JUSTIFICATION

- Four respondents gave hard information on their volume and price criteria which should be met before investing in a new or developed product or service.
- Three of these respondents justify products and services on the basis of one or two sales; the products and services are priced accordingly.
- One respondent explained that large volumes are not planned due to the "usually amorphous" nature of products; typically customers still pay more for the use of vendor's resources and for the labour intensive tailor making of systems than for the re-useable products content. On this basis the incremental cost of a 'new' product or service to a vendor is relatively low (compared with other product industries) and to the customer is relatively high.

EXHIBIT IV-1

TECHNIQUES FOR FINANCIAL JUSTIFICATION

TECHNIQUE	NUMBER OF USERS	CRITERIA APPLIED
Maximum Break Even Period	3	(i) 1 to 5 years for software (ii) 27 months for hardware (iii) staff time sales over product life (iv) 1 year.
Return on Investment	1	unspecified
Discounted Cash Flow	1	2 x bank rate

- The fourth respondent requires a new or developed product or service to have at least 20 potential independent buyers; again after a market share is estimated the minimum volume required is small.
- When examining a case for financial justification, five respondents use a formal technique as shown in Exhibit IV-1. The other three respondents do not have a formal financial technique and depend instead on conformity with compatibility and market requirements. One of these respondents reported that he and his colleagues sometimes ask "is it worth putting two years into product development".
- Justification by time required to break even is the most popular method. There may be some variation in the accounting methods used to establish break even points however.
- Two respondents referred to the size of investment. (Note that they were unprompted since there was no question included in INPUT's questionnaire). Both indicated that the size of investment, if from their own resources, is small; one respondent stated that product investment is not capitalised and is written off during the financial year in which it is incurred.

#### D. MARKET PLANS

- Market plans are incorporated as a separate or integrated subset into the overall company plan. All but one of these plans are on a five-year timescale. Updating occurs annually.
- Strategy and market plans are produced by most respondent companies in the first half of their financial year. During the second half, the company operating plan and individual budgets are produced. Companies which are small or are not part of a large group telescope this timescale.

- The first year of each market plan is in detail; most respondents provide diminishing detail as the plan approached the end of year five, one respondent provides full detail up to the end of year three.
- A list of the headings included in the market plans of all respondents is given in Exhibit IV-2.
- Sales volumes are clearly fundamental and are broken down as appropriate by region and by product or service. Profit and operating margins are not broken down to the same extent. Only two respondents stated that profit and operating margins are included in their market plan; both break profit down by operating division and major product/service group.
- Two respondents explained that profitability at lower than company level is hard to measure due to the absence of product costing methods in the industry. One company had made some attempts to improve the state of the art; the other respondent felt that the problem hinged on the difficulties of allocating shared resources.

## EXHIBIT IV-2

### HEADINGS USED IN MARKET PLANS

- . Sales volumes (total, by region, by product)
- . Profit margins
- . Pricing
- . Available market
- . Competition
- . Past performance
- . Promotional campaigns (by product, industry media)
- . Marketing activity schedule
- . Customer profile (types of organisation, buying patterns, purchasing authority)
- . Cost of sales
- . Strengths and weaknesses
- . Strategy for attacking chosen markets





V. ORGANISATION AND CONTROL OF THE  
MARKETING FUNCTION



## V. ORGANISATION AND CONTROL OF THE MARKETING FUNCTION

### A. STAFF STRUCTURES AND RESPONSIBILITIES

- All but one of the respondent companies have marketing directors in charge of the function of marketing. The other company in the sample has a strategy manager of equivalent status. All report to the managing director or chief executive.
- Only one marketing department has line control of the sales function. In two respondent companies the sales department or operating divisions run marketing. The remaining five respondent companies operate marketing as a parallel service function to sales.
- In all cases strategy is primarily the concern of the marketing or strategy directors/managers. They typically collect views and contributions from key senior managers after which recommendations are made to their managing directors/chief executives.
- Market analysis and planning are functions which in all cases report to the marketing or strategy directors/managers. Market analysis is provided as a supporting service to operating division managers and/or sales managers in order to enable them to indicate their assessment of sales prospects. Armed with this operational input the marketing or strategy managers/directors, aided by their planning staff, where they exist, draft a market plan.
- The broader functions of marketing (e.g., market research, product specification, documentation, packaging, planning commercial justification, pricing etc.), is carried out by staff reporting to the marketing director in companies where the marketing department is separate. In the three cases in which marketing is combined with sales or operational divisions the function reports accordingly; in these cases the function is somewhat distributed and has a relatively low company profile.

- Half of the respondent companies have a marketing services (e.g., brochure design and production, exhibition planning, PR, etc.), group reporting within a separate marketing department to the marketing director. In three cases in which marketing and sales functions are integrated, the marketing services function is responsible either to the sales manager (two cases) or to individual operating divisions; otherwise, although marketing is generally integrated with sales, the marketing services function is the direct responsibility of the marketing director.
- Six respondent marketing and strategy managers/directors are involved in setting sales targets for the sales groups. Half of this number are involved in setting quota levels. Two are involved in defining commission rates. (The sample is reduced to six in the latter two analyses due to two of the consultancy/software companies not operating a sales incentive scheme).

## **B. OBJECTIVES AND TARGETS**

- Five respondents stated that one of their objectives for the current year is to support the sales force; the intended result being to minimise time not spent selling and to increase sales productivity.
- Four respondents stated that one of their objectives is to stage sales campaigns (seminars, mailshots, etc.), as specified in the marketing plan.
- All respondents had at least one of the above objectives. Additional objectives stated were:
  - Improve product packaging.
  - Improve product knowledge in sales force.
  - Increase profitability.
  - At least maintain current market share.
  - Determine the direction for growth.
  - Develop industry orientated approach.
- None of the objectives stated could be quantified by respondents to give targets.



### C. STAFFING AND TRAINING

- Bureau companies employ three times as many marketing (not sales) staff in relation to total staff numbers as do consultancy/systems companies. The average percentages of marketing staff are:

- Bureaux	6%,
- Consultancy/systems companies	2%.

- In relation to total company revenue, the marketing staff in consultancy/systems companies support 2.5 times as much as their counterparts in bureaux. The average turnover/marketing head figures are:

- Bureaux	£0.46M,
- Consultancy/systems companies	£1.15M.

- The differences between bureaux and consultancy/systems companies are partly accounted for by the computer hardware (for turnkey) and computer service (for bureau) content. The effect of this is best seen in the average turnover/head figures which for the sample are:

- Bureaux	27.7K	ratio 1.6 : 1
- Consultancy/systems companies	17.4K	

- After accounting for computer content (or that part of a sale which is not created for the customer's specific application) the conclusion on percentages of marketing staff and the turnover supported remain the same. These are that:

- Bureaux employ nearly twice as many marketing staff as a percentage of total staff numbers.
- Consultancy/systems company marketing staff support 1.6 times as much turnover as their bureau counterparts.

- Training of marketing staff does not appear to be an issue of high importance to marketing directors. Only three respondents had separate budget items; these provided between £150 and £500 per staff head for course fees.
- The amount of time set aside for training varies from one week to two weeks; alternatively this was expressed as one or two courses.
- One reason for low identified expenditure is the lack of suitable courses for computer services marketing staff. Consequently a high proportion of training is given in-house, thereby eliminating the necessity of course fees. No respondents mentioned the use of outside speakers for their in-house courses. Two respondents specifically referred to CSA courses.

## **VI. MARKETING AND COMPANY PERFORMANCE**



## VI. MARKETING AND COMPANY PERFORMANCE

### A. OUTPUT AND PERFORMANCE

- The marketing function, whether separate from the sales function or integrated, produces a range of output which is common between most respondent companies. The more tangible type of output is in the form of a range of typed or printed documents; a list of those mentioned by all respondents is given in Exhibit VI-1.
- The main performance criteria against which respondent marketing groups are assessed are:
  - Quality of documents produced.
  - Adherence to their schedules and budgets.
  - Strength of contribution to sales growth.
- No respondents referred to any standards by which the quality of marketing documents are judged. All respondents, however, have unified formats and colour schemes for their external promotional documents. Otherwise, the quality judgements are made according to the subjective reactions of management and of the sales force.
- Contribution to company performance has two facets for marketing groups. Firstly, containment of costs is achieved (or not achieved) by adherence to schedules and budgets. Secondly, and much less measurable (i.e., difficult to isolate) is their contribution to sales. Invariably it is left to the sales force to follow up sales leads which marketing groups generate as a result of sales promotion.



## EXHIBIT VI-1

### DOCUMENTS OUTPUT FROM THE MARKETING FUNCTION

#### Strategy and Planning

- . New product/service proposals
- . Product development specifications
- . Market and competitive analyses
- . Market plans
- . Sales promotion plans
- . Operating budgets (marketing)
- . Minutes of market planning meetings
- . Price lists

#### Sales Support

- . Product/service brochures and leaflets
- . Newsletters
- . Press releases
- . Seminar arrangements and briefing
- . Exhibition arrangements and briefing
- . Sales leads from promotional campaigns
- . Presentation slides

EXHIBIT VI-2

EXPENDITURES ON MARKETING

CODE	1978/1979 EXPENDITURE	EXP./£1M TURNOVER	PERCENTAGE TURNOVER
BA	£ 160 K	£ 35.6 K	3.6%
BB	£ 90 K	£ 15.8 K	1.6%
BC	£ 875 K	£ 70.0 K	7.0%
BD	£ 364 K	£ 26.0 K	2.6%
BE	-	-	> 5.0%
Bureau Average	£ 372 K	£ 36.9 K	4.5%
SA	£ 132 K	£ 18.9 K	1.9%
SB	£ 240 K	£ 38.4 K	3.8%
SD	£ 400 K	£ 25.9 K	2.6%
Cons./Syst. Average	£ 257 K	£ 27.7 K	2.8%

- The quality of sales leads can vary between the extremes of a directory list to qualified contacts. One respondent company quantifies the performance of marketing in this respect by relating the cost of a sales campaign with the value of sales contracts resulting. This was the sole example of a current attempt to quantify the performance of marketing groups.

## B. MARKETING COSTS

- Expenditure on marketing varies widely between the respondent companies. Ignoring any relationships between expenditure and size for the moment, expenditure ranges from £90K to £875K. The average expenditure by bureaux is £372K compared with an average for consultancy/systems companies of £257K.
- In terms of expenditure per £1M turnover, bureaux on average spend one-third more on marketing than consultancy/systems companies. The averages are £36.9K and £27.7K respectively. (See Exhibit IV-2).
- In terms of percentages of turnover (and including an extra respondent) the averages are 4.5% and 2.8%.
- All the figures given so far refer to total marketing expenditure including staff and non-staff items. On average, 60% of the total expenditure by all respondents is attributable to staff. The remaining 40% is allocated as shown in Exhibit VI-3.
- Advertising (corporate and product) attracts the highest proportion of non-staff marketing expenditure. At least three quarters of advertising expenditure is related to specific products or services. Corporate advertising is seen by most respondents as a desirable means for the future to enhance their company profiles in the general marketplace.

EXHIBIT VI-3

AVERAGE EXPENDITURE ALLOCATION  
BY PROMOTION METHOD

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METHOD	PERCENTAGES MARKETING EXPENDITURE
Advertising	13%
Publications/Mailing	10%
Presentations/Exhibitions	10%
Press/Public Relations	4%
Other	3%

- Design, text writing and production of brochures, leaflets and other promotional documentation, together with associated mailshots attract the second highest proportion of non-staff expenditure. Second equal is expenditure on presentations (to invited or public audiences) and exhibitions.

### C. EFFECT OF MARKETING ON COMPANY PERFORMANCE

- By definition, marketing groups which do not directly control the sales force cannot be measured in terms of absolute sales growth. However, an effective marketing group undoubtedly creates a beneficial effect on both sales growth and cost of sales. Again no respondents were able to report any achievements in this area of performance measurement; one respondent stated that he planned to implement such a system in the coming year.
- Given that the leverage effect of the marketing function is or should be extremely significant, the lack of appropriate accounting procedures to measure performance makes a serious gap in management information.
- The absence of any appropriate accounting procedures also makes an assessment in this study of the quantitative effect of marketing on company performance impossible. In quantitative terms some respondents estimated their effect on company performance as follows:

<u>Revenue</u>	"25% of revenue increase on previous year"
	"+ £200K in 1978/1979"
	"10 - 25% growth in 1978/1979 and more thereafter"
	"60% of growth achieved"
<u>Profit</u>	"+ £50K" (medium size company).



- In qualitative terms it is generally felt that marketing staff are part of the total company team; their specific contribution is identifiable in the following ways:

Revenue Generation      -    Generation of leverage on the sales force by developing new markets and products and by providing support which maximises selling time.

Profit Effect                -    Development of markets and products which are inherently profitable and reduce the cost of sales.



## APPENDIX A



APPENDIX A.1  
PROFILE - COMPANY 'BA'

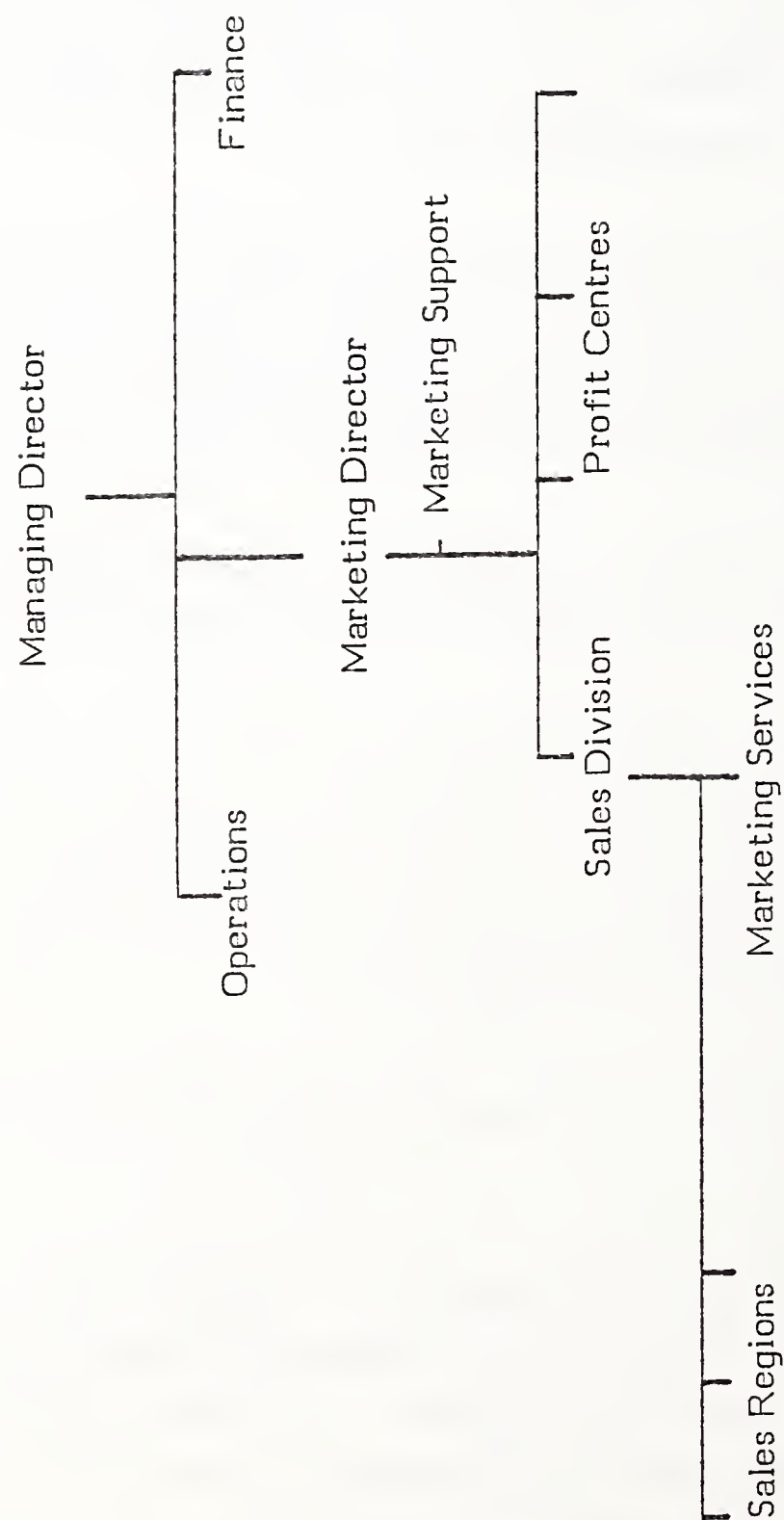
1. FUNCTION AND ORGANISATION OF MARKETING

- Marketing in the company is considered to be all activities excepting operations and finance. For the large proportion of staff thereby involved in marketing the function is defined as the identification, development and support of new products and services.
- The Marketing Director controls all the staff resources other than operations and finance (consistent with the company's definition). Three functions are included, namely profit centres, sales and marketing services. (See Exhibit BA-1). The marketing function is divided into two separate groups:
  - "Market support" is a staff role reporting directly to the Marketing Director providing market analysis and planning support.
  - "Marketing services" reports into the sales division and provides promotional support in the form of mail lists, brochure preparation, exhibition preparation and PR. Additionally there is a marketing staff member in four of the profit centres. The total number of staff whose full time job in marketing is nine.
- The marketing services group works closely with the sales division and all the profit centres.
- The objective of all marketing staff is to enable salesmen to maximise their selling time and hit rate. This is achieved through the generation of sales prospects with seminars, exhibitions and press relations and through the provision of good selling aids, particularly brochures. In return, salesmen copy marketing staff with relevant contact and market reports.



EXHIBIT BA-1

MARKETING / SALES ORGANIZATION



- The marketing groups are considered to have performed well if the company achieves its targets; their performance is also favourably assessed if the programme of marketing activities has been achieved on schedule and within budgeted cost.

## 2. PLANNING

- The company commences its planning cycle with a five-year gross business plan. This is produced by extrapolation of the current results within guidelines defined by market forecasts and research obtained from external sources. Preparatory work is initiated by the Marketing Director who presents the five-year plan for Executive Committee approval.
- A marketing plan for the first year is contained in the five-year plan; this contains a forecast of the available market, previous market performance and competition by profit centre. The market plan does not distinguish between each product and service in these terms; a plan for control and customer hardware is included.
- The need for new or improved products and services is identified by observation of market demand. The most likely additions are those which can be easily satisfied from existing facilities. When justified by market potential additional facilities are acquired and new products developed; product investment is amortised annually.
- Subsequently detailed company and individual operational budgets are produced.

- The commercial criteria which must be met before a new product or service is launched are:
  - Minimum cash investment.
  - Minimum 20% profit margin.
  - Must break even in a year or less.
- Sales performance targets are set by agreement between the Marketing Director and the regional sales managers; the performance targets include order targets and quota levels supported commission rates.

### 3. METHODS

- Promotional effort is planned in advance within the cost constraints experienced in the operational budgets (several budgets are involved).
- Promotional effort is targetted by industry or region; occasionally a specific product is featured.
- All the conventional promotion methods are used with varying degrees of productivity in terms of the generation of sales prospects. The methods used are ranked as follows:

- 1= Recommendation/referrals.
- 1= Presentation.
- 3= Worskshops/seminars.
- 3= Management contact.
- 3= Newsletters.
- 3= Cold telephone calls.
- 7= Press releases.
- 7= Technical articles.
- 9= Product/service advertising.
- 9= Mailed literature.
- 9= Exhibition stands.
- 12= Corporate advertising.

- Management contact is rated high since contact between the company's directors and those of client companies is found to be very effective. Presentations, workshops and seminars (or any combination) achieve much of their effectiveness from the fact that the audience is captive.
- Press releases are considered to be more important for image building than corporate advertising; success in this area depends on the development of close contact with senior journalists.
- Detailed competitor files are maintained on 14 companies. Apart from normal press and external research sources, information is obtained through careful de-briefing of new staff who have worked for a competitor. From time to time the company has informal meetings with competitors, twice a year with one of its closest rivals.

#### 4. IMAGE

- In the marketplace the company considers itself to be regarded as an institution, membership of which requires it to be attempting something special. Although generally regarded as a high quality organisation its image of specialisation discourages any natural inclination for potential customers to consider it for basic data processing tasks.
- The company's clients it is considered find their services expensive but appreciate the willingness to provide as much support as is required to see the job through to successful completion.
- It is considered that the company is well regarded by close competitors; others probably don't rate them.
- Internally the marketing effort is regarded as the mainstream activity. However, it is felt that some sections of staff opinion consider marketing to lack innovative ability. Generally a guardian of the company's future revenue, the marketing staff are regarded with respect.

- The company aims to be seen in the market as a high quality computer service company. It should be regarded as a continuing leader in technical and scientific fields and as an emergent force in commercial applications.

## 5. COSTS AND BENEFITS

- In the last financial year this company spent 3.6% of revenue on marketing staff and all directly related costs generated by the marketing department.
- Marketing staff costs account for 61.8% of the total marketing costs. The remainder was spent on external charges for supplies and services relating to promotional activities. These costs are listed below as a percentage of the total marketing department cost:

- Corporate advertising	1.9%
- Product/services advertising	
- Brochures/leaflets	7.5
- Newsletters	0.6
- Article writing	0.3
- Press relations	5.0
- Mailshot campaigns	
- Presentations	7.5
- Exhibitions	
- Public relations	5.9
- Directories	3.1
- Entertainment/gifts	6.3
	<hr/>
	38.1%
	<hr/>

- The benefits obtained by the marketing group are estimated to be an increase of 30% on revenue in the current year. It is further estimated that the quantity of sales prospects per week is increased by 15% over the previous year.



APPENDIX A.2  
PROFILE - COMPANY 'BB'

1. FUNCTION AND ORGANISATION OF MARKETING

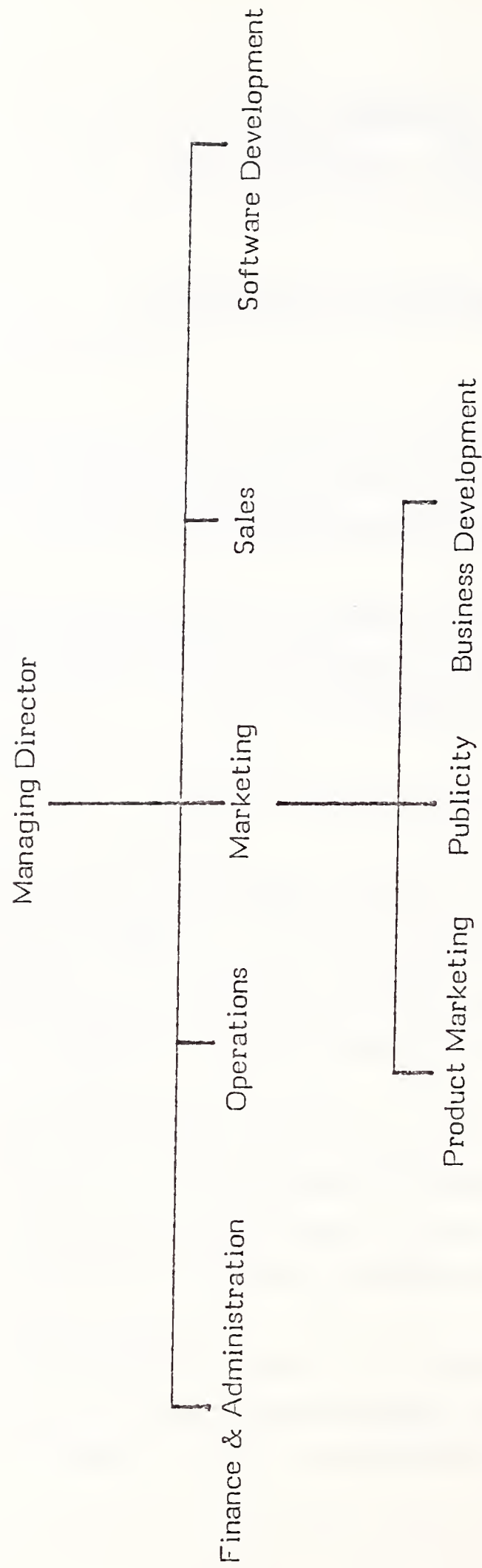
- The definition of marketing in the company is the function which "Ensures that we have profitable products that can be profitably sold". This definition also describes the main responsibility of the Marketing Director.
- The marketing function in this company is separate from the sales function; the department is controlled by the Marketing Director who reports to the Managing Director (see Exhibit BB-1).

The marketing department contains three sections:

- Product marketing: Activities of this section are concentrated on the 'packaging' of products and services in order that they can be sold profitably. These activities include the production of brochures, technical manuals and the compilation of competition data.
- Publicity: This section provides creative design and text drafting assistance to the product marketing section. The section also handles public and press relations, organisation of exhibition stands and other promotional events, contracts, price lists and proposal material.
- Business development: The aim of this section (not currently staffed) is to ensure that profitable products are being identified and developed. This development effort is applied by region and by application area.

EXHIBIT BB-1

CORPORATE ORGANIZATION



- The main objective of the marketing department is to improve the productivity of the sales force. This is accomplished by providing support in the form of:
  - Improved packaging of major products.
  - Product training.
  - Ensured high quality brochures and documentation.
- During the current year a special effort is being made to obtain good press relations.
- Performance of the marketing department is related to its contribution to specific sales. For example, a sales report defines the source of the qualified lead which may have been generated by a promotional activity by the marketing department. Otherwise the usual measurements of production of promotional material and events within the cost budget are made.
- Formal training provided for marketing staff is negligible. The current budget is £2,000; this is used mainly for internal product familiarisation customer courses and some computer education for staff without a strong computing background.

## 2. PLANNING

- The market plan is produced annually as a subset of the overall company plan. The market plan contains:
  - Sales volumes by product.
  - Sales volumes by region.
  - Profit margin by region.
  - Promotional plan by product.
  - Market strategy.

- Profit margin by product is not included due to the absence of a system of profit and loss accounting down to this level.
- Market strategy includes product mix, pricing, product licensing, modes of delivery, new regions and acquisition.
- The creative and driving force behind the production of the market plan is the Marketing Director. The final draft is considered by the Board of Directors before approval is granted.
- Products are improved and developed in response to prompting from clients and sales prospects. Repeat sales are planned on the basis of reproduction and adaption of previous implementations. Market potential is determined by rough estimates of the number of potential clients for a specific product, the estimated hit rate and the anticipated price.
- Sales targets, quota levels and commission rates for salesmen are set in the sales department; the marketing department is not involved in this process.

### 3. METHODS

- Promotional effort is targetted according to the product position in the market. The range of targets from which a choice is made is:
  - Large and middle size companies (e.g. "Times 1000").
  - Specific line functions.
  - Geographic region.
  - Industry (market sector).

- Many of the usual promotion methods are used, with the notable exceptions of advertising and general presentations. The productivity achieved in terms of the generation of sales prospects is ranked as follows:

- 1= Recommendations/referrals.
- 1= Product seminars.
- 3 Mailed literature.
- 4 Cold telephone calls.
- 5= Exhibition stands.
- 5= Newsletters.
- 5= Press releases.
- 8 Technical articles.

- Although product advertising is not currently used, the plan is to use it next year. It is anticipated that providing the newspapers and journals are selected precisely, the response level could be overwhelming.
- Technical articles and exhibition stands whilst not rated highly for generation of prospects are good for staff morale.
- Information on competitor companies is not filed on a regular basis. It is felt that detailed knowledge of competitors has a limited value when the company so rarely encounters them in the market. Some reports are purchased from external sources which provide sufficient background information.

#### 4. IMAGE

- In the marketplace the company realises that it is not generally known. Although corporate advertising is not currently used it is planned to do so next year. The minority who do have some awareness know the company for its engineering products and for its APL service.



- The company's clients consider it to be conservative in its marketing and lacking in sales drive. The products and services supplied are considered to be of high quality.
- Competitors consider the company to offer high quality products and services and to be smaller than they really are.
- The marketing department is highly regarded internally; it is recognised for doing work which helps to gain business. Some of the department's success in this respect is attributed to the especial marketing (rather than computing) background of the staff concerned with market promotion.
- The only significant conflict arises between marketing and the technical software development staff. The software staff enjoy the challenge of complex tasks whereas marketing tends to simplify them for improved market acceptance.
- The company aims to project an image of problem solving, quality and support.

## 5. COSTS AND BENEFITS

- In the last financial year this company spent 3.1% of revenue on marketing staff and all directly related costs generated by the marketing department.
- Marketing staff costs account for 51.1% of the total marketing costs. The remainder was spent on external charges for supplies and services relating to promotional activities. These costs are listed below as a percentage of the total marketing department cost:

-	Corporate advertising	0%
-	Product/services advertising	6.3
-	Brochures/leaflets/technical documentation	23.9
-	Newsletters	0
-	Article writing	0
-	Press relations	1.7
-	Mailshot campaigns	2.8
-	Presentations/seminars	7.4
-	Exhibitions	2.8
-	Directories	2.3
-	Christmas gifts	1.7
	Total external marketing costs	<u>48.9%</u>

• The benefits of marketing in terms of additional revenue generation, effect on profit levels and cost of sales are not measured.

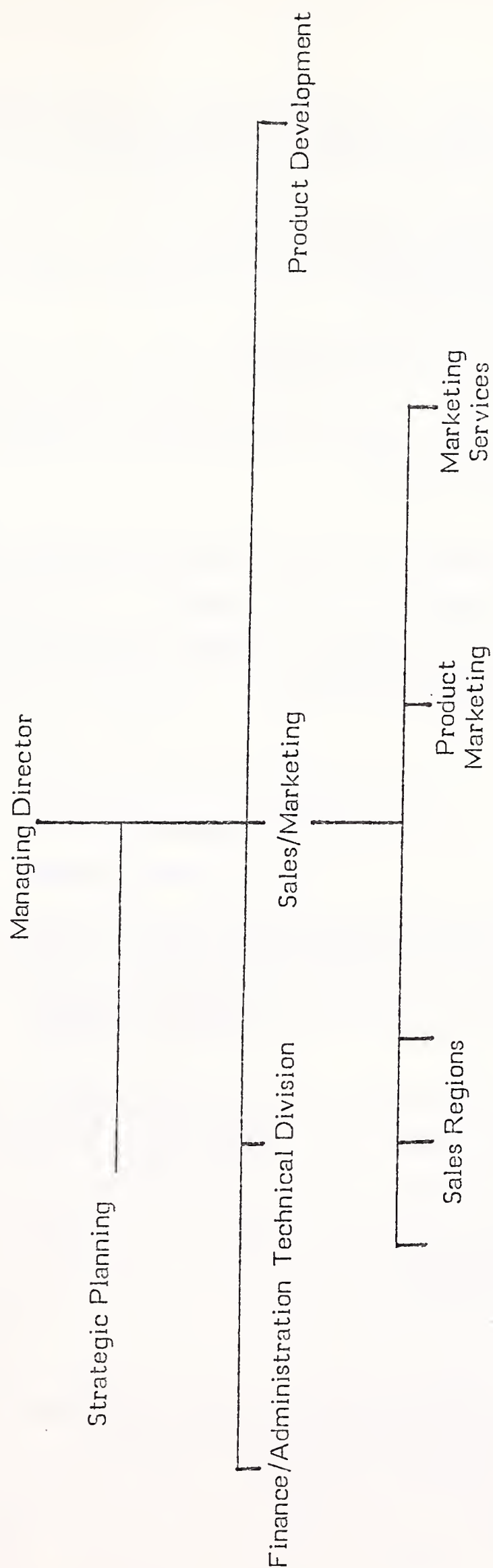
APPENDIX A.3  
PROFILE - COMPANY 'BC'

1. FUNCTION AND ORGANISATION OF MARKETING

- This company defines marketing as the "selection and presentation of products to chosen markets with a view to increasing the productivity of the sales-force".
- Marketing activities are separated in this company into different sections dealing with strategic and tactical tasks.
- The strategic planning section (see Exhibit BC-1) covers market analysis, new business development and acquisition, all of which contribute to the company's corporate plan. The section is also responsible for public/press relations and has a functional responsibility for the marketing services section.
- Tactical, or sales support, marketing is covered within the Sales and Marketing department. The sections which concentrate on marketing are Product marketing and marketing services.
- The product marketing section is responsible for the development and construction of a profitable and well promoted 'package' for cost effective selling by the sales force. Such products have a Business Manager; a Marketing Manager and a Technical Manager report to each Business Manager.
- The main objective set for the marketing staff (in both parts of the organisation) is to increase the productivity of the sales force. This is accomplished by continual injection of new or enhanced products, promotional aids and promotional events.

EXHIBIT BC-1

CORPORATE ORGANIZATION



0000002

- The most significant forms of output from the marketing sections are:
  - Product development specifications.
  - Market plans and budgets.
  - Promotional documents.
  - Advertisements and press releases.
- Approximately two weeks per year are spent on training courses by each member of the marketing staff.
- Performance of the marketing staff is assessed according to achievement of pre-set goals and adherence to cost budgets. A reflection of marketing performance is seen in the amount of increase in sales per head and the quality of support reported by sales managers.

## 2. PLANNING

- The market plan is revised annually and is based on a five-year timescale; the first three years are done in detail and the last two are done in summary form. Year one of the plan is developed into operational budgets.
- The market plan is determined by marketing within a corporate strategy previously agreed at board level. Responsibility for current products and services rests with the sales and marketing department. New business areas, product mix, expansion into new countries and acquisition are the responsibility of strategic planning.
- The need for new products and services is identified using market research. The use of market research companies and the purchase of their reports and services is directed by the strategic planning section.



- A closely defined list of criteria is used to screen potential new products and services. All points on the list must be satisfied before a commitment is given. The list of criteria includes the number of independent buying units (must exceed 20), market size, competition, achievable market share, sales leverage on existing products and return on investment.
- Sales targets, quota levels and commission rates are all set within the Sales and marketing department as tactical issues.

### 3. METHODS

- The company uses all the usual promotional methods. The methods which are used are ranked as follows:
  - 1= Presentations (invited audience).
  - 1= Recommendations/referrals.
  - 3= Product advertising.
  - 3= Exhibition stands at market specific exhibitions.
  - 3= Mailed reprints of advertisements.
  - 6 Technical articles.
  - 7= Corporate advertising.
  - 7= Press releases.
  - 9= Presentation (public).
  - 9= Mailed literature.
- Each promotional effort is targetted strictly according to industry applicability; the approach is always made at the most senior level since "referring up does not work".
- Ten computer services companies are closely monitored and the list is not restricted to other bureau companies; information on their products and services, organisation, pricing, market sector coverage and financial performance is filed. Additional directories covering the majority of significant computer services companies are purchased.

#### 4. IMAGE

- This company aims in its promotional activities to be regarded in the market place as a "specialist company".
- The marketplace in general is thought to regard the company as young and entrepreneurial. It also feels regarded as successful, fast growing and approachable.
- The company feels that clients regard it as cooperative, responsive, reliable and the best for the products offered.
- Competition is thought to regard the company as the yardstick for comparison or "the marker".
- Within the company, marketing staff are regarded as "the guardians of the near-term future of the company".

#### 5. COSTS AND BENEFITS

- In the last financial year this company spent 7% on marketing staff and all directly related costs generated by the marketing department.
- Marketing staff costs account for 62% of the total marketing costs. The remainder was spent on external charges for supplies and services relating to promotional activities.
- The benefits of marketing expenditures are not formally quantified. However, broad assessment is made of the effect on sales leverage and impact on cost of sales.

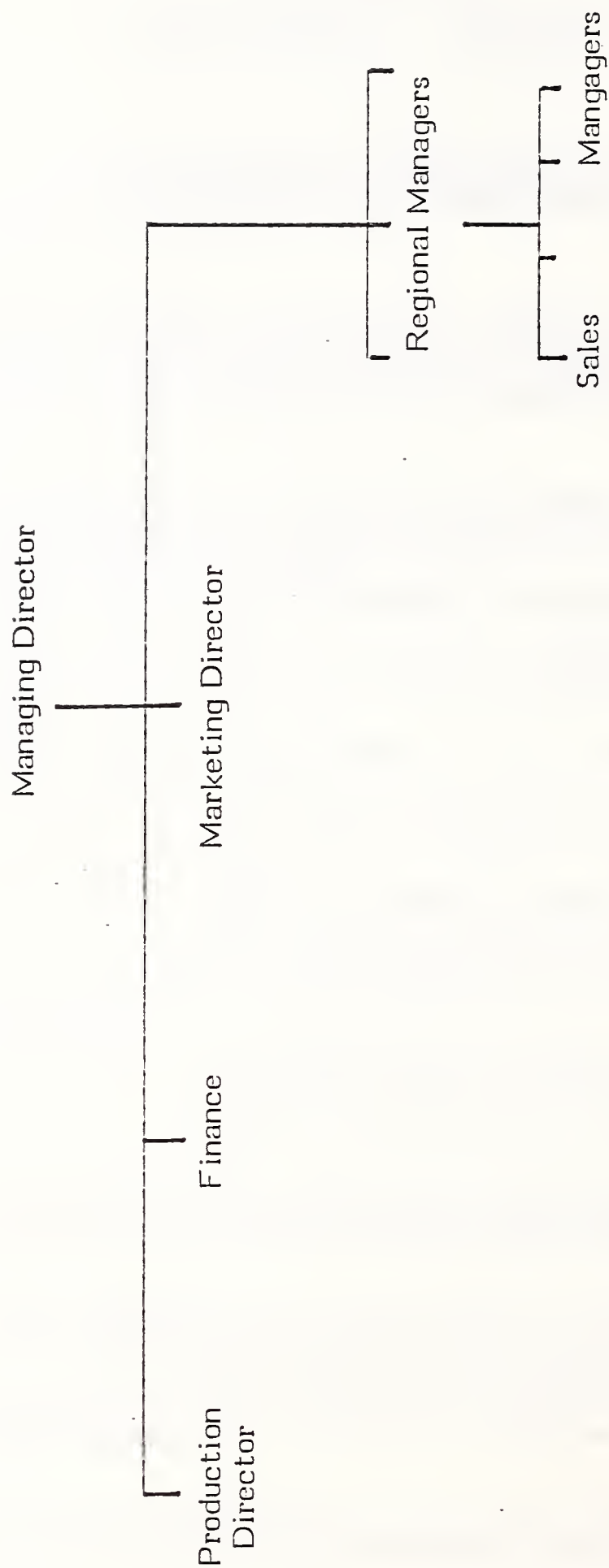
APPENDIX A.4  
PROFILE - COMPANY 'BD'

1. FUNCTION AND ORGANISATION OF MARKETING

- The definition of marketing in this company is the "analysis of markets leading to formulation and development of products to meet market needs".
- The functions of marketing and sales are on separate reporting lines to the Managing Director (see Exhibit BD-1). The activities of the marketing department are directed to support for the sales force and to assist with board level strategic planning.
- In its sales support role, the marketing department conducts the following activities:
  - Promotional documentation and events.
  - Product/service 'packaging' and launching.
  - Pricing.
  - Product development and acquisition.
  - Direct sales of two technical products.
- The marketing department provides assistance at board level with:
  - Examination of alternative market strategies and identification and assessment of new products and services.
  - Analysis of economic and market trends proposals for market plans.
- Performance of the marketing group is measured according to the:
  - Increase in sales revenue achieved by the company.
  - Acceptance of marketing proposals.

EXHIBIT BD-1

CORPORATE ORGANIZATION



## 2. PLANNING

- After adoption by the company's board the proposed market strategy and plan are put forward for "strategy review" with the board of the parent company.
- The objective of the marketing department is to create maximum leverage on the sales effort by well researched market planning followed by effective selection and application of promotional methods.
- The market strategy plan is developed and approved in a formal process through several authority levels; the process takes place between November and January annually.
- The plan is on a five-year timespan. The base year for planning is taken as the current financial year, estimates being made for the remaining months. The first year of the plan becomes the basis for the operational budgets; later years in the plan are less detailed.
- The five-year plan contains profit and loss and balance sheet projections by region. Profit is projected on company level only; profit figures by product and service are not calculated.
- The need for new products and services is identified by examination of market analyses and forecasts, competitive activity and information obtained from press articles and conferences.
- Proposed new products and services are evaluated for commercial viability which involves the production of a full P & L plan. No minimum acceptable standards for profit levels or break even periods are set for reference.



### 3. METHODS

- A wide range of normal promotional methods are used with varying degrees of success in generating sales prospects. The methods currently used are ranked for effectiveness as follows:

- 1      Recommendations/referrals
- 2=     Presentations.
- 2=     Product advertising.
- 4=     Technical articles.
- 4=     Press releases.
- 6=     Corporate advertising.
- 6=     Newsletters.
- 6=     Mailed literature.
- 6=     Cold telephone calls.
- 10     Exhibition stands.

- Promotions are targetted at large companies, existing clients or specific industry sectors.
- About 20 direct competitors are monitored carefully. The files include annual reports (if available), press cuttings and salesmen's reports.

### 4. IMAGE

- The company aims to project an image of high quality services provided by a large company.
- It is felt that the company is regarded in the general marketplace as a very large bureau with a broad range of facilities and services.

- The company feels that it is viewed by its clients as one which charges high prices and provides commensurately good service.
- It is felt that competitors see the company as a prime competitor which covers a large number of markets.
- Within the company, the marketing department has created both cooperation and friction. Friction is created with the sales department due to the direct selling activity conducted from the marketing department in specialist product areas.
- The marketing department has been formed recently and is regarded by some staff as supernumerary and too remote.

## 5. COSTS AND BENEFITS

- In the last financial year this company spent 2.6% of revenue on marketing staff and all directly related costs generated by the marketing department.
- Marketing staff costs account for 76% of the total marketing costs. The remainder was spent on external charges for supplies and services relating to promotional activities. These costs are listed below as a percentage of the total marketing department cost:

- corporate advertising	6.0%
- product/service advertising	
- brochures/leaflets	6.0
- newsletters	
- article writing	-
- press relations	-
- mailshot campaigns	-
- presentations	12.0
- exhibitions	
	—
Total external marketing costs	24%
	—

- The benefits obtained from the marketing department are assessed in terms of revenue growth. No formal accounting process is in operation to determine the specific value of the contribution specifically made by the marketing department.

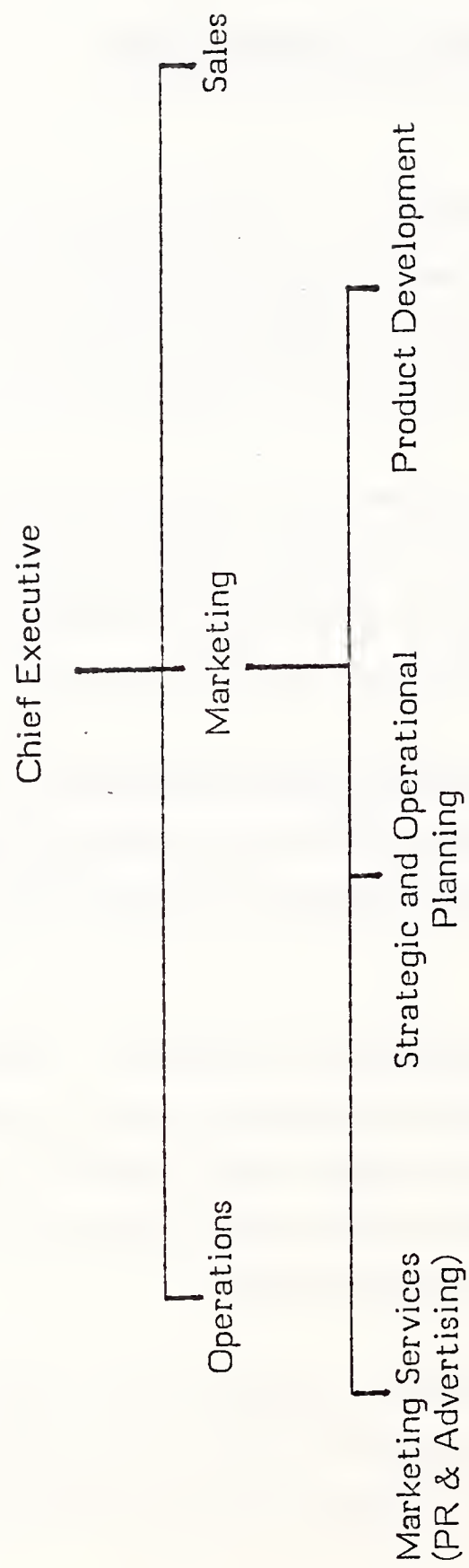
APPENDIX A.5  
PROFILE - COMPANY 'BE'

1. FUNCTION AND ORGANISATION OF MARKETING

- This company regards the definition of marketing as the "ability to provide products and services at the time and price required by customers". It is not selling in the direct sense, but, the supporting function for the sales force of development, training, documentation and all supporting functions.
- The marketing department contains three sections which interact to produce an integrated set of plans, new products and promotional supports. (See Exhibit BE-1). A major section is concerned with planning (see next section) and two with product development and marketing services.
- New products are evaluated and specified by the product development section. The need for new products is identified in the strategy planning section; initial stimulus for new products often originated in the sales force as a bi-products of customer requests.
- One off systems are never considered as products. Products status is only achieved when volume and profit potential have been adequately evaluated and approved. Essentially a new product must provide synergy with existing products and services, must not create peak machine loads, and its revenue and profit potential must be sufficiently large.
- A five-year profit and loss account is prepared for a new product. Maximum payback periods required are between one to five years for hardware and software depending on what is considered to be a reasonable life cycle.

EXHIBIT BE-1

CORPORATE ORGANIZATION





- Marketing services activities include press relations and promotional campaigns. Brochures and product documentation are not included since these are designed and produced by the parent organisation.
- The objectives of the marketing department are threefold:
  - Exceed 'normal' revenue growth.
  - Exceed previous profit figures (not if new product groups).
  - Increase, or, as a minimum, maintain market share.
- The marketing department is not involved in the selling of sales targets, quotas and commission rates for salesmen.
- Performance of the marketing group is measured against pre-set dates for promotional campaigns and planning goals; as a secondary factor, performance against the cost budget is taken into account also.

## 2. PLANNING

- The planning section is concerned with market research, trends analysis, forecasting and monitoring of competition. Draft strategic plans are produced for consideration by the board (five-year plan).
- The operational plan is set out on a two-year timescale with full profit and loss figures. It is reviewed quarterly at board level. Subsequently, detailed budgets are produced for the first year of the plan.
- The operational planning section translates strategy into operational plans and budgets. The marketing components of an operational plan include:

- Functional description of the market sectors being addressed.
  - Market sector demographics.
  - Definition of application areas to be served.
  - An analysis of user selection and buying processes.
  - Sales volumes, pricing and profit margins.
  - Competition.
  - Own strengths and weaknesses in relation to market.
- Their clients consider them one of the best in the industry but expensive due to the high quality service and products supplied.
  - The competitors of the company recognise it as extremely strong in certain application areas but feel that the services are a little dated.
  - Within the company the efforts of the marketing department are regarded as "extremely necessary". This has not always been the view and it has taken some years to gain the present level of acceptance; the present good reputation has been built with demonstrable results.

### 3. METHODS

- A wide range of conventional promotional methods are used. These are ranked in order of effectiveness in generating sales prospects as follows:

- 1 Recommendations/referrals
- 2 Presentations
- 3= Advertising (product and corporate).
- 3= Exhibition stands.
- 5 Technical articles.
- 6= Cold telephone calls.
- 6= Press releases.
- 6= Newsletters.
- 6= Mailed literature.

- Promotional effort is mainly directed at top companies; for example, companies in the "Times 1000" list.
- All computer services companies which have a turnover in excess of £1M are monitored. In each case publicly available information is collected on financial results, organisation structure, key staff, products, services, performance and reputation.

#### 4. IMAGE

- The company aims to project the image of a vendor of such comprehensiveness that all user requirements can be supplied in one contract.

#### 5. COSTS AND BENEFITS

- In the last financial year this company spent in excess of 5% of revenue on marketing staff and all directly related costs generated by the marketing department.
- The benefits achieved by the marketing department are not directly assessed in terms of their specific contribution to changes in revenue and profit growth, sales force productivity and cost of sales. Instead a qualitative assessment is made of the marketing department as a contributor to the overall company result.

APPENDIX A.6  
PROFILE - COMPANY 'SA'

1. FUNCTION AND ORGANISATION OF MARKETING

- Marketing in this company is defined as "representation of likely customer demand to the board and enhancement of company credibility".
- The central Marketing Director fulfills a marketing services role. Marketing campaigns are associated with the selling function and are carried out separately within each operating division; marketing support is received by the operating divisions from the central marketing staff to obtain the best possible results from their marketing campaigns and sales drives.
- The market support provided by the central marketing staff includes:
  - Organising company-wide market planning meetings, including documentation and progressing of outcome.
  - Brochure design, text editions, monitoring of external artwork and printing.
  - Market analysis.
  - External P.R. including press relations.
  - Drafting of the corporate plan.
  - Periodic updating of project descriptions.
  - Acquisition prospecting and negotiation.
  - Application for grants from government and other bodies.
  - Supply of statistics internally and to outside bodies.



- Organising and assisting with company representation at conferences and exhibitions.
  - Initiating and vetting articles for publication.
  - Internal P.R. including production of a quarterly newsletter and initial company announcements.
- The small central marketing group of staff (four people) is measured according to its achievement in relation to corporate plan objectives and its control of costs within the budget. No specific objectives are set in terms of planned improvements in company market performance.
  - Little training is provided for marketing staff to increase their effectiveness. It is felt that most courses are product or bureau oriented and do not cover the sales environment and methods associated with the software services industry.

## 2. PLANNING

- The market planning meetings, of which there are around eight per year, provide the basis for reviewing matters of topical interest. Strategic issues are discussed, including product mix, pricing, product licensing, new geographic areas and acquisition.
- The corporate plan is on a four-year timescale, the first year of which is developed into an operational budget.
- The budgetary aspect of the corporate plan include:
  - Orders.
  - Sales revenue (sub-divided into services and hardware).
  - Cost of sales.
  - Operating profit margin by division and major product area.
  - Assumptions on inflation and exchange rates.



- The need for new products and services is assessed against a background of known marketplaces and published data. External sources of market research analysis and forecasting are not used to determine the need for new products and services.
- The marketing aspect of the corporate plan includes:
  - Definition by operating divisions of market areas and P.R. requirements.
  - Definition by marketing divisions of marketing policy for years ahead including development plans ( services and products) and P.R. policy.
- The commercial criteria which must be satisfied before a commitment is made include acceptable results from DCF, break even period and sensitivity analysis calculations. There are no rigid yardsticks for acceptability, excepting times when external funding is involved.
- Salesmen do not earn commission in this company. Consequently sales targets only are set, there being no need for quota levels or commission rates. Sales targets apply at divisional level as a bi-product of the corporate planning process.

### 3. METHODS

- Most of the conventional market promotion methods are used, generally with relatively high ratings of success in prospect generation. The methods commonly used are ranked as follows:

- 1      Recommendations/referrals.
- 2=     Presentations.
- 2=     Press releases/editorial mentions.
- 2=     Exhibition stands.
- 2=     Press outings.
- 6      Technical articles.
- 7      Product advertising.
- 8      Cold telephone calls.

- Recommendations get a high rating by all companies due to their high cost effectiveness; to a lesser degree the same is felt to apply to press releases and editorial mentions. Presentations must be done well to warrant the high rating, otherwise they can have a negative effect. Exhibition stands (for product selling) and press outings are expensive but worthwhile in terms of both prospect generation and image enhancement.
- The (advertising/exhibitions/conferences/brochures) budget is relatively small and has to be carefully allocated according to relatively short-term business priorities. The emphasis has been in the promotion of products (both hardware and software) rather than software services.
- Ten competitors are monitored in detail. The files maintained include financial data, announced orders and any other reports concerning their reputation.

#### 4. IMAGE

- The company aims to achieve an image of "credibility in high technology systems for industrial and commercial users". They would also like to be seen as a total systems company providing micro and mini-computer hardware plus all supporting software and professional services.

- In the general marketplace the company feels that it is largely unknown (like with software/systems companies) excepting one market sector in which good penetration has been achieved.
- The company is regarded as professionally competent with nice people to work with by clients. This was established by attitude research conducted two years ago; another outcome from this research was that clients rated international presence and financial stability to be lower priority.
- It is felt that competitors respect the company for its general professional competence.
- The central marketing role is relatively new, having existed for one year. It is regarded in the company essentially as a catalyst for generating new ideas and receives excellent support and cooperation. One of the major benefits of central marketing has been to provide an additional forum for market policy discussions.

## 5. COSTS AND BENEFITS

- In the present financial year (ending December 31st) this company will spend 1.9% of revenue on marketing staff and all directly related costs generated by the marketing department.
- Marketing staff costs account for 43.2% of the total marketing costs. The remainder was spent on external charges for supplies and services relating to promotional activities.
- The benefits obtained from the marketing effort are not quantified as a part of the management accounting system.

APPENDIX A.7  
PROFILE - COMPANY 'SB'

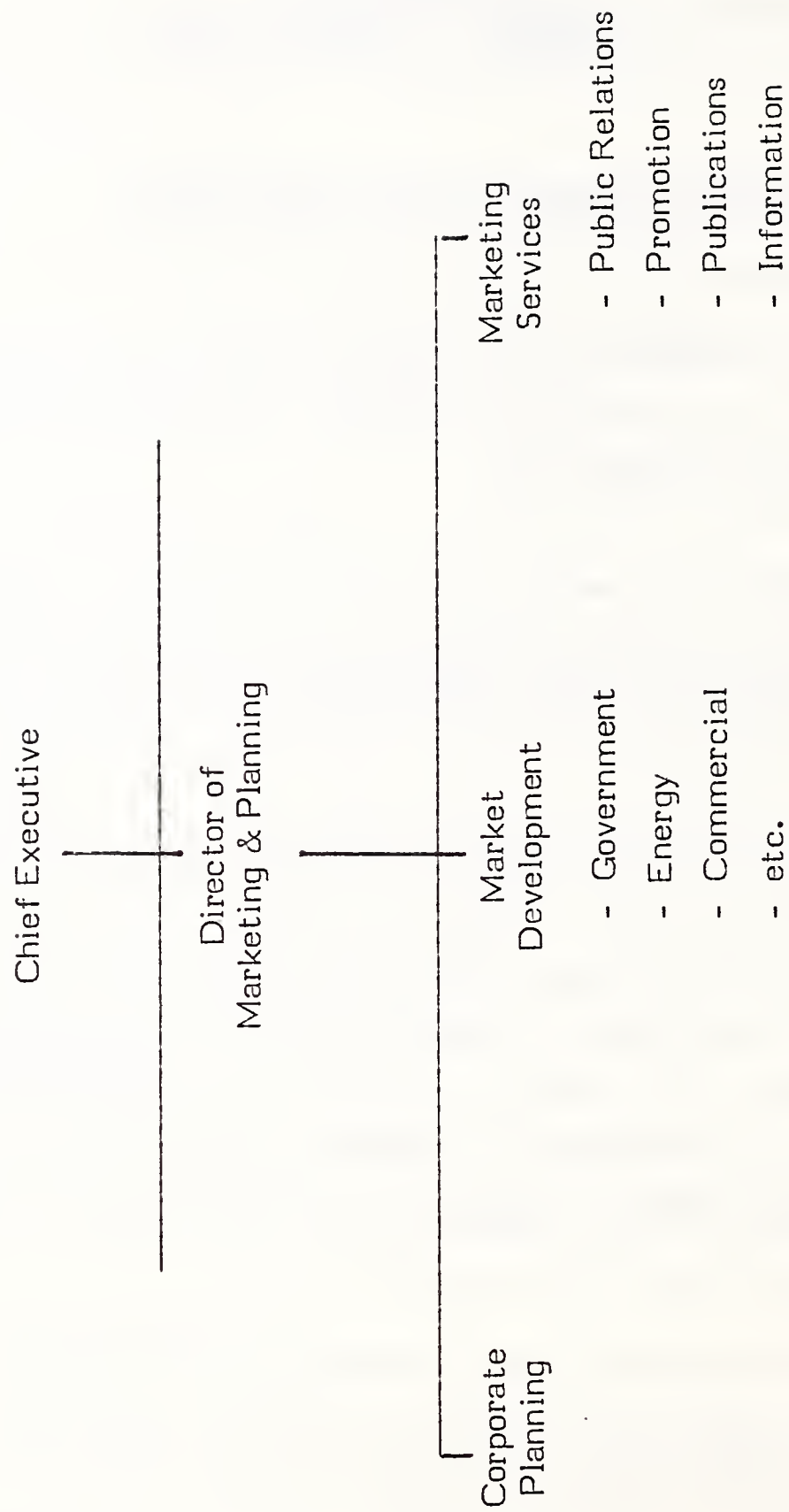
1. FUNCTION AND ORGANISATION OF MARKETING

- Marketing is defined in the company as the "set of activities directed at facilitating and acquiring new business". All staff are involved starting with receptionists and telephonists.
- The marketing and planning groups are controlled by a Director of Marketing and Planning. The total complement of 17 staff are organised in three groups: corporate planning, market development and marketing services. (See Exhibit SB-1).
- The market development group is organised by market sector. Each of the market sectors which produces the highest revenue for the company or promises to in the future is allocated a Market Development Manager. His function is to provide an understanding of the objectives and plans of organisations in the sector in relation to the company's own products and services; as a consequence a strategy, promotional plan and proposal for product development (if appropriate) will be incorporated into the corporate plan.
- The marketing services group provides promotional support to the production divisions. The duties included in this area of responsibility are PR, publications, promotion and information.
- The marketing department has as a main objective the determination of what direction the company should take in order to achieve planned growth.



EXHIBIT SB-1

CORPORATE ORGANIZATION





- The performance of the marketing department is assessed on the quality and timeliness with which market development and promotion plans are achieved.
- A specific external programme of training is provided for marketing staff. The budget allows £140 per head for training course fees.

## 2. PLANNING

- The corporate planning group is responsible for the development of a corporate plan on an annual basis. The plan is assembled from individual contributions from each of the market development managers and the production division managers. The proposed plan is considered by the board of directors; after approval the operational plans and budgets are drawn up for the next financial year.
- The operational plan for the marketing function contains a programme of promotional activities and associated costs; these are specified in line with the defined range of products and services in the corporate plan.
- The company does not have staff whose full-time occupation is selling. Selling is conducted by managers and senior staff. Consequently quota levels and commission rates are not relevant; sales targets are set for the production division managers.
- The need for new products and services is identified by observation of customer needs and by analysis of market trends. The sales potential for a new product or service is determined by desk research on available market statistics and forecasts and, if necessary, by market surveys.
- New products must be within the company's expertise in order to avoid superficiality and stretching of technical resources. The product must also be directed largely at the existing customer base.

- The financial criteria which must be satisfied before a new product is launched are that the cost/risk profile must be acceptable to the board and that the payback must as a minimum be equivalent to the cumulative staff charge out rates.

### 3. METHODS

- Promotional effort is directed towards the existing and potential work force as well as the market. The computer services industry is notoriously short of good staff and the company is promoted to improve its desirability as an employer.
- Promotional effort directed at the marketplace is largely industry oriented.
- All the usual promotional methods are used with varying degrees of success in terms of the volume and quality/sales prospects generated. In order of effectiveness these methods are assessed as follows:
  - 1 recommendations/referrals.
  - 2= presentations.
  - 2= product advertising.
  - 4 press releases.
  - 5= technical articles.
  - 5= newsletters.
  - 5= exhibition stands.
  - 8= corporate advertising.
  - 8= mailed literature.
- Approximately ten competitors are monitored in detail. The company has a purpose created information service which includes the regular maintenance and updating of the competitor files.

#### 4. IMAGE

- The company considers that it is not well known outside the areas of the market defined by its clientele and competitors.
- It is felt that clients view the company as "highly professional, particularly able at fulfilling difficult tasks".
- The company expects that its competitors have a similar view to clients; in addition, it is felt that they are regarded "with a little awe and a high degree of respect".
- The image the company aims to project in the market has been closely considered. The desired image comprises seven elements (not in order of importance):
  - Leader in the application of advanced techniques.
  - High quality service.
  - Part of Britain's largest computer services group.
  - Careers for well qualified professional staff.
  - Growing and profitable.
  - Well established,
  - Making positive contributions to the balance of trade.
- Internally the image of the marketing department varies considerably depending on the degree of contact. All staff are involved in the spirit of marketing; those involved with selling in the production divisions receive supporting marketing services and have an informed understanding and appreciation of the value of the contribution.

## 5. COSTS AND BENEFITS

- In the last financial year this company spent 4.5% of revenue on marketing staff and all directly related costs generated by the marketing department.
- Marketing staff costs account for 85.7% of the total marketing costs. The remainder was spent on external charges for supplies and services relating to promotional activities. These costs are listed below as a percentage of the total marketing department cost:

-	Corporate advertising	1.9%
-	Product/service advertising	2.2
-	Brochures/leaflets	3.3
-	Public Relations	2.2
-	Presentations	1.1
-	Exhibitions	1.7
-	Information services	1.9
	Total external marketing costs	<hr/> 14.3% <hr/>

- The benefits obtained from expenditures on marketing are not measured in financial terms.
- Marketing costs are not cross charged to the production departments receiving support.
- Performance of the marketing department is quantified in terms of performance against the cost budget and planned promotional goals.



APPENDIX A.8  
PROFILE - COMPANY 'SD'

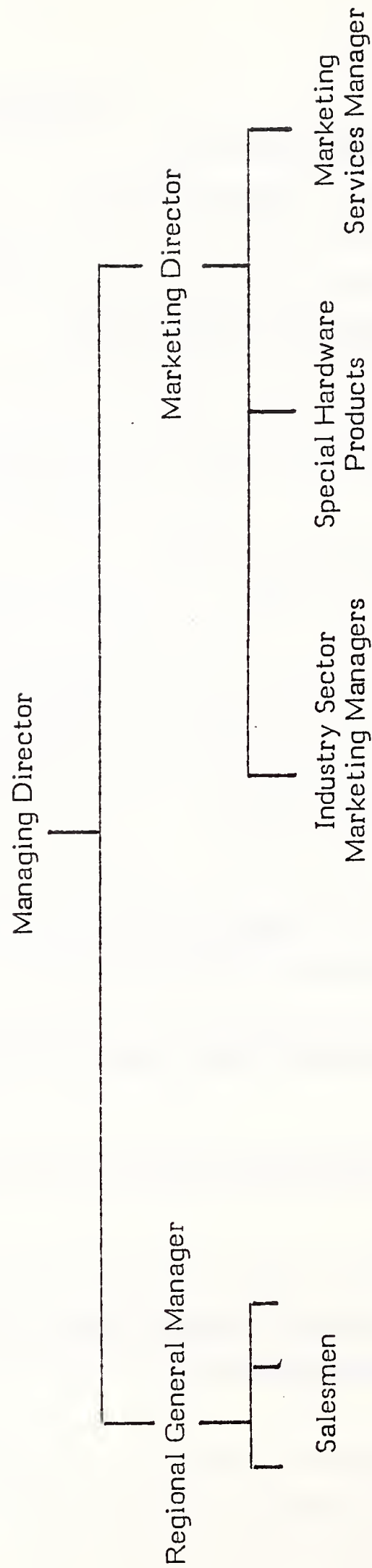
1. DEFINITION AND ORGANISATION OF MARKETING

- The definition of marketing in this company has two parts:
  - "Receptivity to what the clients want",
  - "Creation of prospects for sales".
- Marketing staff report quite separately from sales staff. As shown in Exhibit SD.1 the Marketing Director has a functional relationship with the sales force through the Regional General Managers. The marketing department is not therefore directly responsible for selling.
- The function of the marketing department is to provide support for the sales force. This is achieved through the following activities:
  - Involvement with clients and sales prospects to define system requirements.
  - Definition of new products and services according to client prospect requirements.
  - Liaison with the software division during the development process.
  - Provision of market promotion support through brochures, newsletters, press releases, exhibitions and seminars.
- Marketing effort is concentrated specifically on targetted industry sectors. An industry sector manager is allocated to each major sector; these are key roles carried out by senior staff with substantial experience in their industry sectors.



EXHIBIT SD-1

MARKETING / SALES ORGANIZATION



- Performance of the marketing department is measured in terms of achievement against planned promotional goals and associated assessment of quality and response levels. Apart from adherence to cost budgets, performance is not quantified.

## 2. PLANNING

- The main planning document is the corporate plan which contains reference to market strategy and a schedule of marketing activities and costs.
- The planning time frame is five years. The first year is in sufficient detail for operational budgets; years two and three are less detailed, and years four and five are in outline.
- The planning process is conducted annually by the Director of Planning. Other directors and senior managers make their functional contributions and are involved in the development of the final plan on an interactive basis. Some elements of market strategy, for example pricing, are decided unilaterally by the Managing Director.
- Until recently the need for new products and services was identified in the process of client contact; all directors are regularly involved in discussion with sales prospects and clients thereby enabling them to gauge current requirements accurately. The recent introduction of the industry sector managers will enable the need for new products and services to be identified further in time.
- The market potential for new products and services is not primarily evaluated by reference to market statistics and forecasts. The main assessment is made by subjective consideration of one order for its repeat potential.

- Commercial criteria which must be met before commitment to a new product or service is made are restricted to profitability and range compatibility; no minimum volume sales levels are specified for products. A production run of one would be satisfactory providing it was profitable; this would apply more particularly when special hardware is involved.
- Performance targets, quota levels and commission rates for the salesman are set in joint consultation between the Marketing Director and the Regional General Managers. Approval is sought from the Managing Director in this process. Discounts are decided upon solely by the Managing Director.

### 3. METHODS

- An extremely high degree of emphasis is placed upon the concept of "industry sector marketing". The approach concentrates the company's market and product development in a specific range of clearly identified industry sectors. The company is currently in the process of expanding its team of industry sector marketing managers, each of whom reports directly to the Marketing Director.
- The duties and responsibilities of the marketing managers include:
  - Definition of computer system needs in their industry sector from previous industry experience, market research and contact with sales prospects.
  - Assessment of current strengths and weaknesses of the company's range of products and services.
  - Specification of new products and services required to meet future demand.

- All of the normal market promotion methods for generating sales prospects are used; those which are used most successfully are:
  - 1= Recommendations/referrals (best for quality)
  - 1= Mailed literature (best for quantity)
  - 3= Exhibition stands (with industry theme)
  - 3= Presentations
  - 3= Technical articles (good for high quality leads)
  - 3= Direct contact (instead of cold telephone contact)
- Consistent with the industry sector marketing approach each promotion method is planned and implemented within the context of a specific industry sector. Thus, excepting for general exhibition such as IBS, Datafair and Compec, the event or type of media will relate directly to the target industry.
- All other companies offering computer systems are regarded as competitors. Consequently, competitor files do not single out specific companies for monitoring; information of any kind relating to all types of computer systems companies is filed. Information is gathered from press reports and their exhibition stands.

#### 4. IMAGE

- The image of the marketing department within the company is thought to engender willingness by other departments to cooperate and help. It is not imagined that there are no criticisms, particularly since the marketing budget is not large enough to please everybody.
- The company's external image is assessed by the marketing department as follows:

- By the general market place:
  - . "the majority of non-clients are unaware of us".
- By clients:
  - . "Many have caught some of the excitement of the company's progress. In a recent attitude survey 95% of existing clients said they would buy again from the company which has more energy than other suppliers".
- By competitors:
  - . "Increasing respect for the track record associates with the company's progress from a small operation to one which is professionally managed on a much larger scale".
- The company aims to project the image of a company that believes people want a service which generates a solution. A secondary image to be conveyed is one of total systems capability.

## 5. COSTS AND BENEFITS

- In the last financial year this company spent 2.6% of revenue on marketing staff and all directly related costs generated by the marketing department.
- Marketing staff costs account for 39.5% of the total marketing costs. The remainder was spend on external charges for suppliers and services relating to promotional activities. There costs are listed below as a percentage of the total marketing department cost:



-	Advertising	17.5%
-	Brochures, leaflets	12.5
-	Newsletters	0.5
-	Press releases, articles	5.0
-	Exhibitions	25.0
		<hr/>
	Total external marketing costs	60.5%
		<hr/>

- The benefits obtained from expenditures on marketing are not measured in financial terms. The need for a management accounting system which reports on the contribution of marketing is, however, felt. It is intended that such a system will be implemented within two years. This should enable the cost of sales to be optimised by maintaining the most effective ratio of marketing to sales staff.
- For the time being, the marketing department is considered as a prime mover within the total and integrated company effort.



## APPENDIX B



## SURVEY QUESTIONNAIRE





## 1. MARKETING IMAGE

1.1. What is your company's definition of 'marketing'?

1.2 How is the marketing effort regarded by other departments and branches of your company?

1.3 How is your company regarded by :

a) the market place?

b) your clients?

c) your competitors?

1.4 How do you regard other prominent companies, for example:

- . GEIS
- . Scicon CS
- . Atkins O-L
- . Comshare
- . B O C
- . Scicon Cons.
- . Hoskyns
- . SPL
- . Dataskil
- . INSAC
- . Systime

1.5 What image do you aim to project in the market?

## 2. MARKETING METHODS

2.1 How are market strategy and tactics formulated and by whom? For example:

- a) Product Mix
- b) Pricing
- c) Product licensing
- d) Agents, distribution
- e) Acquisition
- f) New regions, countries
- g) -----

2.2 How is the need for new products and services identified?  
How is their market potential determined (e.g. market research)?

2.3 What commercial criteria must be satisfied before a new product or service (or improvement) is launched?

2.4 What is included in your marketing plans and who is directed by them? In particular are sales volumes, profit margins and pricing included?

2.5 Is the marketing group directly involved in the process of setting performance targets for the sales force? For example:

- a) Sales targets
- b) Quota levels
- c) Commissions rates
- d) -----

2.5 A list of widely used market promotion methods which generate sales prospects is given below. Rate each of these, and others you use, for effectiveness in developing sales. (1=most effective; 5=non-effective).

	RATING	COMMENTS
a) Cold telephone calls	----	
b) Presentations	----	
c) Product advertising	----	
d) Corporate advertising	----	
e) Technical articles	----	
f) Press releases	----	
g) Newsletters	----	
h) Mailed literature	----	
i) Recommendations/referrals	----	
j) Exhibition stands	----	
k) -----	----	
l) -----	----	

2.7 How is your promotional effort targeted? For example, top companies, specific industry sectors, etc.?

2.8 How many, and which in particular, competitive companies do you monitor? What types of information do you hold?

### 3. ORGANISATION AND CONTROL

3.1 How are the marketing staff organised (diagram) and what are their responsibilities?

3.2 What objectives and targets are currently set for the marketing group?

3.3 How is the performance of the marketing groups measured?

3.4 Which are the main interfaces (expressed in input and output) with other functions and branches?

3.5 What training do marketing staff receive and how much is spent on this annually?



## COSTS AND BENEFITS

4.1 What is the annual staff cost of the marketing group (as defined in 3.1)?

4.2 In addition to internal staff costs, how much is spent annually on the following:

- a) Corporate advertising
- b) Product/service advertising
- c) Sales brochures, leaflets etc.
- d) Newsletters
- e) Article writing
- f) Press relations
- g) Mail shot campaigns
- h) Presentations
- i) Exhibitions
- j) -----
- k) -----
- l) -----

4.3 How are the results obtained by the marketing group assessed and measured? For example:

- . Revenue generation
- . Effect on profit levels
- . Sales leverage
- . Impact on cost of sales
- . -----

4.4 How is the marketing group regarded by other departments? What tangible benefits do they receive?

## 5. RELATIONSHIP WITH COMPANY PERFORMANCE

5.1 As a basis for relating the costs and benefits of marketing to company performance, could you give the following items of financial data for your current or recently ended financial year?

- a) Financial year ends: \_ \_ \_ \_ \_
- b) Total turnover forecast: \_ \_ \_ \_ \_
- c) Total average staff: \_ \_ \_ \_ \_
- d) No of 'marketing' staff: \_ \_ \_ \_ \_
- e) Profit forecast: \_ \_ \_ \_ \_

5.2 How would assess/quantify the impact of marketing on your company's performance?

a) revenue:

b) profit:

5.3 Which are your top five earning products and/or services in descending order of profit margin? Can you list the forms of marketing/promotion applied to each and assess the total impact?

PRODUCT/SERVICE	PROMOTION METHODS	IMPACT
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5.4 Which products and/or services are unprofitable? Why?

APPENDIX C



## APPENDIX - C

### DEFINITIONS

#### • COMPUTER SERVICES

These are services provided by vendors which perform data processing functions using vendor computers, or assist users to perform such functions on their own computers.

The following are definitions of the modes of service used in this report:

#### o REMOTE COMPUTING SERVICES (RCS)

Provisions of data processing to a user by means of terminals at the user's site/s connected by a data communications network to the vendor's central computer. The three sub-modes of RCS are:

1. INTERACTIVE (timesharing) is characterised by interaction of the user with the system, primarily for problem solving timesharing, but also for data entry and transaction processing; the user is "on-line" to the program/files.
2. REMOTE BATCH is where the user hands over control of a job to the vendor's computer which schedules job execution according to priorities and resource requirements.
3. ON SITE computing is a remote computing services (usually on a mini computer) provided by and connected to a computer service company installation. The mini computer enables the user to do processing against small files locally whilst resorting to the link with the computer service company installation for heavy processing power, manipulation of mass files and use of high speed output services.



## BATCH SERVICES

This includes data processing performed at vendor's sites of user programmes and/or data which are physically transported (as opposed to electronically by telecommunications media) to and/or from those sites. Data entry and data output services, such as keypunching and COM processing, are also included. Batch services include those expenditures by users which take their data to a vendor site which has a terminal connected to a remote computer used for the actual processing.

## FACILITIES MANAGEMENT (FM)

(Also referred to as "Resource Management" or "Systems Management"). The Management of all or part of a user's data processing functions under a long-term contract (not less than one year). To qualify as FM, the contractor must directly plan and control as well as operate the facility provided to the user on-site, through communications lines, or in mixed mode. Simply providing resources, even though under a long-term contract and/or for all of a users' processing needs, does not necessarily qualify as FM.

## PROFESSIONAL SERVICES

Management consulting related to EDP, systems consulting, systems design and programming, and other professional services are included in this category. Services can be provided on a basis of: "Time and Materials", whereby the user pays for the time used on an individual on a daily or other fixed rate, or "Fixed Price", where the user pays a fixed fee for a specific task or series of tasks.

## SOFTWARE PRODUCTS

This category is for users' purchases of systems and applications packages for use on in-house computer systems. The figures quoted include lease and purchase expenditures, as well as fees for work performed by the vendor to implement and maintain the package at the users' sites. Fees for work performed by organisations other than the package vendor are counted in professional services. The two sub-categories are:

1. SYSTEMS PACKAGES are operating systems, utilities, and language routines that enable the computer/communications system to perform basic functions. This software is provided by the mainframe manufacturers with their hardware; other vendors provide improved versions of this and special-purpose routines. This classification includes compilers, data base management software, communications packages, simulators, performance measurement software, diagnostic software, and sorts.
2. APPLICATIONS PACKAGES are software which perform processing to serve user functions. They consist of general purpose packages, such as for accounting and inventory control, and special purpose packages, such as personal trust, airline scheduling, and demand deposit accounting.

## PROCESSING SERVICES

Processing services encompass FM, RCS, and batch services: they are categorised by type of service, as distinguished from mode of service, bought by users as follows:

- GENERAL BUSINESS services are processing service for applications which are common to users across industry categories. Software is provided by the vendor; this can be a complete package, such as a payroll package, or an application "tool", such as a budgeting model, where a user provides much of the customising of the finished product it uses. General business processing is often repetitive and transaction oriented.

- SCIENTIFIC AND ENGINEERING services are the processing of scientific and engineering problems for users across industries. The problems usually involve the solution of mathematical equations. Processing is generally problem solving and is non-repetitive, except in the sense that the same packages or "tools" are used to address different, but similar, problems.
- INDUSTRY SPECIALITY services provide processing for particular functions of problems unique to an industry or industry group. The software is provided by the vendor either as a complete package or as an application "tool" which the user employs to produce its unique solution. Speciality applications can be either business or scientific in orientation; data base services where the vendor supplies the data base and controls access to it (although it may be owned by a third party) are also included under this category. Examples of industry speciality applications are: seismic data processing, numerically-controlled machine tool software development, and demand deposit accounting.
- UTILITY services are those where the vendor provides access to a computer and/or communications network with basic software that enables any user to develop its own problem solution or processing system. These basic tools include terminal handling software, sorts, language compilers, data base management systems, information retrieval software, scientific library routines, and other systems software.





