

# *Strategic Marketing Plan*

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# Strategic Marketing Plan

## International Bearings Ltd

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# 1. Executive Summary

## Background

NOTE: THE INTERNATIONAL BEARINGS LTD (IBL) STRATEGIC MARKETING PLAN IS INTENDED TO BE FOR ILLUSTRATIVE PURPOSES ONLY.

International Bearings Ltd (IBL) was formed in 1965 and in 35 years of trading has expanded and developed enormously.

The main business of IBL is the sale of a portfolio of bearings and assemblies to a variety of end-use markets in Europe, in which IBL is a very significant and well established player. IBL manufactures products in five different locations, each making only part of the product range to achieve maximum production cost benefits.

Within the various countries in which IBL operates, each country has its own sales organisation marketing the whole range of products. These national organisations have two sales forces, one dealing with original equipment manufacturers (OEM's), the other selling via independent distributors to the replacement market, except for large customers, who are handled direct.

There is a European marketing organisation responsible for strategy in terms of product range development, pricing structures, corporate promotion, etc. Under the European Marketing Director, it is split into product managers who develop strategies for their own products. The European marketing organisation reports to the Managing Director-Europe, as do the country general managers, to whom the country sales organisations report.

## Objectives

From detailed study of past and present performance, though historically successful, European market share was hovering at around 11% in existing markets and profits have increased in the last two years. The traditional business had slowed and there had been limited investment in recent years. IBL has objectives to grow the existing segments and achieve a 15% market share and develop new markets.

## Market Overview

The market shares and IBL's position can be seen below in the table.

| Market Segment           | Market Share |      |
|--------------------------|--------------|------|
|                          | 1998         | 2001 |
| Assemblies-Auto          | 21%          | 28%  |
| High Performance-Auto    | 21%          | 39%  |
| Bearings-Chemical        | 9%           | 20%  |
| Bearings-Electrical      | 1%           | 7%   |
| Bearings-Food            | 40%          | 40%  |
| HighPerformance-Chemical | 4%           | 2%   |
| Systems-Electrical       | 1%           | 3%   |
| Systems-Food             | 3%           | 20%  |

## Key Actions

This plan shows an increase in revenue from £385m to £638m and an increase in margin from £150m to £300m. Total market share has increased from 11% to 13% in the markets that have been addressed. This includes sales in three new product markets.

A decision has been taken to withdraw from the HighPerformance-Chemical markets as IBL is not strong, the market is unattractive and margins are poor.

## 2. Mission Statement

|                               |                                                                                                                    |
|-------------------------------|--------------------------------------------------------------------------------------------------------------------|
| <b>Business Unit Name</b>     | International Bearings Ltd ( IBL )                                                                                 |
| <b>Role of the Unit</b>       | To increase European market share from 11% to 15% by the end of the planning period.                               |
| <b>Definition of Business</b> | The sale of a portfolio of bearings, associated assemblies and complete systems to a variety of markets in Europe. |
| <b>Distinctive Competence</b> | Speed of response and quality of products.                                                                         |
| <b>Future Direction</b>       | To establish IBL in new, growing and profitable markets.                                                           |

## 3. Summary of Historical Performance

### 3.1 Revenue and Market Share

The division's performance over the past 5 periods (where a period is 12 months) is shown in the table below and pictorially in the charts. The chart shows that our revenue market share has increased.

#### Market Information

| Type | Date     | Volume units | % Growth: Volume | Revenue £m | % Growth: Revenue |
|------|----------|--------------|------------------|------------|-------------------|
| H    | 31/12/96 |              |                  | 2815.0     |                   |
| H    | 31/12/97 |              |                  | 2927.2     | 4.0               |
| H    | 31/12/98 |              |                  | 3066.3     | 4.8               |
| H    | 31/12/99 |              |                  | 3235.8     | 5.5               |
| C    | 31/12/00 |              |                  | 3440.5     | 6.3               |

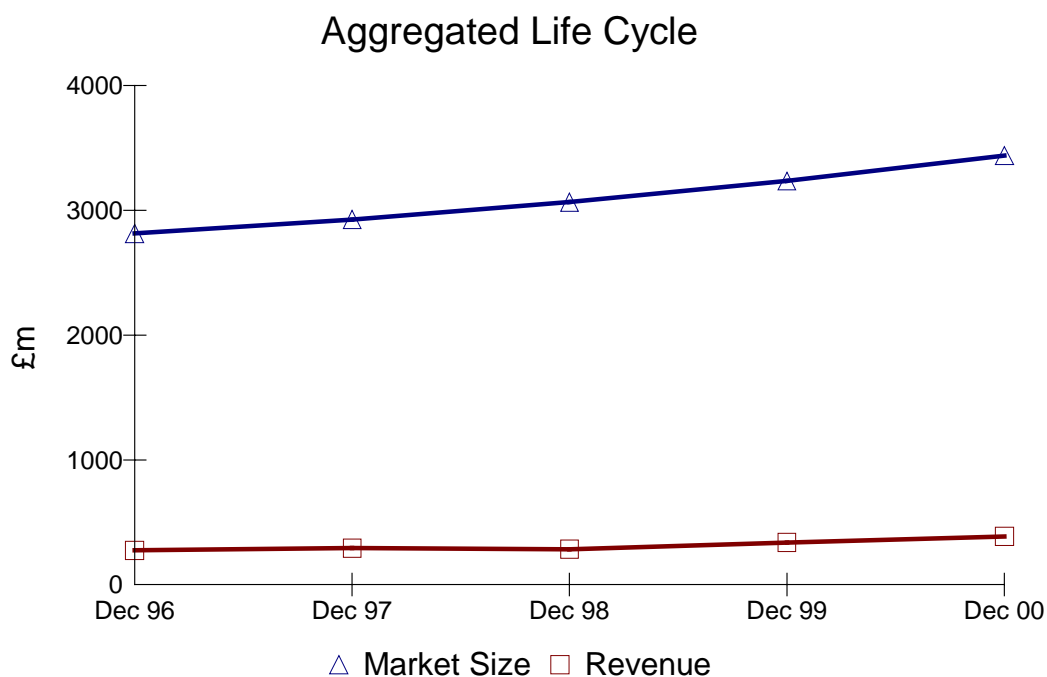
#### -IBL- Information

| Type | Date     | Volume units | Revenue £m | Market % Share: Volume | Market % Share: Revenue | % Margin | Margin £m |
|------|----------|--------------|------------|------------------------|-------------------------|----------|-----------|
| H    | 31/12/96 |              | 272.7      |                        | 9.7                     | 36.7     | 100.2     |
| H    | 31/12/97 |              | 293.2      |                        | 10.0                    | 37.1     | 108.9     |
| H    | 31/12/98 |              | 282.0      |                        | 9.2                     | 37.7     | 106.3     |
| H    | 31/12/99 |              | 337.0      |                        | 10.4                    | 38.1     | 128.6     |
| C    | 31/12/00 |              | 385.5      |                        | 11.2                    | 39.0     | 150.3     |

where H = History Period , C = Current Year

Revenue has grown at 10% and 15% respectively over the past two years and there has been development in both new products and new markets.

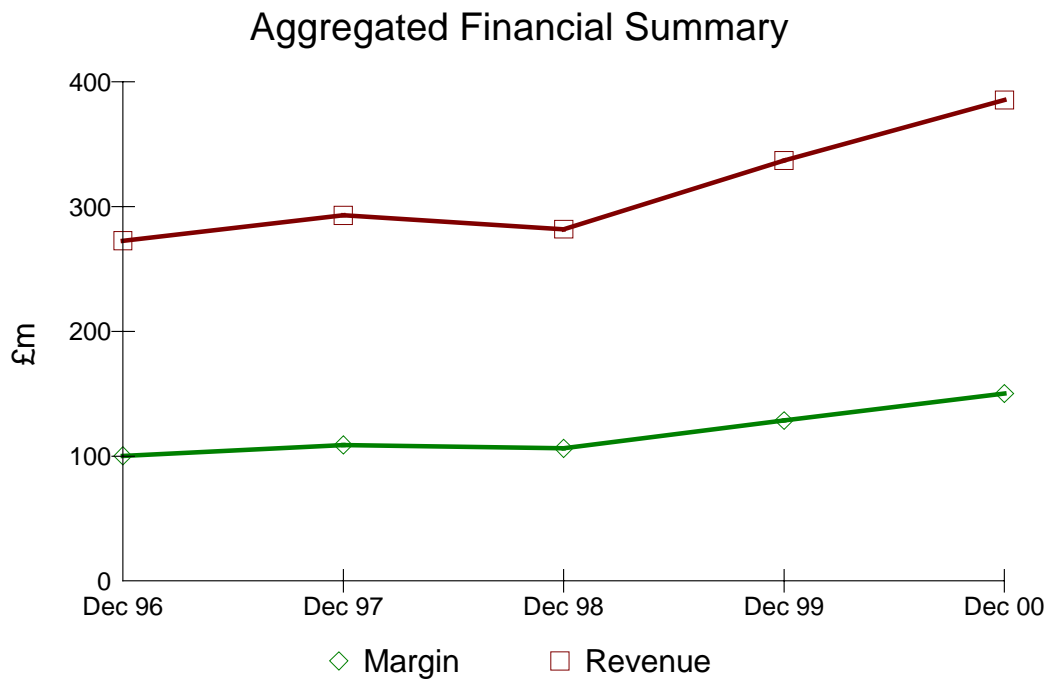
#### Periods: 1996 to 2000



The market has grown at approximately 6% per annum to end of 2000.

### 3.2 Margin

Periods: 1996 to 2000



Margins have increased from 36.7% to 39% during the period.

## 4. Financial Summary of Strategic Plan

### 4.1 Timings of Plan

This plan covers the period from 2001 to 2003 as follows:

|                         |              |
|-------------------------|--------------|
| <b>History Period</b>   | 1996 to 1999 |
| <b>Current Year</b>     | 2000         |
| <b>Objective Period</b> | 2001 to 2003 |

### 4.2 Objectives

Throughout the plan, revenues are shown as £ m and volumes are in units.

In the last year of the forecasted plan period, the Objectives are:

|                         |                                                                                                                                         |
|-------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|
| <b>Target Revenue</b>   | £700m                                                                                                                                   |
| <b>Target Margin</b>    | £350m                                                                                                                                   |
| <b>Other Objectives</b> | To increase sales from £385m to £700m in three years and to improve margins at the same time. The target is to achieve a margin of 50%. |

To achieve the market share increase by improving the product quality and distribution.

From the state of the markets in Europe this plan shows that the revenue that can be achieved will be in the order of £638m.

### 4.3 Revenue and Market Share

This plan shows an increase in revenue from £385.50m to £638.03m and an increase in margin from £150.26m to £300.20m. Total market share has increased from 11.2% in 2000 to 14.3% by the end of 2003 in the markets that have been addressed.

### Market Information

| Type | Date     | Volume units | % Growth: Volume | Revenue £m | % Growth: Revenue |
|------|----------|--------------|------------------|------------|-------------------|
| H    | 31/12/96 |              |                  | 2815.0     |                   |
| H    | 31/12/97 |              |                  | 2927.2     | 4.0               |
| H    | 31/12/98 |              |                  | 3066.3     | 4.8               |
| H    | 31/12/99 |              |                  | 3235.8     | 5.5               |
| C    | 31/12/00 |              |                  | 3440.5     | 6.3               |
| O    | 31/12/01 |              |                  | 3729.1     | 8.4               |
| O    | 31/12/02 |              |                  | 4069.8     | 9.1               |
| O    | 31/12/03 |              |                  | 4471.1     | 9.9               |

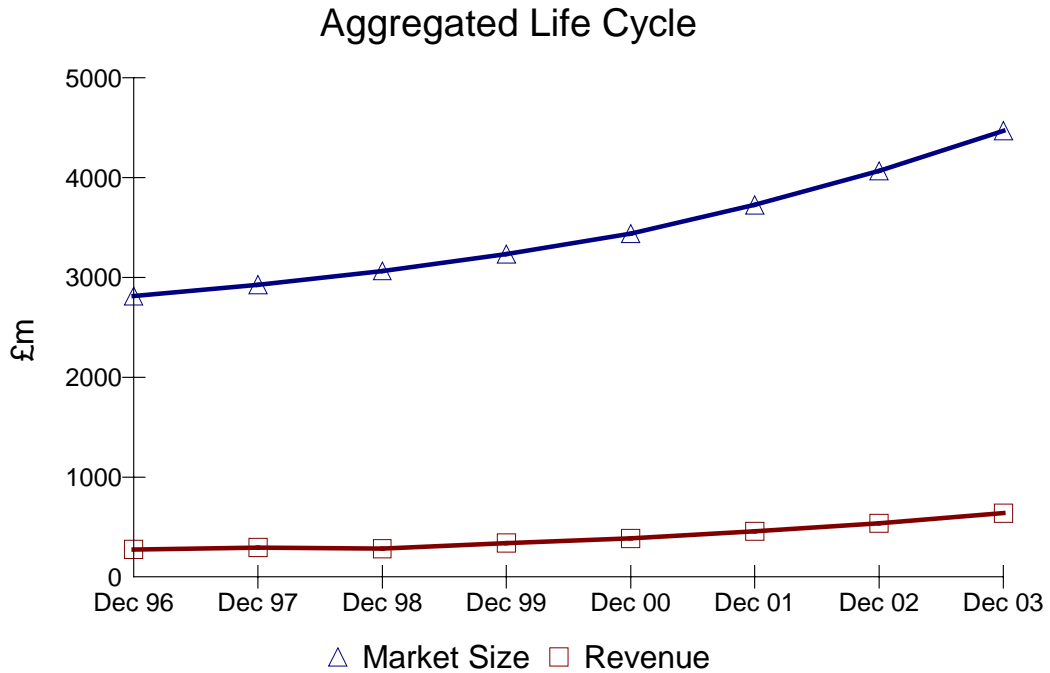
### -IBL- Information

| Type | Date     | Volume units | Revenue £m | Market % Share: Volume | Market % Share: Revenue | % Margin | Margin £m |
|------|----------|--------------|------------|------------------------|-------------------------|----------|-----------|
| H    | 31/12/96 |              | 272.7      |                        | 9.7                     | 36.7     | 100.2     |
| H    | 31/12/97 |              | 293.2      |                        | 10.0                    | 37.1     | 108.9     |
| H    | 31/12/98 |              | 282.0      |                        | 9.2                     | 37.7     | 106.3     |

|          |          |  |       |  |      |      |       |
|----------|----------|--|-------|--|------|------|-------|
| <b>H</b> | 31/12/99 |  | 337.0 |  | 10.4 | 38.1 | 128.6 |
| <b>C</b> | 31/12/00 |  | 385.5 |  | 11.2 | 39.0 | 150.3 |
| <b>O</b> | 31/12/01 |  | 454.6 |  | 12.2 | 42.7 | 194.2 |
| <b>O</b> | 31/12/02 |  | 537.0 |  | 13.2 | 45.0 | 241.6 |
| <b>O</b> | 31/12/03 |  | 638.0 |  | 14.3 | 47.1 | 300.2 |

where H = History Period , C = Current Year and O = Objective Period

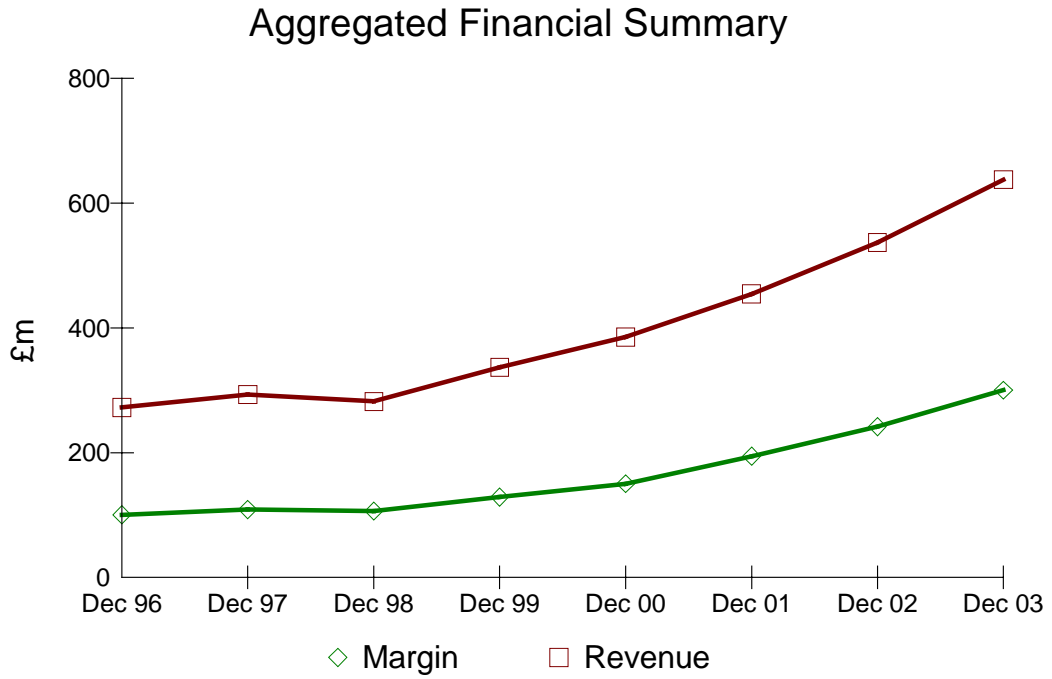
**Periods: 1996 to 2003**



The market is forecast to grow at 8%-9% over the next three years. However, IBL's revenues are forecast to grow at 18% each year over the next three years.

### 4.4 Margin

Periods: 1996 to 2003



Margins are expected to increase from 39% to 47%.

## 5. Market Overview

### 5.1 Market Map

### 5.2 Ansoff Analysis

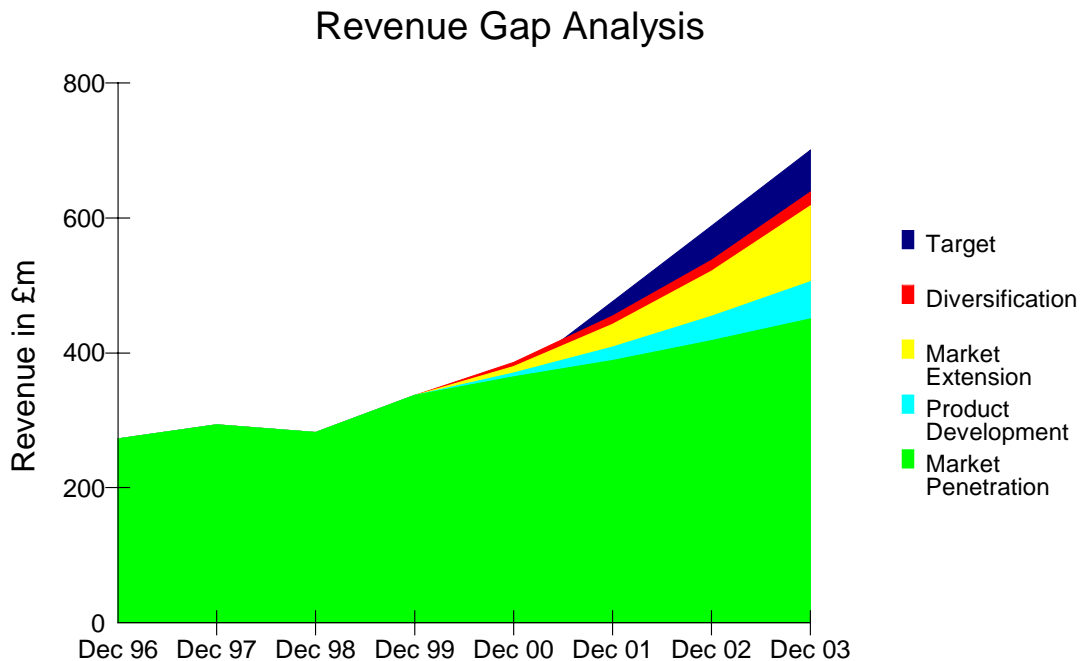
The market segmentation and product groupings investigated for this plan are shown below. The 'Y's indicate those product-markets which have been included in the analysed portfolio. Each product-market in the analysed portfolio has had high-level business information tabulated for it.

|            | Bearings | HighPerf | Assemblies | Systems |
|------------|----------|----------|------------|---------|
| Auto       |          |          | Y          |         |
| Chemical   | Y        | Y        |            |         |
| Food       | Y        |          |            | Y       |
| Electrical | Y        |          |            | Y       |

All of these markets are currently being addressed during 2000 and it is our intention to withdraw from HighPerformance-Chemical during the next three years.

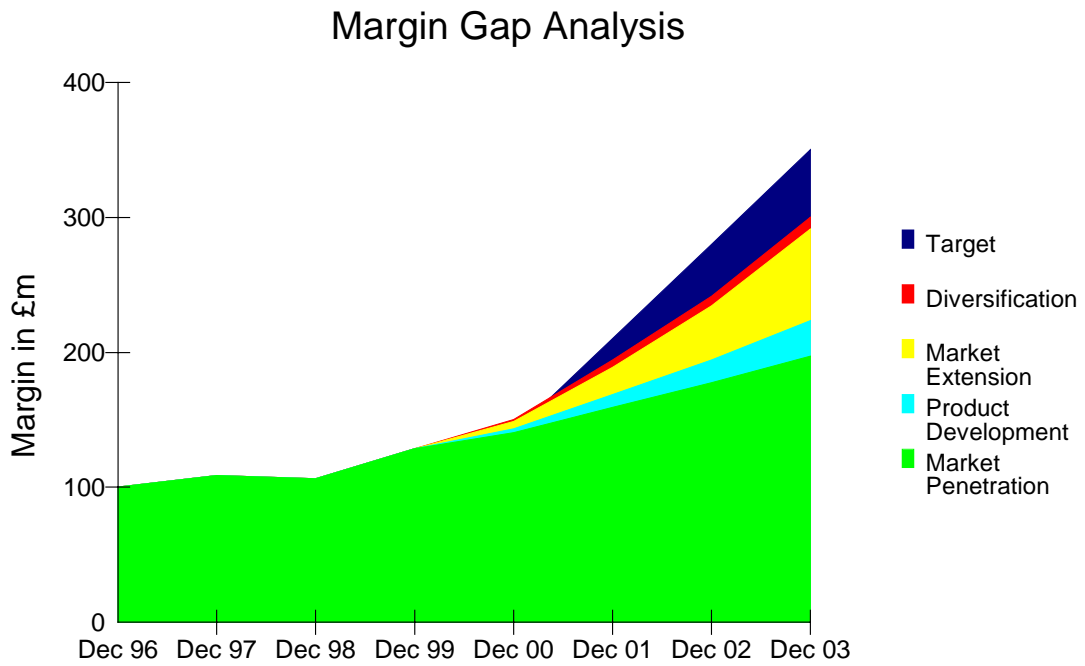
### 5.3 Gap Analysis

#### 5.3.1 Revenue Objective



The target Revenue of £700m has not been achieved but the forecast growth to £638m is believed to be realistic.

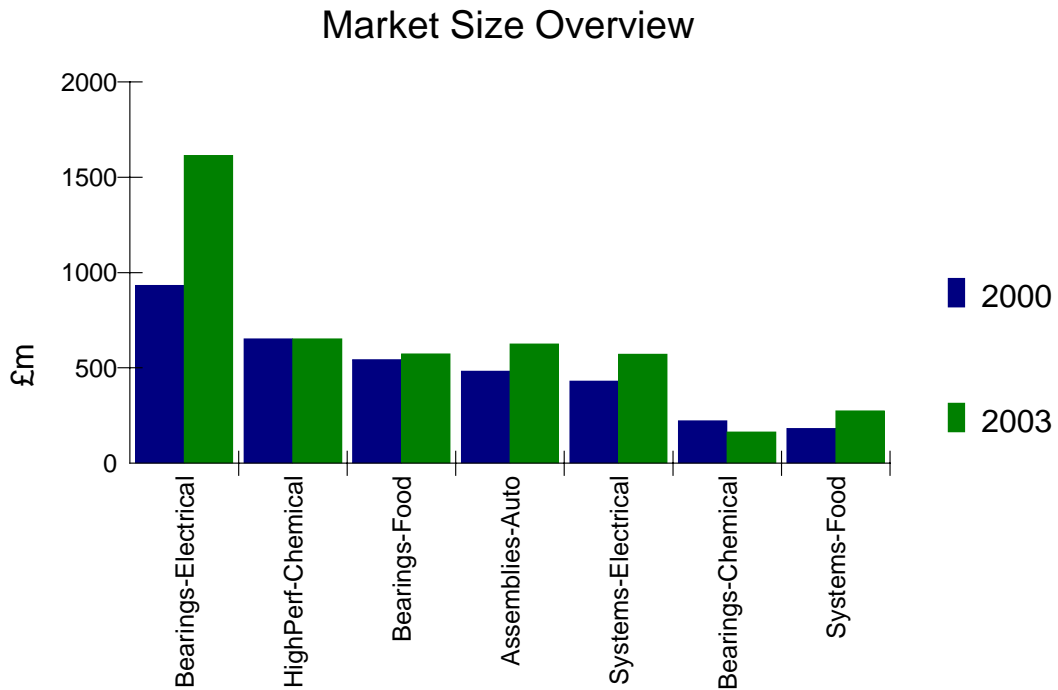
### 5.3.2 Margin Objective



Although the shortfall from the target still exists there is expected to be a significant improvement in margin during the next three years.

## 5.4 Market Size Comparison

Period End: 2003

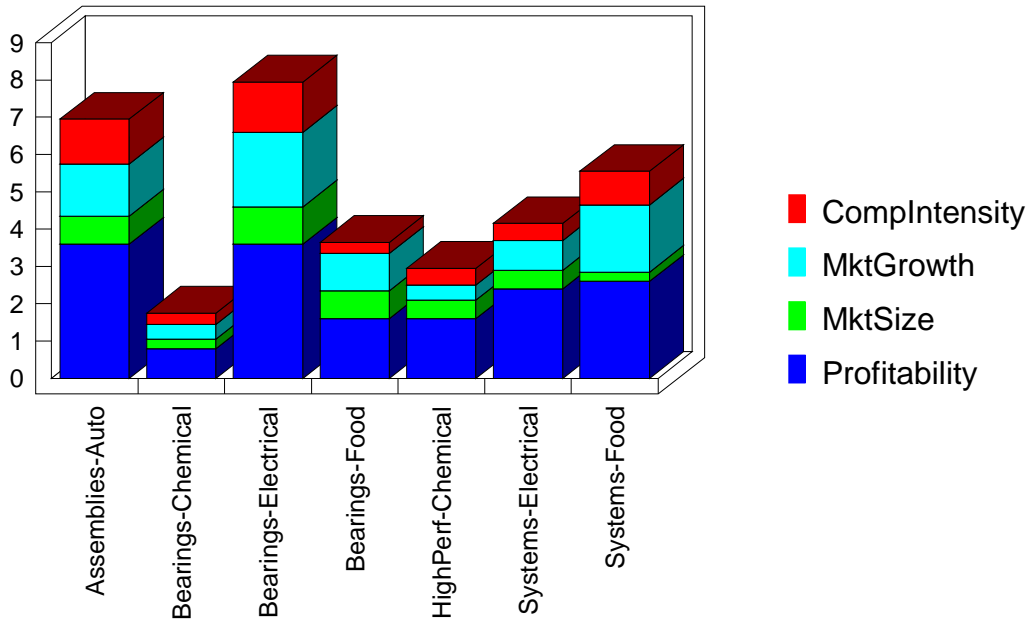


## 5.5 Market Attractiveness

Market Attractiveness Factors (MAFs) are the factors that your organisation wishes to consider in comparing the attractiveness of your product-markets. Market attractiveness is a measure of the potential of the market place to yield growth in sales and profits.

**Period End: 2000**

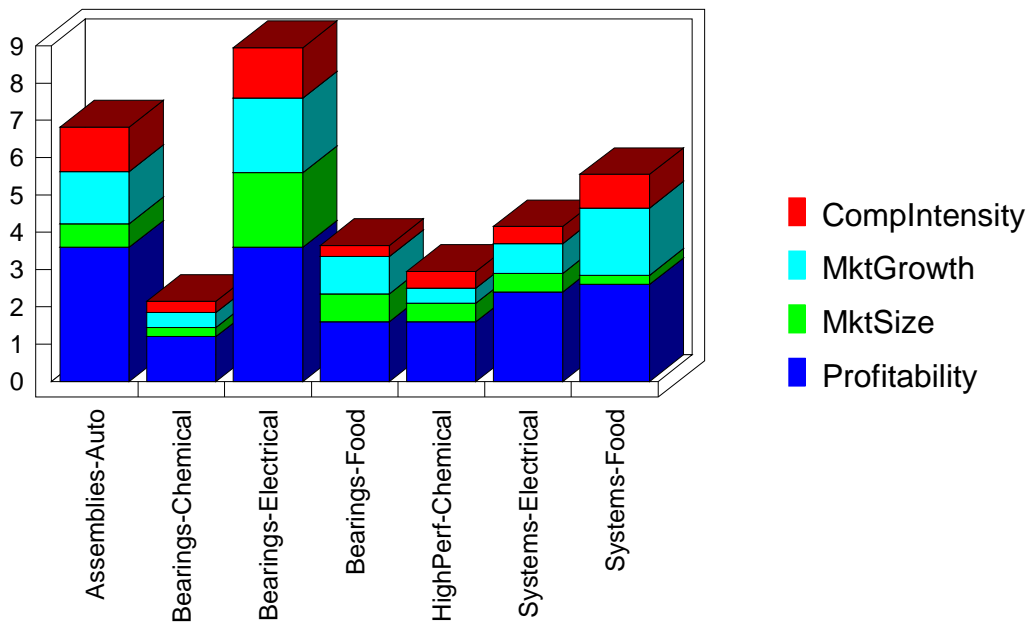
MAF Bar Chart



If the Market Size Overview Table in the previous section is compared to the MAF Comparison it can be seen that the size of the market does not necessarily make it the most attractive.

**Period End: 2003**

MAF Bar Chart

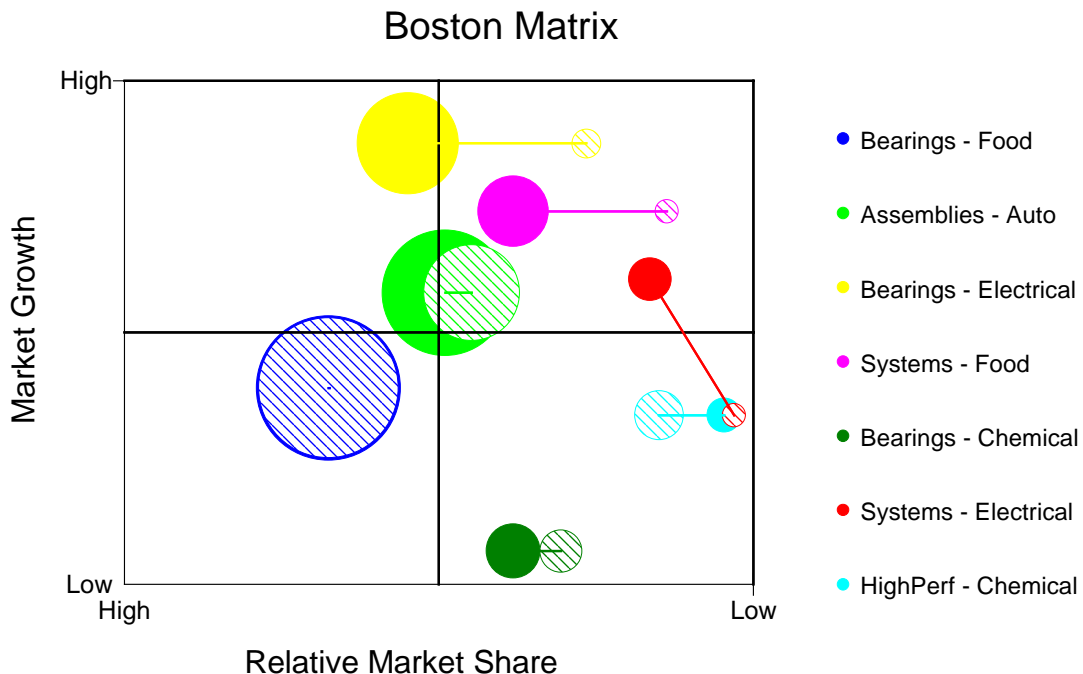


## 6. Portfolio Summary

### 6.1 Boston Matrix

The Boston Matrix is a plot of market share, as a ratio of company share to the share of the largest competitor, against the rate of market growth. The Boston Matrix classifies a firm's products according to their cash usage and their cash generation along the two dimensions of the matrix, namely relative market share and market growth rate. Market share is used because it is an indicator of the product's ability to generate cash; market growth is used because it is an indicator of the product's cash requirements. The measure of market share used is the product's share relative to the firm's largest competitor. This is important because it reflects the degree of dominance enjoyed by the product in the market. The company with the largest market share is usually in the most favourable position.

**Current** (lined) and **Objective** (solid)

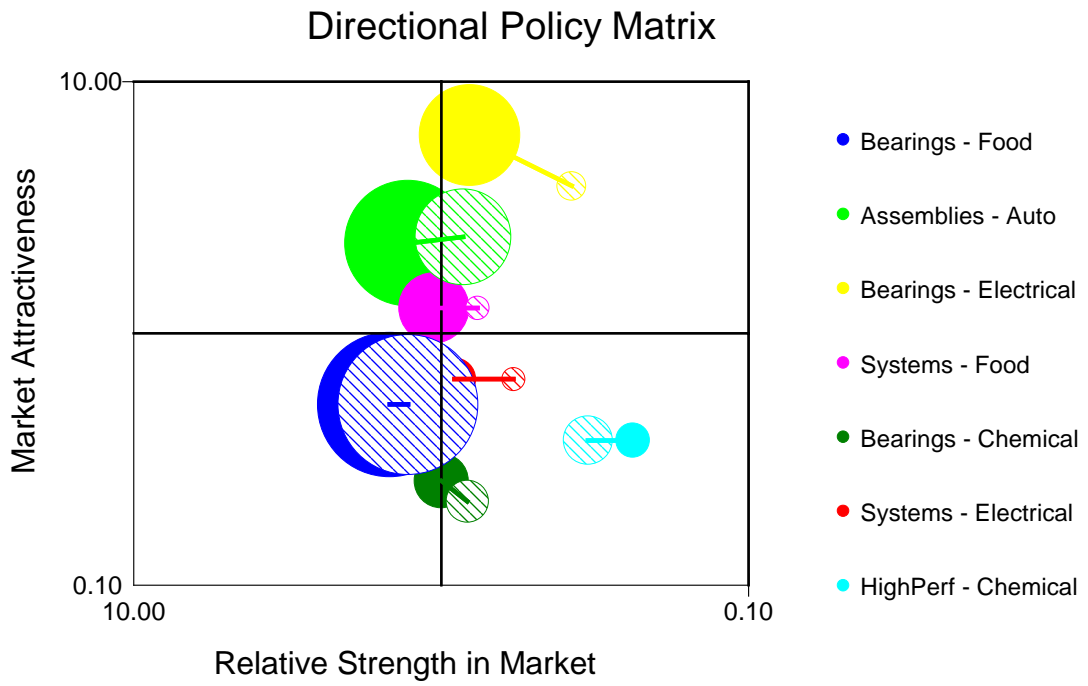


As expected the Bearings-Food market is in the classical Cash Cow position. The HighPerformance-Chemical market is clearly a 'Dog' and will have very little future and will be a cash drain on the company. For these reasons the HighPerformance-Chemical market will be divested.

### 6.2 Directional Policy Matrix

The Directional Policy Matrix (DPM) is a plot of market attractiveness against business strength, or strength in market, for the various product-markets in which the company operates. The positions of product-markets in the DPM, denoted by discs on the diagram, determine whether they are candidates for investment or divestment and how they should be managed. The area of the discs is an indication of the revenue obtained from the individual product-markets. A key feature of the DPM is that it directly compares the opportunities offered by different markets.

**Current** (lined) and **Objective** (solid)



We have taken the view that all the markets are worth investing in with the exception of the HighPerformance-Chemical market.

## 7. Overall Assumptions, Objectives and Strategies

- Overall Assumptions** We have assumed that there will be no new entrants into the European market in the next few years. This is based on the current consolidation that is taking place in the market due to over capacity in several countries.
- There is still a lack of knowledge about the best distribution channels to adopt and segmentation needs to be substantially improved. We have assumed that additional budget will be made available to improve the internal systems and the marketing database.
- We have assumed that the accounts systems will be reviewed as product profitability is not reliable at present. We must also understand customer profitability as service costs are not correctly allocated.
- Overall Objectives** IBL's market share in Europe has been growing slowly at around 9%-11% in recent years.
- IBL has clear objectives to grow the existing segments and achieve a 15% market share and develop new markets.
- We believe that this can be achieved by taking a more active role in seeking out niche opportunities. These objectives can only be achieved by selective investment in key parts of the business. The investment requirements are addressed in more detail later in the Marketing Plan.
- Overall Strategies** More research needs to be done to understand the customer buying criteria. In the past we have not matched customer requirements to product and service delivery. In many cases it would appear that we over deliver where it is clearly not required and the costs involved are extremely high.
- Quality is an area that needs to be improved in all in departments.

## 8. Conclusions and Key Actions

**Conclusions** Due to the lack of investment over the past few years IBL has fallen behind the leading competitors and this situation needs to be changed.

Many of the markets that IBL serve have gone through major restructuring in past few years. The customers have become more sophisticated particularly in the Automotive market. IBL has tended to ignore these fundamental market dynamics and has suffered the consequences.

IBL needs to understand the customer's requirements in more detail and stop behaving as a product driven company.

**Key Actions** There are four key projects that need to be approved and these must start in the next few months if the IBL's stated objectives are to be achieved. These projects are as follows:

1. Market Research to understand key buying criteria for major market segments
2. Define the channels of distribution and construct Market Maps
3. Improve accounting systems to identify where the profit is generated
4. Identify the areas of the business where quality must be improved.