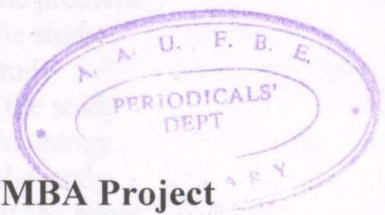


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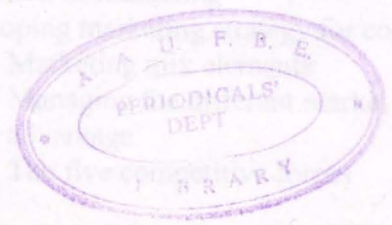


MBA Project

Marketing Strategy for Competitive Advantage

The Case of United Abilities Factory

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ABSTRACT

Market orientation emphasized addressing the needs, desires and wants of the targeted market. Based on this concept market oriented firms gain competitive advantage by delivering value to the customer with more convenience and lesser cost than their competitors.

Thus the objective of this project paper is to have a conceptual understanding of market orientation and to assess the status of its application in Ethiopia by taking the case of United Abilities factory, which is the only producer of umbrellas and dry cell batteries since 1964.

To gather the necessary information that will help to analyze and arrive at conclusion as a basis for possible recommendations, interviews and secondary sources such as documents of the factory on market study, strategic plan, production data, prices data etc. are used.

As per the findings the factory has faced various problems due to usage of old technologies, high level of imported inputs, increasing trend in imported competitive products, and lack of well-established distribution channel.

At the prevailing situation the factory is not in a position to become market-oriented firm and cannot gain any competitive advantage either in cost leadership or responsiveness in addressing the needs of the market.

So, to address these issues the proposed recommendations include application of recent technology, improving distribution of the products and promotional activities.

Marketing strategies for competitive advantage

Chapter one: Introduction

1.1 Background of the study

Formal planning helps and encourages management to think ahead and sharpen its objectives and policies, leads to better co-ordination of company efforts, and provides clearer performance standards for control. Strategic planning helps the company to anticipate and respond quickly to environmental changes.

Strategic planning facilitates the process of developing and maintaining a strategic fit between the organization's goal and capabilities and its changing marketing opportunities. A company's strategic plan establishes what kinds of businesses the company will be in and its objectives for each. The major functional departments such as, marketing, finance accounting, purchasing, production, and human resource must work together to accomplish strategic objectives.

Marketing plays a key role in the company's strategic planning in several ways. First, marketing provides a guiding philosophy - the marketing concept, which suggests company strategy should revolve around serving the needs of targeted consumer groups. Second, marketing provides inputs to strategic planners by helping identify attractive market opportunities and assessing the firm's potential to take advantage of them.

The process of identifying, assessing and selecting key competitors is crucial in a competitive environment and is a basis for developing marketing strategies that strongly position the company against competitors and gives it the greatest possible competitive advantage.

To plan effective competitive marketing strategies, the company needs to find out all it can about its competitors. It must constantly compare its products, prices, channels, and promotion with those of close competitors. In this way the company can find areas of potential competitive advantage.

Marketers need to carefully assess each competitor's strengths and weaknesses in order to answer the critical question: What can our competitors do? Companies normally learn about their competitors through secondary data, personal experience, and hearsay etc. They also can conduct primary marketing research.

1.2. Review of literature

1. Daniel C., Smith, and C.Whan Park have examined the effects of brand strategy (i.e. brand extension vs. individual brands) on new product market share, advertising efficiency, and the degree to which these effects are moderated by characteristics of the brand, the product to which it is extended, and the market in which that product competes. The findings indicate that brand extensions capture greater market share and realize greater advertising efficiency than individual brands.¹

2. Huber, Gatignon and others developed a model to describe the impact of strategies for introducing a new brand, aspects of the competitive environment, and firm characteristics on the performance of new brands. The impact of marketing mix variables such as product design, positioning, pricing and the marketing effort are also examined.²

The level of marketing effort supporting brand introduction increases with:

- (a) The relative product quality of the brand,
- (b) The growth rate of the market
- (c) The size of the market,
- (d) A low market concentration,
- (e) The firm's familiarity with the market, and (f) the firm's resources

3. William B.Dodds and others have studied the effects of price, brand, and store information on buyers' perceptions of product quality and value, as well as their willingness to buy. Results indicate that:

- (a) Price had a positive effect on perceived quality, but a negative effect on perceived value and willingness to buy.
- (b) Favorable brand and store information positively influenced perceptions of quality and value, and subjects' willingness to buy.³

4. Empirical studies on consumer preference formation and pioneering advantage by Gregory S Carpenter and Kent Nakamoto showed that pioneering advantages are present even in mature markets in which brand reposition and switching costs are minimal ⁴.

The study reveals that:

- (a) Pioneering advantage can arise from the process by which consumers learn about brands and form their preferences.
- (b) This process can produce a preference structure that favors the pioneer, making it difficult for later entrants to 'compete away' the pioneer's large market share, even if brands can reposition and switching costs are minimal.
- (c) If later entrants cannot reposition they must offer 'something extra' such as a bargain price to gain market share, which makes competition more costly.
- (d) The market share advantage of the pioneer decreases as the similarity between the differentiated later entrant and the pioneer increases, provided attribute weights and ideal combinations are ambiguous

5. Study by James M. Lattin and Randolph E. Bucklin on reference effects of price and promotion on brand choice behavior showed that when consumers are exposed to pricing and promotional activity by frequently purchased goods, they may develop expectations that are used as points of reference in evaluating future activity. The authors build a model to test for the presence of these reference effects on brand choice behavior. The findings suggest that promotional activity has significant reference effects on consumer response.⁵

6. The statement on intuitive strategy by Boston consulting group recommended a framework for a systematic analysis of strategy development in large corporations. It takes issues with the traditional way of employing the profit center concept in strategy formulation, since this leads to an attempt toward achieving a set of common objectives with emphasis on performance optimization of each independent entity. It is claimed that this leads to ⁶:

- (a) An inferior strategy.
- (b) Each product of a large corporation may serve a different purpose. In developing strategy, therefore, the role of each product should be examined from the viewpoint of the corporation as a single unit.

7. P.Heil and Arlen examined the interface between competitive market signaling certain market behavior, using recent findings on competitive market signaling ⁷.

The study emphasized that:

- (a) The key notion of the competitive signaling concept is that a manager's reaction to another firm's competitive market action is at least partly based on inferences that the reacting manager makes about the motives and intentions driving the market action.
- (b) After detecting a competitor's market action, the manager infers from that action probable motives and intentions of the acting firm.

8. Shel and Robert explained the "comparative advantage theory of competition, "and contrast them with the neoclassical theory of perfect competition⁸

. They argue that:

- (a) The new theory of competition explains key macro and micro phenomena better than neo classical perfect competition theory.
- (b) They further explicate the theory of comparative advantage by evaluating a market orientation as a potential resource for comparative advantage

By "Neoclassical theory" they mean the theory of perfect competition

9. Neo Capon analyzed marketing strategy differences between state and privately owned enterprises in industrialized market economies tends to the identification of differences in objectives and strategy between the two enterprise types and this leads them to different strategic behavior ⁹.

The framework selected is the portfolio model developed by the Boston Consulting Group (BCG). The critical differences between the two organization types are:

- (a) For private corporations, stockholder pressure leads to business unit profitability objectives or enterprise management within a portfolio framework.
- (b) For state owned corporations, profit pressure is also present, but many additional pressures from government lead them to set objectives, choose customers, and develop strategy to optimize performance on dimensions other than profit.
- (c) Decisions on market segmentation and marketing mix decisions also differs according to the formulation of their objectives.

1.3. Statement of the Problem:

At present local products of various industries are losing market share to imported products. The consumers' preference for imported products is also becoming a crucial problem to our producers. So, it is worth assessing the situation and find out the causes for lack of prevailing competitiveness and loss of market share of local products.

1.4. Objective of the study:

- To gain conceptual understanding on company wide strategic planning and its impact on the success of a firm.
- To have the necessary awareness on competitive marketing strategies
- To clarify the need to understand competitors as well as customers
- To clarify the need for balancing customer needs and competitors analysis in becoming a truly market oriented organization.
- To assess the application of marketing concept in the Ethiopian context.
- To identify problems or causes for the loss of market share and lack of competitiveness
- To recommend possible solutions and suggestions to make it in line with the requirement of the MBA project paper.

1.5. Scope of the study

The review of literature and other research findings shows that the core essence of marketing strategy is to direct every effort towards the satisfaction of needs wants and desires of our customers. To assess and evaluate this situation the study covers strategic plans, marketing strategies, marketing studies made on the umbrella and battery factory and sales, production and profit patterns for the last ten years i.e. 1991-2000.

1.6. Hypothesis: This paper takes the following hypothesis as a base for the research.

"Market oriented organizations win the greater portion of the market share and are profitable."

1.7. Research Methodology

Source of data:

- Primary data collected through interviews with the concerned managers
- Internal secondary data such as production schedule, financial statements
- market study materials
- Annual reports of the factory

1.8. Limitation of the study:

The study is based on one factory only, which is the only umbrella and battery-producing factory in the country. Comparison of various factories in the environment of the industry is not possible.

Since the consumers of the factory's products are located throughout the country, assessment on needs and perception of consumers is based on the marketing study conducted by the factory's study committee. The scope of the study, the time needed and the finance requirement limits the self-assessment situation.

1.9. Organization of the paper:

The paper is organized in two parts - the theoretical part and the practical part. The theoretical part consists of chapter one - introduction, chapter two-marketing strategy for competitive advantage. The practical part consists of chapters related to the factory. Chapter three historical background of the factory, chapter four the functional units, chapter five analysis of the over all situation and chapter six consists of summary, conclusion and recommendation.

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Chapter two - Marketing Strategy for competitive advantage

2.1. The Concept of Strategy

2.1.1. Definition

The term strategy has been derived from 'strategos' a Greek word that means general. Therefore, the word strategy in its original form means the art of the commander of the armies. However in organizations it is used in different forms like marketing strategy etc.

According to Lawrence and Williams- Strategy is the means used to achieve the ends (objectives). A strategy is not just any plan, however, a strategy is a plan that is unified. It ties all the parts of the enterprise together."¹

According to Paul Fifield - Strategy is about marshalling the gross resources of the organization to match the needs of the market place and achieve the business objective."²

Kotler defined strategy as the process of developing and maintaining a strategic fit between the organization's goals and capabilities and its changing marketing opportunities. It relies on developing a clear company missions, supporting objectives, a sound business portfolio, and co-coordinated functional strategies"³

From the above definitions given by different writers at different times we can understand the following points about strategy:

- Strategy is the means to achieve objectives.
- Strategy is a broad overall direction for the organization.
- Strategy is a long-term plan.
- Strategy is a survival and decisive plan for organization.
- Strategy is top management's responsibility to define formulate and define.

2.1.2. Strategy and inter related concepts

Strategy is all about how an organization will achieve its objectives. Described as business strategy, it refers to the ways on how the key decision making unit of the

organization was going to direct its resources in order to achieve its stated business objective.

Many situations that an organization encounters do not have regular, identifiable patterns. The most appropriate way for managers to handle routine events is to establish a policy that can be applied to each occurrence. Policies, rules and procedures are terms often used interchangeably, to denote activities that organizations have adopted for dealing with routine events.

Rules on the other hand are viewed as specific statements of what is or is not to be done in specific situations. Procedures are generally considered to be ordered sets of tasks that are designed to perform a task. Where as policies are often seen as general guidelines that indicate limits or constraints on how goals should be achieved.

In the context of strategic management, policies address routine business decisions, such as issuing credit only if a customer's income is above a specified level. The number of such decision is potentially high, and making individual assessment is impossible for managers. So, policies simplify the process of arriving at a conclusion.

Tactics, on the other hand are designed to change on short-term basis like weekly, even daily in response to changes in the market place caused by customer needs or competitive situations.

2.1.3. Strategic Management at functional level - Value chain

Competitive advantages are built within the functions that make up the various links of the firm's value chain. Every department or function must be managed to create value for the customer, which will, in turn, be translated into a competitive advantage for the firm.

All departments must share responsibility for the firm's overall competitive position and must be aware that creating value is everybody's business. Quality control department

alone cannot fulfill the objective of the company with respect to producing satisfactory and competitive products.

An organization can be viewed as a series of input output sequences, with each function taking something from one set of function and offering something to another. Managers should view their responsibilities and identify themselves as the center of this series of linkage. This way manager can identify the role they play in strengthening the firm's overall value chain and its competitive advantage.

The critical functional areas that are mainly involved in creating value chain are:

1. Marketing - adapting to "age of diversity"

- ✓ The trend towards greater product diversity is becoming obvious as the thinking "customers have the right to choose" is becoming widely accepted by the market. As a result flexible manufacturing has become more important as a means of customizing products to suit individuals. Company-wide marketing orientation is increasingly important because markets are being segmented on so many different bases: customer types, product design, customer service and so on.

2. Operation: More than just making products

- ✓ Today, successful firms have come to realize that the operation of function is responsible for a lot more than just efficiency.⁵ Many firms are discovering that greater product quality and increased operating flexibility go hand in hand with reduced costs, resulting in meeting customer needs.

Presently we see a number of increasingly popular practices adopted into the operation process such as just in time (JIT), inventory control, and flexible manufacturing systems (FMS), which improve quality, efficiency and delivery capabilities

3. Research and development-Integrating technology for greater competitiveness

It is impossible to imagine a future in which technological advances are not crucial part of business competition and success. Incremental improvements of a given technology

are called engineering advances. Engineering advances are not limited to product improvements. They may also be aimed at improving the manufacturability of a product, the ease with which it can be repaired, its costs and so on. Scientific advances, on the other hand, provide an entirely different way of doing things. Today, it is becoming increasingly important to have both. In many instances the marketing department serves as a link to the customer. Without this link, the R& D department will be at a risk of designing products that it wants rather than those that meet customer needs.

4.Accounting - Better Information for strategic management

Firms should recognize that if the overall business is to be competitive, then its accounting function must be designed around the prevailing business environment and must reflect today's concern for competitiveness.

5.Purchasing: Toward Partnerships with vendors

In most cases the large proportion of the expense goes to cost of goods sold. An expense of so much concern has obviously strategic importance and firms should adopt appropriate strategy towards purchasing. Due to this accepted concept emphasis is given on vendor relationship that will build lasting business relationships.

6.Human Resource Management:

Building organizational capabilities in recent thinking is that the work force is a crucial source of competitive advantage. If, however, employees are to have increasingly vital roles to play in determining the competitiveness of the firm, management has to invest in continuing education and management development programs.

Successful companies involve their employees in company wide quality improvement effort and facilitate situations to share responsibilities between labor and management.

In general strategic management at the functional level is critically important to the success of a firm. Because it is at this level that the organization's work is actually accomplished. The numerous functions comprising a firm's value chain determine its

ability to gain and hold an overall competitive advantage. Each function contributes to the overall customer value by managing the quality, efficiency, and delivery of its own output. The combination of these various capabilities determines the firm's overall competitive position in terms of its differentiation, cost and response time.

2.2. The concept of competitive advantage

A business firm must make unreserved effort to provide its customers with more advantages than its competitors in order to be successful. These advantages could be achieved through the following winning strategies.

- **Differentiation**, as a result of which the customers find the firm's product unique and more attractive in some way and therefore the customer, is willing to pay premium price. Some of the attributes firms use to differentiate their products are:
 - ◆ Product feature - for example Philips developed a television that can display two channels on the same screen.
 - ◆ After sales service - convenience and quality of service could be a critical factor in deciding among alternatives.
 - ◆ Desirable image - this is obvious in fashion products etc.

- **Cost leadership** requires achieving a low-cost position relative to one's competitor. By targeting broadly defined markets with standard products, firms hope to gain the greatest possible benefits from economies of scale. Large portion of their R&D budget might be directed toward process oriented intended to make the product easier and cheaper to produce.

- **Market Segmentation (focus strategy)**– Producers must recognize that they cannot appeal to all buyers in the same way. Buyers are too numerous, too widely scattered and too varied in their needs and buying practices. And different companies vary widely in their abilities to serve different segments of the market. Rather than trying to compete in an entire market, each company must identify the parts of the market that it can serve best.

Market segmentation helps the seller to divide the market into distinct groups of buyers with different needs, characteristics and to develop profiles of the identified potential marketing segments. This in turn will help to set the competitive positioning for the product and creating a detailed marketing mix. The major ways to segment a market could be based on geographic, demographic, behavioral variables etc.

2.3. Marketing Strategy:

2.3.1. Definition

According to Cravens - Marketing strategy is a process of strategically analyzing environmental competitive and business factors affecting business units and forecasting future trends in business area of interest to the enterprise, participating in setting business objectives and formulating corporate and business unit strategy, selecting target market strategies for the product, establishing marketing objectives, developing, implementing and managing program positioning strategies for meeting target market needs"⁵

In the words of Kotler Marketing strategy is the marketing logic by which the business unit expects to achieve its marketing objectives. Marketing strategy consists of making decisions on the business's marketing expenditures, marketing mix and marketing allocations in relation to expected environmental and competitive conditions.⁶

McDonald says that marketing strategies are the means by which marketing objectives will be achieved and are generally concerned with the four major elements of the marketing mix, Product, price, place, and promotion.

He further stated that marketing strategies enable operating decisions to bring the company into the right relationship with the emerging pattern

of market opportunities which previous analysis has shown to offer the highest prospect of success.⁷

These different definitions of marketing strategy tells us the overall effect of marketing strategy as a process by which the organization translates its business objectives and business strategy into market activity.

2.3.2..Developing Marketing Strategy for Competitive advantage

Successful marketing starts with the market place. Detailed marketing strategy must necessarily start with the detailed analysis of the market place, which we are targeting. In a marketing sense, the word market means more than just the physical location but refers generally to customers.

Good marketing strategy will inevitably spring; not from doing what we are necessarily good at, but from doing what our customers want us to do. This means that an understanding of the customer's needs, wants and motivations, is the most important ingredient of any marketing strategy.

In simple terms then, what the organization has to find out is:

- What do our customers need?
- What do our customers actually want from us?
- What will our customers need from us in one, two, five, ten years time?

Designing competitive marketing strategies also requires thorough competitive analysis. The company must compare the values and customer satisfaction delivered by its product, price, channel and promotion with that of its close competitors. By doing this it can discern areas of potential advantages and disadvantages.

The company must formally or informally monitor the competitive environment and raise important questions such as: Who are our competitors? What are their objectives and strategies? What are their strengths and weaknesses? And how will they react to different competitive strategies we might use.

All companies operate within a marketing environment. This environment consists of all the actors and forces that affect the company's ability to transact effectively with its target market. And since every organization faces different competitive and market conditions, marketing strategy then, will mean different things to different organizations. Organizations differ in a number of aspects:

- The variety and nature of market served
- The variety of products/services marketed
- The diverse nature of technology and operating processes used
- The character and capabilities of the individuals involved in strategy formulation and planning process
- The nature of the business environment
- The nature of competition and so on.

So, we should take note that there is no single strategic process, which can possibly suit all needs. Firms should assess their own internal and external environment to plan and implement an effective strategy that will lead to achieving organization's objectives.

2.3.3. Consideration of elements of the marketing mix in

Developing marketing strategy

The elements of the marketing mix are controllable and can be handled in a way to bring a competitive advantage to the firm. The marketing mix model developed by Booms and Bitner emphasizes the need to be aware of the fundamental interconnectedness of the marketing mix elements.

The key to successful marketing strategy is not that the individual elements of the marketing mix are appropriate to market needs on a one-by-one basis. But they are blended together to create a cohesive and logical approach.

In the above model (see the attachment), 3 additional p's to the McCarthy 4 ps are included. Paul Fiefield stated that Booms and Bitner mix are brought in to broaden the

marketer's attention beyond the usual **product-price-place-promotion** myopia⁸. **'People'** reflects the importance of staff, sales and service personnel in the customers' choice of which service to purchase. **'Process'** reflects the involvement of the customer in the operation/production process, especially in service operations.

'Physical evidence' on the other hand reflects the special importance of increasing tangibility of services with physical representations that may in themselves have little or no value. Elements such as packaging design, in-store display, brochures, leaflets, could come under this heading and should all appear to be consistent and support the organization's target market image and position.

The most basic marketing-mix tool is **product**, which stands for the firm's tangible offer therefore, to strike the balance between the organization's need for profit and the market's desire to pay the right price for the right product.

Place includes company activities that make the product available to target consumers. Well-established business relationships with distributors or a well-established distribution network is necessary in order to reach the ultimate consumer of our products. The business relationship with distributors will enable a company to supply sufficient inventory so that its product will be in the market without interruption.

Other issues like coverage of distribution area, location of sales outlets, transportation convenience should also be taken into consideration while we select places of contact with the customer.

Promotion – According to Kotler promotion means activities that communicate the merits of the product and persuade target customer to buy it.⁹ Promotion consists of promotion tools such as advertising, personal selling, and sales promotion. Each promotion tool has unique characteristics and costs. Marketers have to understand these characteristics and must blend them carefully into a coordinated promotion mix.

In general an effective marketing program blends all of the marketing mix elements into a coordinated program designed to achieve the company's marketing objectives by delivering value to the consumer. Thus winning companies will be those that can meet customer needs economically, conveniently and with effective communication.

2.3.4. Managing the different market life cycle for competitive advantage

The market life cycle is a conceptual model, which suggests that markets can evolve through stages typically labeled introduction, growth, maturity and decline. As markets move from one life cycle stage to another, strategic considerations should also change to meet the new market conditions from one stage to the next.

Introduction: - although market shares tend to become more balanced as market matures, the market share gained by successful pioneers is often sustained for many years. One of the reasons pioneers can hold their market share is that they tend to gain advantages over their competition by being the first to enter a new market. By being the first to offer a particular good, a pioneer will gain competitive advantage in establishing strong brand recognition. The key to maintaining competitive advantages gained by pioneering a market is to adjust the strategy as required by developments during subsequent market life cycle stages.

Growth: -According to Gregory G.Dess and Alex Miller the growth stage of a market's life cycle is often associated with glamour and success¹⁰At this stage of the life cycle, demand for the product may be growing faster than the industry is able to supply. There is less price pressure.

The market as a whole is growing rapidly and competitors are less likely to retaliate when customers are taken. During this stage, young firms are often tempted to charge premium price in order to recoup as much as possible of the heavy investment from their initial startup. This on the other hand attracts more competitors. Having more competitors is likely to reduce the average profit of the industry. Thus, managers in

this situation must balance the need for short-term returns with the need for long-term viability.

Maturity: - As the market enters this phase it begins to stagnate and the situation does not allow much opportunity for establishing a competitive advantage relative to the competition. It will be difficult to gain an advantage that other competitors cannot copy.

G. Dess and Miller based on research made on mature markets in USA explained that there is a tendency for the basis of competition to drift away from product differentiation and premium pricing, and toward price competition.¹¹ However moving toward competition on the basis of pricing may not be the best strategy. Competing on the basis of differentiation achieved by quality can lead to good performance. It also has the advantage of minimizing the threat of a price war in the market.

Decline: - a decline of market means that the majority of competitors in an industry will face decline in demand of their products and possible shutdown. This happens, because, most markets will eventually be threatened by the development of substitutes or change in customer preferences and needs. Strategic management in the decline stage of the market life cycle must accurately assess for any opportunity to hold onto such as changing or diversify models and features, improve sales training and respond to change that will make the firm a survivor.

2.3.5. The five competitive forces

The five competitive forces model helps to analyze the nature of competition in the external environment. The external environment is not controllable by the firm so scanning the environment and formulating marketing strategy based on the prevailing situation in the market and in the industry is essential.

As the model developed by Michael Porter shows the five competitive forces are industry competitors, new entrants, substitutes, suppliers and buyers. Since every industry is different then the relative importance of the five forces will also be different from industry to industry.

The reason why the various forces will be different from industry to industry is largely because of the different marketing-economic and production-technical characteristics, which underlie each different industry, known as industry structure. An organization, therefore, can influence this structure through the business strategy it chooses.

Industry Competitors: - To expand the total market size, competing organizations can enhance advertising and promotional campaigns so as to reduce intensity of competition due to the existence of a larger market to fight over. However, new entrants might be attracted by the situation and that will bring intensive competition back where it was.

New entrants: - If the threat of new entrants is the key force in the industry then the emphasis should be on building significant entry barriers. Marketing barriers in terms of brand loyalty and product differentiation can be effective but tend to take time to construct and are also quite expensive in terms of investment.

Other methods include lobbying government for protection of industry or perhaps through increased specialization, bringing down the unit cost of production to a level, which inhibits new entrants.

Substitutes are also obvious possibilities of additional threat. There are two areas in which substitutes become a threat. The first is product substitutes, often driven by changes in cost structures or technological advances whereby the product itself is improved but not essentially changed. Example of such progress could be the move from black and white to color TVs. In the second type the basic customer need remains constant but the technology being used is often so fundamentally different that organizations attached to the old technology either find themselves repositioning into a

new industry or disappearing. Awareness of the current developments is crucial in order to adjust to the buyers' willingness to change to the substitute offer.

Suppliers: - Another important aspect of an industry, which will determine its attractiveness to the organization, is the bargaining power of suppliers to that industry.

Here we need to know

- Who are the key suppliers?
- How concentrated is supply?
- Are there many or few suppliers?
- How important are the volumes of the supply to the industry etc?

Naturally the stronger the power of suppliers the greater the threat of forward integration will be. In other words suppliers may decide to enter the market as an additional competitor possibly with competitive advantage if they have direct access to limited raw supplies.

An additional threat is that the more concentrated the supply aspect of the industry then the greater the risk that one or more of the competitive organizations in the industry might decide to involve itself in backward integration. In other words the company will own the supply source of the industry. All these will put the other organizations at a disadvantage.

If the bargaining power is a key factor in an industry, A firm should find solutions such as negating the power of certain suppliers by locating alternative sources of supply, or taking advantage of the possibly concentrated supply situation by integrating backwards into the supply.

Buyers: - As Paul fifield pointed out; two separate aspects determine the degree of buyer power.¹² The first aspect concerns the actual direct power of the buyers themselves and is typified by situations where there are relatively few buyers who tend to purchase a very large volume of the industry's output. However that power will depend on a number of

factors such as the ease to switch from one seller to the other and the availability and cost of substitutes.

The second aspect of buyer power concerns the degree of price sensitivity, which exists in the market place. This refers to the freedom, which the industry has to increase its price and the effect any price increase will have on demand or sales.

A solution for the first area of buyer power might be to broaden the scope of the product or service to encourage new buyers into the industry so as to reduce the power of the primary buyers.

In terms of the second area of buyer power, that of price sensitivity, the most obvious solution is to build strength on brand awareness, product differentiation and loyalty in the market place.

Chapter Three - Historical Background of United Abilities Factory

United Abilities factory was established in 1964 in a rented house around 'Kazanchiz', Addis Ababa. It started operation with 27 employees and a capital of birr 100,000 donated by three local non-government organizations. The objective of the establishment of the factory was primarily to provide job for the disabled and to change the awareness of the society that the disabled can also earn their own living. Accordingly most of the employees were disabled. There was also one foreign employee representing ILO ¹

The production manager stated that the factory started operation by assembly of umbrella for gents and ladies. The inputs such as cloth and frames for the umbrella assembly were imported from Far East countries. The disabled workers carried out the majority part of the assembly process and this makes it the only one of its kind in Africa at that time. This fact also attracts the attention of Heads of states of Africa. When there were OAU meetings this factory was one of the places to be visited by the Emperor and the distinguished guests of the country.

During this time a Managing Board supervised the activities of the factory. In 1967 after three years of operation the factory became the owner of its own land and building and its location was shifted to the present location known as 'Mekanissa'. The factory was performing well and the number of workers increased from time to time.

In 1973, after the socialist government came into power, the factory was put under the supervision of National metal works corporation. During this time the factory add another line of business - dry cell, battery production. During the earlier years of operation the factory's revenue was growing and was operating with two shifts or sixteen hours a day. The number of workers also reached around 550.

In 1981 the factory improved the battery production process by replacing old ones with recent technologies that enhanced the quality of the production and decreased the intensively of labor. There were three types of batteries R6, R14, and R20 being

produced. However due to market problems it was found necessary to terminate the production of R6 and R14 dry cells, and the factory pursued the production of R20 only. Around 1986 the factory with its 600 workers was in a position to produce 500,000 umbrellas of different types and above 9 million dry cell batteries a year.

During the socialist economic system the distribution of the products was carried out by a sole agent by the then Ethiopian domestic distribution corporation (EDDC), which was also government owned.

After the termination of socialist economic system, however, the structure changed. Board of directors supervised by supervising authority of the government now manages the factory.

At present the factory has continued to run two different lines of production i.e. Umbrella for ladies, gents and children and dry-cell battery. Recently the factory is performing well on producing big umbrellas for gardens by importing the clothes from China and Korea. R20 dry cell battery production is also an important source of revenue for the factory even though the decline in market is a fact. In addition to this the factory also gives the service of electroplating for other organizations as a source of other income.

Due to the current decline in sales, production also declines as a result of which the number of workers decreased to 227 female and 166 male which is 393 in total. Out of this number about 80% of the employees have some kind of physical disability, which is still in line with its primary objective of establishment ².

Chapter Four - Functions and strategic plan of the factory

The management of the factory formulates strategic plans every five years that will guide each functional unit towards the over all achievement of the factory. Each functional unit on the other hand performs various duties within the prevailing constraint to fulfill the intended objectives of the factory.

4.1 The main functional areas of the factory are the following:

The commercial unit

This unit carries out overall duty of marketing the products of the factory. It collects information on the market conditions of the products related to price, packaging, supply and demand and this information would be used as a basis for reporting to top management. However there is no formally organized marketing study unit in the factory.

During the central command economy marketing was not that much a problem. The distribution channel was government owned and had the responsibility of distributing what the factory produces through any mechanisms it can employ.

This situation did not encourage taking marketing research and study as a main function of the commercial unit. At this time competition was very low. Due to the existence of high import tariffs and discouragement of import by the government the price of imported goods was not competitive and that was an advantage to the factory.

At present the commercial unit has the practice of selecting distribution agent among alternatives based on evaluation of the agent's capital, location, warehouse facilities, experience and good will.

The commercial unit believes that there are various imported products competing for the market of the factor. According to the manager of this unit, there are about 16 types of imported R20 dry cell batteries and all sizes of and types umbrellas³.

The promotional activity carried out by this unit is mainly limited to advertisements on TV and Radio. They also make their own contacts with retailers using their own sales force. The factory also has one retail shop at the premises of the factory itself.

The production unit

This unit on the other hand carries out the production of the different kinds and sizes umbrellas and R-20 dry cell battery. This unit performs duties of maintenance of machineries; quality control on various inputs or raw materials used for production and performance tests of its products and competitive products as well.

The result of the performance test of similar competitive products is used as a feed back to the commercial unit and to the management of the factory to know the status of these products in terms of price, reliability and durability in comparison with the products of the factory.

According to the production and maintenance unit manager, the unit has qualified machine operators and quality controllers like chemists⁴. They perform laboratory check-up on samples, checking the work-in-process and checking the specification of inputs. Know-how notes or books designed by suppliers of raw materials are also available for ease of reference.

As indicated above, the past situation does not encourage research and innovations. So, the factory still has no research and development unit, as a result the major inputs of the productions are imported and there is no change in the feature or design of the products that could make a difference.

The production unit uses 98% of imported inputs especially for the battery. The machineries are not flexible and most of them are around 30 years old and above⁵. At the time of establishment the battery production was highly labor intensive and resulted in high defective rate. To minimize the problem the process was partially converted to

modern technology known as paper lined. With regard to the umbrella production the frames are internally shaped using molding machines. But still the materials are imported

The finance unit

This unit, on the other hand, compiles financial information on the revenue, costs and expenses and budget requirements of the factory. These financial statements provide source of feedback on the financial performance of the factory over the year in terms of budget allocation, revenue, costs of inputs, usage of selling and administrative expenses and the net profit earned by the factory. Comparison and trend analysis over a range of time is also possible for management to monitor the direction of the performance of the factory.

As research, development and promotional activities are very minimal the co-ordination and co-operation of Finance with other functional units such as production, commercial and personnel is limited to the routine and day-to-day activities only.

Human resource (personnel)

The personnel unit carries out duties and responsibilities of providing the necessary human power to the various functional and administrative units of the factory. With limited training opportunities and other related human resource development activities the personnel unit's relationship with other units is very much limited to accepting and processing requests of human resource requirements. It also makes its own assessment on proposed vacant posts and the needed qualifications and experiences.

If the required personnel are available internally then priorities will be given to the staff as an opportunity of promotion. If this is not possible, however, the factory will send its request to the Ministry of social and labor affairs to invite the public through its own established mechanisms. Then the qualified personnel will be selected and sent to the factory for further scrutiny through written exams or interviews⁶.

4.2. The overall strategic plan of the factory

The management of the factory is well aware that the factory's product lack competitiveness in price with imported products in the market. The other major problem is the increase in cost of inputs as a result of which cost of production increases and put further pressure on the profitability of the factory.

Assessing the situation during the past five years of strategic plan, its implementation and outcome, the management has formulated strategic plan for the next five years. The strategic plan is believed to enhance or improve the market share of the factory. Even though, the factory is the only factory that produces umbrella of different sizes and R-20 battery in the country its market share is below 5% ⁷.

When we observe the situation of the factory from 1993-1997 (refer attached income statements) where the competition with imported material was very low the sales on average was Birr 16.9 million a year and the net profit was on average birr 1.9 million. This was due to the fact that what the factory produced was sold and there was no market problem.

On the other hand, sales from the year 1998-2000 was on average birr 5.7 million per year only and as a result the factory can not be profitable. Based on the above assessments the factory's management has incorporated the following strategies in its strategic plan ⁸:

- To improve the design and quality of its products
- To improve the packing process
- To design brands for identification
- To produce some parts of the battery locally in collaboration with other producers and in its own workshop to reduce cost of production.
- To maintain the quality of the products specially the umbrella and to increase production step by step
- To apply marketing strategies and tactics to increase the market share

- To enhance the capability of the factory's workshop to produce some parts to substitute import
- To improve working conditions and payments to reduce the labor turnover.
- To seek the support of the government, especially on import tax at least for the short run to improve the financial situation of the factory until it gains back its competitiveness.
- To reduce cost of production through efficiency and effectiveness as much as possible
- To establish good relationship with banks (CBE) to secure loan when it is necessary
- To seek the support of the government to replace the machineries and equipments with more flexible and advanced ones.
- To provide the consumer with different choices (especially the umbrella).
- To seek the approval of the government to increase the capital of the factory.

4.3. The marketing Activities

The factory conducted market studies at different times in order to gather information on customers' perception on the factory's product. When the competition becomes tough and the market share noticeably declined the management formulated a market study committee. The members of this committee were selected from various functional areas of the factory and made market study in 1997 and in 1999⁹.

The objectives of this market study committee were:

- To identify the major problems related to the quality of the product from the consumers point-of-view.
- To identify the cause for the shift in consumer's preference to other products.
- To gather important suggestions from the consumers, retailers and wholesalers.
- To identify and promote the products to the areas with low market share.
- To identify potential market areas and to maintain the status.

According to the committee's report the study was conducted in different parts of the country through primary data gathering using questionnaires responded by individual

consumers, retailers and wholesalers and distributors such as Ethiopian Amalgamated Ltd. Company.

The study covered various towns in Northern, Northwest, West, South west, south, south east and Eastern part of the country targeted towards individual consumers and organizations which are directly involved in distributing and selling these products.

4.3.1 problems identified

As a result of this study it has come to the knowledge of the factory's management that the reasons for the decline in demand differs from place to place. The outcome of the study also showed the following problems about the battery :

I. ' Ever light'

Market Related - In places or towns, which are near to Addis Ababa or to the factory the supply, is satisfactory but the awareness of the people for the existence of a local production is low. As a result sales of the product is very low.

In places or towns, which are a little further like 200 kms away from the capital and the factory, the supply of the product is low. The distributors do not pay much effort or attention to introducing this product in these markets.

As you go further and further from the capital like 450 and above Kms away, the awareness on the existence of local battery diminishes and so does the supply. The study showed that in towns like Gondar and Addis Zemen there are no distributors as a result supply is very low. In towns like Mekelle, Axum and Adigrat, which are located at the Northern Ethiopia, the study showed that people are not even aware of the existence of a local battery product.

Even in southern areas where the supply and the sales is relatively better in towns such, as Shashemene & Awassa the competition from 'Eveready' battery is still tough. On the other hand in southeastern towns such as Nazreth and Assela the

supply is high. However the sales is unsatisfactory as its price difference from the 'Eveready' is minimal and not enough to attract customers.

Quality Related - The committee also gathered information on quality and reliability issues from the end users and sellers. As a result it has come to the attention of the factory that the products need improvement on:

- Durability of the power of the battery
- The consistency or the uniformity of the size of the battery
- The quality of the package
- The quality of the parts of the battery such as bottom seal and brass-cap

Other areas of problems

- The price of the battery is more expensive than competing products
- The number and type of competing products is increasing from time to time
- Low supply even in areas of good market
- The brand is not easily identifiable by the consumers. The name Ever light is easily confused with the well-known Eveready.

II. Umbrella

The study was conducted in different parts of the country as in the case of the battery. Accordingly different patterns in supply and preferences are noted. To fulfill the same objective of improving the product and gaining fair market share through identification of problems related to the decline in market share, the committee distributed questionnaire and observed the market situation ¹⁰.

In the northern part of the country the umbrella is well known and accepted for its quality and durability. However, here again there is a problem of supply. Due to shortage of supply other umbrellas are substituting the market.

In the south eastern and western part of the country the umbrella for male has relatively better market share and the supply is in a better condition. According to the study a potential market exists in the Southeastern towns such as Nazreth, Assela, Robi etc. The acceptance of this product in this area is relatively nigher. However the supply is not satisfactory.

In general, the study showed that the overall demand for the umbrella for male is satisfactory and can further be increased by improving the distribution and other quality related issues indicated by consumers such as rusting handles and smaller radius than the Chinese made etc.

With regard to the umbrella for female, the demand is so low that it requires the change in design, feature and color combination. The imported umbrellas are cheaper and easy-to carry around. So female consumers have preference for these products.

4.3.2. The effects of the problems observed in the study

During the study made in 1999 the following results were observed in the market.

'Ever light' battery

- The previous quality related problems create a shift in preference and the improvement did not get recognition by the society so far.
- The market share of the battery comes after most of the import batteries while its price comes next Eveready, the leading product in the market
- The quality of the package is questioned by retailers and consumers for its reliability to protect the product from spoilage.
- The color combination and the brand used are not attractive to the end-user, the rural population at large
- Most of the respondents suggest increasing the effort of advertising the product.

Umbrella

- The target market for this product is the rural Ethiopia.
- The quality of the umbrella is well recognized by consumers.
- Price reduction is necessary to gain competitive advantage.

In general the study showed that improvement in distribution and promotion, reduction in price and maintaining the quality of the products is crucial to gain competence and to win favorable market share.

Chapter 5 - Analysis on internal strengths, weaknesses and external Opportunities and threats and marketing mix of the factory

5.1. Internal strengths

Taking the overall internal environment of the factory we can observe the following strengths:

- Dedicated management which is making much effort to positively change the status of the factory
- The majority of the work force is willing to work hard for the survival of the factory
- Efforts made to study the market
- Efforts made to establish good business relationship with distributing agents
- Efforts made to find good suppliers of raw materials
- Efforts made to improve the quality of the products
- Efforts made to advertise the products through the market study committee and in collaboration with wholesalers
- Efforts made to introduce new products such as Garden Parasol and umbrella for children.

5.2. Internal Weaknesses

- Old machineries and equipments, which are subject to repetitive maintenance and this increases the maintenance expense from year to year.
- The machineries are not flexible and cannot be used for various designs and sizes. This creates lack of competitiveness in design and feature
- High labor turn over due to low payment
- Insufficient activity on promoting the products
- There is no motivation for innovation
- Lack of sales outlets – only one shop at the premises of the factory\
- Low level of working capital

5.3. Opportunities

- New segments in garden parasols and umbrella for children
- The existence of foreign currency supply at satisfactory level
- The availability of cheap labor
- The establishment of private transit offices will facilitate better transporting services
- The service of electroplating which could be a good source of other income
- The purchasing power of the rural population, which is the major consumer of the products
- The growth rate of the population makes Ethiopia a good market place for consumer goods.

5.4. External Threats:

- The increasing trend in the rate of exchange, which in turn will increase the cost of imported materials.
- The technological advances of imported competitive products
- The increasing trend of imported products
- The increase of competitive products in variety.
- The decreasing trend of prices of competitive products
- Non existence of spare parts for the old machineries, as a result production interruption can be created
- The increasing trend in the price of the factory's products.
- Shift of preference of consumers to imported products

These points indicate that there are numerous external and internal factors that will have both negative and positive influences on the performance of the factory.

5.5. Analysis of the source of threats for the factory

(Using the five competitive forces model)

Industry competitors

As mentioned earlier the factory is the only factory involved in umbrella and battery production in the country. Currently, therefore, there is no apparent threat from industry competitors.

New entrants

At present the situation is not attractive for new entrants. As there are no local suppliers for the material inputs for the production of umbrella and battery, cost of production is very high and that makes the return received from this line of business unattractive. And as per information gathered from the Ethiopian Investment Office there are no new investment proposals in this area.

Suppliers

Most of the suppliers of this factory are foreign suppliers. The factory has limited access of information on its suppliers that are located in different countries. Moreover since local suppliers are not available in the country the chance to choose among various alternative sources is very limited for the factory. The choice of suppliers is very much dependent on past experience. However even if the bargaining situation is constrained by geographical locations the threat from suppliers is very low.

Buyers

The factory is not in a position to increase price in proportion with the increase in cost of production, as prices are determined by the market and not by cost of production. According to the market study increase in the price of the products has negatively affected the demand of the products. Buyers think that the factory's products are more expensive than the other competitive products.

Substitutes

In this area, especially in the umbrella market, the threat comes from product substitutes. The substitute products in the market have improved features and better price due to changes in technological advances. The technology has moved to producing folding umbrellas while the factory still uses the same technology since its establishment. As also recognized by the management of the factory, the major source of threat is imported products.

From the above analysis we can understand that threat from buyers and substitutes is affecting the factory negatively and the marketing strategy should take this situation into consideration in order to minimize this threat and gain competitive advantage.

5.6. Analysis of elements of the marketing mix of the factory

1. Products

1.1 Umbrella – According to the market study consumers recognized the quality of the cloth. But still it requires improvement on the quality of the handles and cap. The umbrella for ladies is not still competitive due to its old-fashioned feature and design.

1.2. The battery – The durability of the power of the battery is believed to be better than most of the products in the market ¹¹. The factory believes that in quality this product comes next to 'Eveready' which is a leading product in the market. The packing also has improved.

2. Price: Prices of both products are higher than competing products. Due to cost of imported inputs and other related expenses in addition to the profit margins added by wholesalers and retailers the price of the product becomes higher and higher by the time it reaches the consumer.

3. Place: The factory has only one sales outlet of its own near the factory building. For the rest of the distribution of its products it depends on the willingness and capability of the distribution agents and retailers.

4. Promotion: The factory's activities on promotion are very low. It is limited to advertisement on television and radio. As indicated earlier, since it does not have continuity its effect on creating awareness is very low.

From the above analysis we can observe that the prevailing conditions are unsatisfactory. The umbrella product especially for ladies is not appealing in feature. The umbrella for gents needs improvement in its handling and caps. And both products are not competitive in price. The factory has not network of sales outlets to reach the ultimate consumer.

Chapter six - Summary, Conclusion and Recommendation

6.1. Summary

Strategy refers to the ways and means on how an organization accomplishes its objectives and its purpose of existence or mission. Strategic management is, therefore, essential for the success and survival of an organization within the pressure of internal and external environment.

It should be noted that strategic management across an organization is necessary as the overall effort is required for the overall achievement of objectives of the organization. In order to create value for the customer, the various functional units must co-ordinate their effort towards the application of strategies designed by top management.

In order to create value that can be translated into competitive advantage all functional units must contribute and must share responsibility for the overall competitiveness of the firm. Creating a better value for the customer than competitors comes from the combination of various capabilities of the various organs of the organization.

As an organization stays in the market, the market life cycle changes and may demand a different strategic approach to meet the new market conditions from one stage to the next. This is very important to remain competitive in the market.

Marketing strategy should be designed bearing the customer in mind. As a customer is source of revenue, a good marketing strategy should be able to secure a relevant share in the market for the organization. This need leads to recognition of the importance of developing a competitive marketing strategy.

A good and competitive marketing strategy identifies the needs, wants and motivation of its target market or customer. An organization must always strive to provide its customers a better advantage than its competitors in order to be successful. Competitive advantages can be obtained through differentiating products, lowering cost through efficiency, simplicity and effectiveness and market segmentation.

Marketing strategy should also consider the importance of looking into the competitive forces and should design a strategy to protect the organization from any negative effects of these competitive forces. Competitive forces as Michael Porter identifies them, are new entrants, buyers, suppliers, industry and existing competitors and substitutes.

With in the organization itself marketing strategists should assess the interrelatedness of the marketing mix and the cohesiveness of this relationship. According to Booms and Bitner the marketing mix consists of 7 ps i.e. product, price, place, promotion, people, process and physical evidence.

Referring to the case of United Abilities factory, the factory was protected against imported products since import was highly discouraged by the policy of the government and was provided with some incentives such as exemption of import tax. At that time it was not necessary for the factory to plan about distribution, promotion and other marketing strategy issues.

However situations have changed since the introduction of market economy and the management of the factory designs a strategic plan, every five years, which is mainly based on the prevailing market problems. The strategic plan also comprises various strategies as a solution to the prevailing problem of loss of market share.

Based on the result of the market studies and information gathered in the market, the management of the factory has designed strategic plans to resolve longstanding issues in

the areas of improving level of working capital, replacement of machineries and equipments, improving quality and design of goods produced by the factory.

As marketing strategy is a critical issue for the factory, the factory has made market studies by forming a study committee and has identified that problems in high price, distribution and lack of proper supply, low level of promotion in creating awareness and design of the products has contributed greatly to the loss of market.

6.2. Conclusion

The factory is on the decline stage and has faced fierce competition from imported goods. The needs of its customers have changed before the technology it adopted allowed it to do so.

With the prevailing situation the factory cannot be considered as a market oriented organization. With so much level of imported input, which is subject to foreign exchange rate exposure, cost leadership is unthinkable. In addition to this the employed technology is not enabling it to differentiate its products. So the factory is not in a position to gain any competitive advantage

As the analysis on source of threat implied the major source of threats are substitutes or imported goods. The market is offering a better product in feature, design and color with a lesser price. This leads to additional sources of threat from buyers. The buyers are provided with more choices and are making a shift to the lower price.

The sales problem created over the past five or six years also created problems of shortage of working capital. Shortage of working capital means that the factory is not in a position to buy raw materials, cover its overhead costs and pay salaries for the workers.

On the other hand around 98% of the inputs are imported from abroad. Due to much exposure to foreign exchange risk the price of the materials, import tax, cost of insurance

and transport expenses, if not locally paid, all contribute to the increase in the cost of production and is difficult for the factory to become price competitive.

As stated earlier, the market share of the factory at present is below 5%. The other basic reason for this lack of competitiveness is the usage of old machineries that are less flexible to suit different features. The technology has improved towards producing folding umbrellas, which can be easily carried around. But the factory still produces the unfolding umbrellas as it was producing 30 years ago.

6.3.Recommendation

We have observed that the factory is in a very difficult situation in improving its market share and needs to attend many issues in order to become competitive and profitable. Proper treatment of the marketing mix, designing strategies to cope up with the sources of threats is really necessary for the survival of the factory.

Accordingly the **proposed recommendations** include the following:

Improving products in terms of quality, design, feature etc. This could be in the form of:

- Simplifying parts of the product so that it could be easy to handle,
- Using different color combinations so that the consumer could have a choice,
- Using different sizes, shapes for the handles to make them more attractive and fashionable
- Using clothes of different designs to make them colorful and attractive.
- To make beautifully shaped covers to give them look of quality
- To make sure that the packages are well designed well packed, and have the necessary signs and brands, etc.

Decreasing cost of production: This could be achieved by identifying the sources of high costs and taking remedial actions such as:

- Finding substitute materials of low cost with a comparable quality
- Searching for alternative suppliers that could offer lower cost
- Searching for local sources with low cost and competitive quality

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- Encouraging research and development to make some of the parts internally at a lower cost
- Finding ways of improving the production process to reduce cost and spoilage
- Checking if there are ways of reducing overhead costs
- Searching for sources of materials at lower cost from neighboring countries. This may result in saving of transportation cost.

The distribution of the products: As indicated by the market study much has to be done regarding this issue of ensuring that the product reaches the ultimate user in all directions of the country. This could also be achieved through:

- Increasing the number of sales outlets
- Searching for a better and reliable distributing agent
- Establishing good business relationship with wholesalers
- Convincing retailers to take directly from the factory, etc

Promotional activities: Much has to be done to create awareness of the people that dry cell battery and umbrellas of different sizes are produced locally. Allocating proper budget and selecting the proper promotional tool is essential. This could be done by:

- Distributing brochures
- Using television and radio advertisements
- Using public relations
- Using sales persons, etc

Increasing the level of working capital: To save the factory, this needs immediate attention and action as part of short run solution. Production has to continue in order to stay in the market until the basic changes are made. In order to avoid production interruption and to exploit the opportunities in the garden parasols market and electroplating service, holding satisfactory level of inventory is necessary which in turn needs the allocation of the required amount of working capital.

The replacement of the machineries will improve the production capacity of the factory. This also requires the allocation of proper amount of working capital in order to apply the available capacity.

Allocation of proper budget for supporting activities: This should be given due consideration as most of the strategic and marketing plans such as promotional activities improving distribution, training workers and encouraging innovations can not be implemented without allocation of fund.

Replacing the old machineries and equipment: owner of the factory, the government, has to allocate budget for purchasing new machineries and equipments to modernize the factory. Producing the old umbrellas will never make the factory profitable. Therefore acquiring new machineries and equipments is crucial for the survival of the factory.

Using technologies that will produce folding and competitive umbrellas is unavoidable if the factory has to be on a turn around stage. It also has to be noted that this is the root cause for lack of competitiveness. Old machineries and equipments also entail additional costs and expenses due to increase in the percentage of defective items and spoilage.

Market Segmentation: Identifying the potential markets for each of the products is essential. In addition to the market study conducted assessing various markets segments such as:

- For the battery the rural areas could be potential markets.
- For the umbrella for ladies, especially with the present feature the rural areas could be potential area
- For the garden parasols Addis Ababa and other big towns where big hotels with gardens are found could be potential areas
- Contacting kindergartens and introducing the umbrellas for children could also be advisable

Training workers: In parallel with this the necessity of qualified manpower should also be taken into consideration. Implementing new technologies and applying the marketing

strategies all require qualified manpower. So, training workers and providing them with the necessary awareness is essential.

Research and development: The product also has to be supported by research and development in order to scan the environment from time to time and adapt to changes rather than being caught by surprise as currently happened. The research will also help to find means of internal sourcing for part of the inputs as the level of import of inputs is one of the causes that aggravate the problem.

The factory imports the battery shield with its name and brand stamped on it from Germany. Alternative solutions have to be found such as importing the stamping machines or looking for local sources, which can give this service. By obtaining the machinery, the factory can be beneficial in

- Obtaining other income by giving the service to other organizations
- Saving of foreign exchange for the country etc.

As indicated earlier the objective of the factory's establishment is to provide job for the disabled. This is hoped to encourage other disabled persons to work for a living rather than becoming burdens of the society. Here the social advantage of the factory's existence should also be given due consideration. So, not only the existence but also its **expansion** to other areas of the country should be encouraged.

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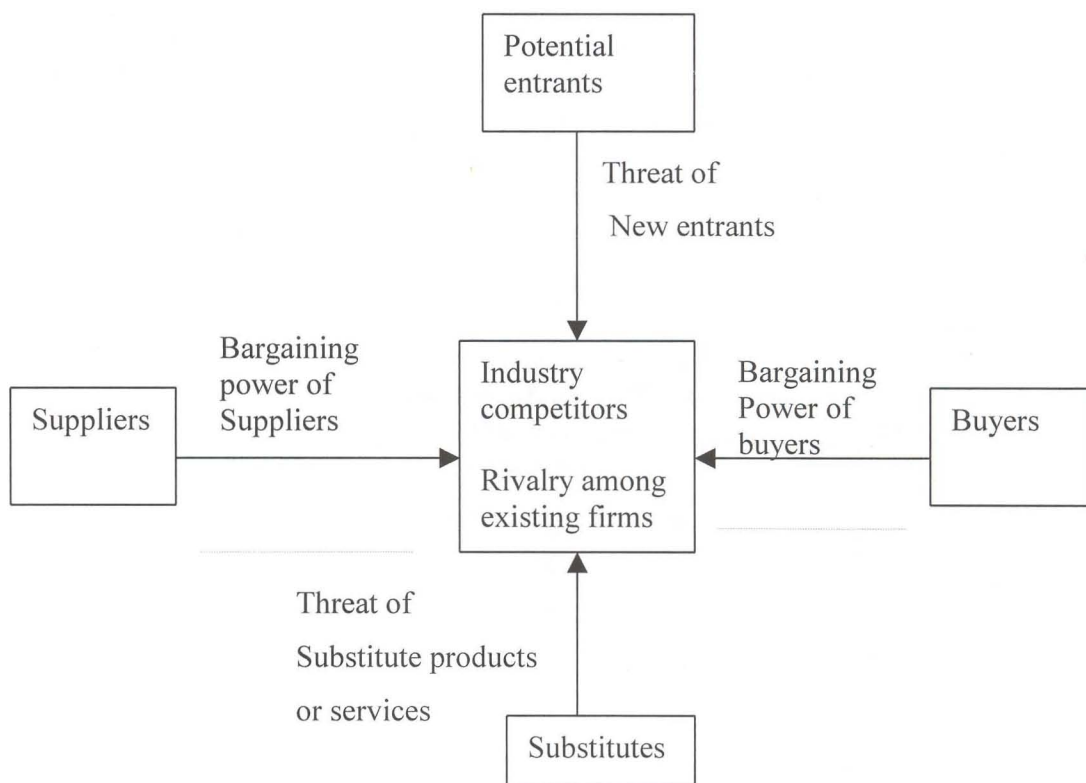
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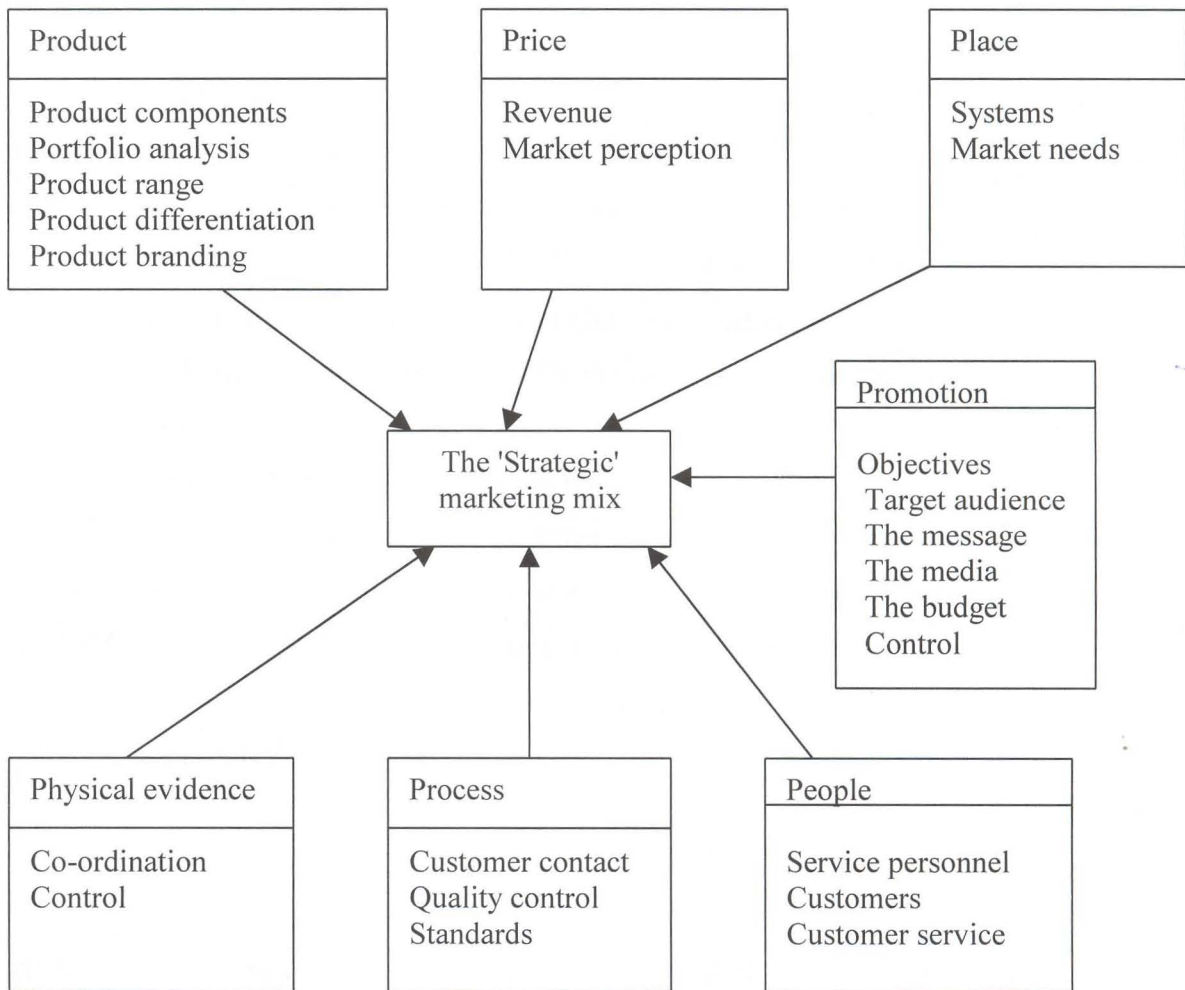
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(Source: Paul Fifield, Marketing Strategy

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(Source: Booms and Bitner's - Marketing mix with additional descriptions by Paul Fifield Marketing strategy, 1994, Butter worth Heinmann Oxford Ox2 8DP)

Exhibit - 1**Trend in production in units from the year 1995-2000**

	1995	1996	1997	1998	1999	2000
Battery	7,722,522	7,718,304	6,651,086	4,634,900	2,281,824	1,687,840
Umbrella	452,689	440,869	416,193	266,500	231,733	113,305

(Source: Production records of the factory)

Exhibit - 2**Trend in import in units**

	1996	1997	1998	1999	2000
Battery	17,612,030	18,096,278	14,422,384	30,500,720	49,735,367
Umbrella	175,839	282,498	508,373	729,424	986,709

(Source: Annual external trade statistics of Customs Authority)

rend of sales, and net income of the factory for the five years under consideration:

Exhibit 3-Average Price per unit of umbrella (Birr)

	Gents	Ladies	Garden parasol		Remark
Local products	35-45	28-35	Local	350-400	Price varies due to Variance in handle Cap and size
Imported (China)	15-28	18-23	Imported	500-750	
Imported (England)	28	25			

(Source: various retail shops in Addis Ababa)

Exhibit 4- Average Price per dozen (in Birr) of different dry cell batteries

Name	Eveready	Local Battery	Sona	Ranbow	Mic ro	KK	Lava	Durata	Double Line	White Elephant
Price	38.50	35.00	29.00	27.00	27.5 0	25.00	26.00	30.00	31.00	33.00

(Source: various retail shops in Addis Ababa,)

Exhibit 5 -Balance Sheet as of 30th June for the years 1999 and 2000 in Birr '000

(Adopted from the financial statement of the factory)

Description	year	
	2000	1999
Fixed Assets	2,147	2,697
Current assets:		
Stocks	10,582	13,783
Debtors	4,132	4,065
Associated Enterprise	13	7
Total Current assets	14,727	17,855
Total Assets	16,874	20,552
Current Liabilities:		
Creditors	7,094	6,507
Associated Ent.	901	901
Bank Overdraft	3,451	4,567
Short term loan	3,206	4,421
Provision for tax	1,072	1,072
State dividend	680	680
Total current liabilities	16,404	18,148
Net current asset	(1,678)	(293)
	469	2,404
Financed by:		
State capital	3,463	3,463
Legal reserve	227	227
General Reserve	(3,221)	(1,286)
	469	2,404

The following table shows the trend of sales, and net income of the factory for the five years under consideration:

Exhibit - 6

Income statement of the factory for the years from 1996-2000

(Adopted from the financial statement of the factory)

Birr (000)

Description	1996	1997	1998	1999	2000
Sales	20,057	17,748	12,121	7,969	6,527
Cost of good sold	16,800	14,569	11,478	7,336	6,428
Gross profit	3,257	3,179	642	633	99
Other Income	417	264	115	207	78
Total income before expenses	3,674	3,443	757	840	177
And tax					
EXPENSES:					
Selling & Distribution.	13	61	86	70	80
Administrative	1,034	1,141	1,206	1,201	1,082
Interest	949	933	808	883	942
Audit fee	8	8	8	8	7
Provision for stock obsolescence	-	517	-	-	-
Total expenses	2,004	2,660	2,108	2,162	2,161
Net income (loss) before tax	1,674	843	(1,351)	(1,322)	(1,984)

Interview questions

Part I. To the Production Unit

1. What are the main function of the production unit
2. What are the products of the factory
3. What is the level of the current actual yearly production of each product
- ✓ 4. What differentiates your products from competing products
5. What are the inputs or raw materials needs for your production
6. Who are your major suppliers - foreign or local
7. What is the proportion of imported inputs
8. What is the situation on warehousing facilities i.e. is it conducive to handle your products and inventories
- ✓ 9. Does the factory have supporting units such as quality control and research and development?
10. How do you evaluate the quality of inputs purchased
11. How do you control the production process
12. How do you inspect the quality of your finished products
13. Are the workers in the production process well trained and experienced i.e. do they have the necessary education in related fields or
14. Do you have qualified personnel such as chemists
15. How is the status of the existing production process? Is it flexible If not, what is your future plan to replace your machineries and equipments. And what are the problems related to this issue
16. At what stage do you think the life cycle of the factory is at present
- ✓ 17. What is your plan in securing qualified human resource and training of the present work force so that they will be in a position to fit in the future changes in the production process
18. What is the status of your relationship with other units of the factory such as purchasing in terms of providing the necessary raw materials at the right time and quantity, personnel in terms of providing the required and qualified work force and finance in terms of allocating the necessary budget etc?
19. Does the production unit make any effort in collecting information and data on recent developments of machineries, equipments, suppliers of raw materials and other necessary issues

Part I I- To the Commercial Unit of the factory

1. What are the main functions of the marketing unit?
2. What is the market share of the factory at present and for the past 10 years
3. Have you identified your target market or have you identified who the consumer of your products are in terms of geographical location, age category or economic situation
4. Has the factory assessed the needs of the consumers in terms of price, quality, design etc?
5. Who are your competitors
6. What are the strengths and weaknesses of your competitors
7. Has the factory assessed the export market at least in neighboring countries such as Kenya, Sudan, Djibouti and others
8. How is the trend of prices of your inputs
9. What is the method employed to search for good suppliers in terms of price, quality, response etc.
10. What are the basis for your pricing strategy
11. Who distributes your products to retailers and ultimate users
12. What is the method you employed to choose better distribution agents
13. What is the status of your relationship with your distributors? Do you believe that you have established long-lasting business relation with these agents
14. Do you have any sales outlets of your own in the city or any other part of the country
15. Is there any plan of distributing your products through your own established unit in the future?
16. If there is, has the plan identified the merits, demerits, requirement of resources and other necessary infrastructure necessary to carry on the distribution responsibilities
17. What is the status of the promotional work done by your factory in terms of advertising, personal selling, participating in bazaar and exhibitions; brochures etc. to create awareness to the public about the existence of locally produced umbrellas and dry-cell batteries.
18. To what extent the factory has tried to assess customers' needs, wants and preferences - Is there any study made on these issues
19. If there are studies, what are the findings on:
 - The preference and awareness of consumers about your products
 - The variety, price and quality of competing products
 - The status of supply and distribution of your products throughout the country
 - Consumers' perception on quality, price of your products etc.