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MARKETING UNDER UNCERTAINTY
A CASE OF A MARKETING COMPANY

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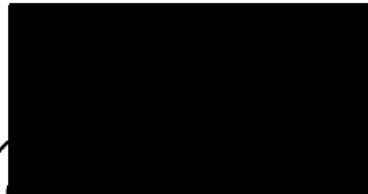
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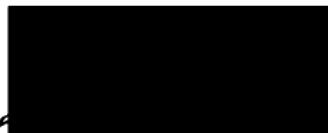
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Chapter I

INTRODUCTION

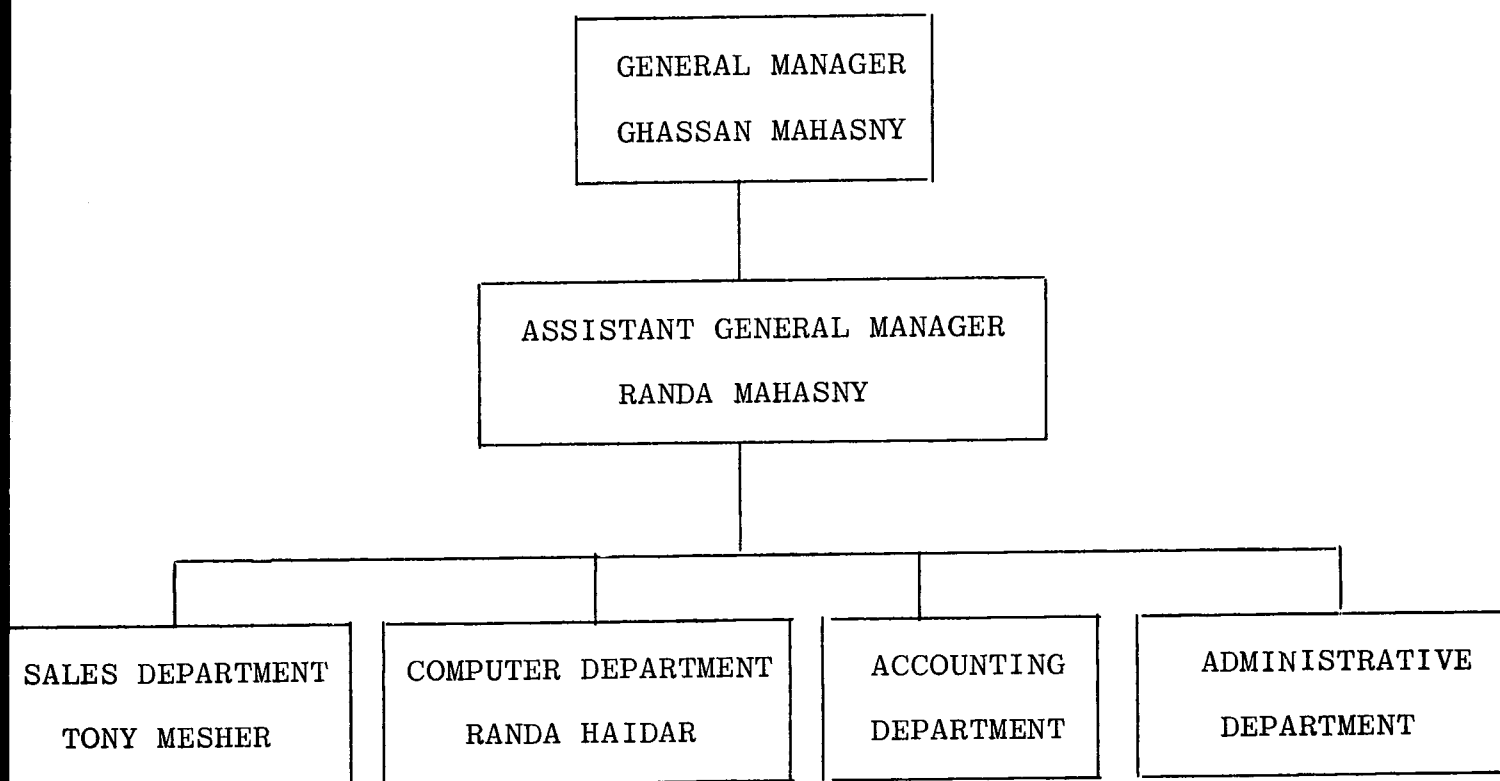
This case study is an attempt to look at Marketing Services Company through its interrelationship with its environment and the nature of the problems facing the company in 1987 and beginning of 1988. The study is divided into four chapters and a conclusion. Chapter I introduces the company in its present structure. Chapter II deals with the recent developments in the Lebanese economy. Chapter III includes a statistical investigation of change in consumer behavior. Chapter IV describes the marketing plan of the company.

A- Company Background:

Marketing Services S.A.R.L. is an exclusive agent for many consumer products. It was established in 1980 by Ghassan Mahasny and had its main branch in West Beirut. In 1985, due to the prevailing political situation and difficulties in transportation in Lebanon, a small branch was established in East Beirut. The company has two main warehouses, one in each side of Beirut. Marketing Services is the sole distributor of the following consumer products: GUABER, PARMALAT, L'ITALIANA, ALFI, KING'S, CARTAL and MISKA.

The organizational structure of the company, which is illustrated below, consists of a general manager, an assistant general manager, and four departments: sales department, computer, accounting, and administrative department.

Organizational Structure of
the Company



The Staff of Marketing Services Company is composed of thirty Seven employees. The Salesforce consists of thirteen employees, ten salesmen, two supervisors, and one merchandiser. The remaining twenty-four employees are involved in administrative work.

Prior to 1987, plans were not consistent between East and West Beirut, and the company's organizational structure and operations were divided. In 1987, Tony Mezher took over the supervision of sales in East Beirut in addition to his duties as controller of the sales department in West Beirut, so that plans and decisions became centralized.

Despite the fact that sales interruptions at Marketing Services were less than those confronted by its competitors, the company's sales index (base 100 in 1980) decreased drastically to reach a low of 44 in 1988, as shown in table 1 below.

Table 1

Marketing Services'

Volume of Sales Index, 1980 as base.

1980	100	1985	67
1981	79	1986	63
1982	33	1987	46
1983	50	May 1988	44
1984	59		

SOURCE; Marketing Services, Company Records.

B- Method of Investigation :

Interviews were conducted with the General Manager and the Assistant General Manager, who provided relevant company data. Questionnaires and interviews were also conducted with randomly selected consumers.

C- Limitations of the Study

This project has many limitations which are mainly due to the prevailing security conditions and fragmentation of Lebanese market. The other limitations are statistical in nature.

To start with, the information presented in this study excludes inside information in conformity with an agreement concluded with the firm not to divulge such information. Market analysis was restricted to that covering the West side of Beirut. The population to answer the questionnaire was chosen from a cross-section of this market, and accordingly the various segments of the Lebanese market may not have been fairly represented. Answers to the questionnaire may also be biased although care was taken to avoid such bias in the way the questions were formulated.

Finally, the lack of accurate and up-to-date information covering the Lebanese economy and consumers' tastes and preferences constitute a major limitation.

Chapter II

RECENT DEVELOPMENTS IN THE LEBANESE ECONOMY

Till 1985, the Lebanese consumer was confronted by many uncontrollable political, social and security issues. These issues include the demographic displacement of the population, the limitations on local and international trade, the absence of law implementation, the smuggling of products through illegal ports, shelling and security problems, and the frequent closures of the airport, the port and roads.

Since 1985, abrupt changes in economic conditions have adversely contributed to these variables giving birth to the present economic crisis. Table 2 reflects the depth of this crisis. All macro-economic indicators point to the worsening standard of living of a broad cross-section of the population. This state has been complicated by the almost complete absence of the government and its fiscal tools appropriate for stemming the unfair reallocation of resources and wealth. Therefore, we find that not only national income is being eroded since 1985, but also individual household incomes, with taxation being poorly levied, are being unfairly distributed by spiralling inflation.

To illustrate this crisis, the minimum wage level converted into current US dollars as presented in table 2, clearly indicates that the purchasing power of at least the low-income Lebanese

consumer has been cut by an alarming 86.5 percent between 1984 and 1987.

The Lebanese Gross National Product (GNP) has also decreased in real terms by 47 percent during the same period. Even if we allow for possible discrepancies in the conversion factor of these two indicators, i.e the consumer price index, the vast decline in real minimum wages by 72 percent as compared to 47 percent for real income, priors the existence of unfair redistribution of income. This redistribution has significant implications on consumer behavior which cannot be tested here but should be a subject for future research.

Run away inflation, coupled with the absence of government measures as discovered above which are a consequence of the civil war, are perhaps the main reasons for the deterioration in the economy. Thus the inflation rate increased drastically during three consecutive years to reach on alarming 440 percent in 1987. Moreover, between 1984 and 1987, the Consumer Price Index (CPI) has increased by 2600 percent.

Other macro-economic indicators which relate consumption to saving and investment reflect the co-existence of stagnation side by side with inflation. One example is the debit interest rate which has also risen by 120 percent during the same period, tightening the credit conditions and limiting the possibilities of investment expansion.

Therefore, the declining purchasing power of the Lebanese pound, the unadjusted wage rates to the inflation rate, and the state of stagflation in which the Lebanese economy is locked resulted in the creation and expansion of a new consumer segment which is the "price-sensitive" segment.

The Lebanese consumer is compelled to alter his tastes and preferences and general consumption patterns so as to accommodate the new conditions. Trading down toward substitute products, do-it yourself orientation in the area of home repair services, clothing and food production, and patronage of secondhand markets have become the reflection of a rational rather than impulsive behavior. This will be dealt with in more detail in chapter III (FINDINGS).

Table 2

(1984 = 100)

Prices, Wages, and GNP indices 1984-1987

YEAR	MINIMUM WAGE (LL)	WEIGHTED AVERAGE EXCHANGE RATE (\$/LL)	MINIMUM WAGE IN US \$	MINIMUM WAGES IN REAL TERMS	INDEX OF REAL GNP	ANNUAL RATE OF INFLATION	CPI	DEBIT INTERES RATE
1984	1,250	100	100	1,250	100		100	100
1985	1,475	252	46.8	750	79.5	90%	191	102.34
1986	2,200	589	27.78	450	58.5	162%	500.4	133.21
1987	8,500	5069	13.42	350	52.86	440%	2702	220

SOURCE : BDL Annual Reports, Quarterly Bulletin (various issues).

Chapter III
STATISTICAL INVESTIGATION OF CHANGES
IN CONSUMER BEHAVIOR

A- Research Methodology:

1- Primary Data

A questionnaire was designed to investigate consumers' attitudes and behavior. Care was taken to construct the questions in such a way as to avoid as much as possible biased answers. The YES-NO structure was adopted for all the questions in order to reduce the cost and time associated with data processing. Fifty persons, drawn from different income levels, were questioned in May-June 1988. The sample was selected randomly from the West Beirut area.

The questionnaire relates to food and beverage items and, therefore, excludes the brand "VAPE" (a mosquito killer) from the study. The reason for this selection is that the main concern of the Lebanese consumer in the present economic conditions is to obtain necessities such as basic food and beverages at reasonable prices.

This emphasis is demonstrated in Table 3 below which presents the results of a Beirut Chamber of Commerce and Industry survey of distribution of Lebanese household expenditure by income groups in 1987. The results of this survey clearly indicate the heavy concentration of food in

the budget expenditure for all income groups. This concentration, however, varies from 47.65 percent for the low income group to 29.14 percent for the high income group.

Table 3

Distribution of Household Expenditure
By Income Group 1987

Yearly Household Income

	Below 750,000	Between 750,000 and 1,000,000	Between 1,000,000 and 1,250,000	Above 1,250,000
Food	47.65	39.24	34.05	29.14
Clothing	6.63	4.65	8.64	10.65
Housing	5.81	10.58	10.61	12.84
Medical care	3.74	5.40	6.19	6.23
Education	8.90	8.18	5.87	8.07
Transportation	7.64	13.57	11.04	12.82
Entertainment	6.15	6.78	8.63	8.53
Personal care	7.20	6.51	7.78	5.93
Other	6.28	5.09	7.19	5.79
	100.00	100.00	100.00	100.00

SOURCE: Beirut Chamber of Commerce and Industry.

The questionnaire is divided into two sections, one which deals with the period before 1987 and the second deals with the period after 1987.

The reason for this choice is that the Lebanese consumer felt the unprecedented inflationary pressures in the period starting in 1985 leading up to 1987, when he was hardest hit as shown in Table 2.

However, with the advent of 1988, i.e the period "after" 1987, prices seem to have stabilized as a result of improving political and security conditions. Therefore, the consumer is experiencing a different phase, a phase of adaption to stable but still high prices.

Monthly income groups below LL 20,000 and above LL 100,000 were eliminated since no person questioned happened to lie within these groups. However, sex discrimination and marital status will not be emphasized in the study because it was noticed that these variables had no direct relationship with the hypothesis. Therefore, income distribution will be the main criterion that will be used to test the hypothesis. Persons whose income bracket is I_1 fall in the low income group category. The I_2 bracket represents the middle income group category, and finally I_3 represents the high income group.

The questionnaire was prepared to investigate change in consumer behavior and reaction to inflation.

HYPOTHESIS :

From the above discussion, a statement of the hypothesis tested here may be drawn:

In an economy where inflation and high prices prevail, consumers engage more in rational rather than emotional purchasing decision processes.

2- Secondary Data

In addition to the data gathered from the questionnaire, several articles in books, magazines, and previous studies that had been conducted by researchers helped also in explaining some of the results concerning the impact of the changing economic environment on the Lebanese consumer's behavior.

B- Findings of the Survery:

The results of the questionnaire are presented in TABLE 4. Before discussing these results, however, a few general remarks regarding shopping and economizing behavior are in order.

1- Shopping Behavior

The sex distribution regarding involvement in shopping decisions indicates that whereas all women interviewed participate in these decisions, only 55 percent of the men interviewed participate in making these decisions. Women, however, find it extremely important for the husband and children to play an active role in shopping in view of the increasing participation of women in the labor force in addition to their traditional duties in recent years. This increase is due to declining real income; housewives, in particular, try to make up for declining standards of living by seeking productive employment to help their husbands.

Concerning shopping times, households do not seem to plan their shopping times ahead or to follow organized patterns. It is done in the course of their daily activities.

In the present circumstances, the most fitting characteristic of the Lebanese consumer seems to be that of the "price sensitive" consumer.

Consumers are now conscious of the quality-price ratio, and are, therefore, not ready to pay any price for the best quality. However, quality is looked for in basic food items, such as cheese and milk for health reasons.

Quality is not as important when looking for secondary food products such as canned vegetables, where lower quality is more affordable.

The emotional and impulsive consumers have nearly disappeared in favor of a more rational behavior. The appealing package has lost its impact due to an increase in consciousness for the product ingredients.

The galloping inflation has heightened comparative-price shopping behavior on the part of the buyers. Today 75 percent of consumers spend more time shopping, comparing prices among substitutes, learning about products and their ingredients. The individual buyer identifies with specific products but all the same, he is not prepared to break his budgetary limits, if a product's prices overshoot these limits. However, he recognizes the positive association

between quality and price, albeit he seems ready to sacrifice quality in view of the income constraints he has been confronted with since 1985.

Consumers are now aware that prices change according to the type of the market place and its location-due to the lack of governmental control. Moreover, around 80 percent of the shoppers still buy from groceries while 60 percent choose supermarkets to cover their purchases. The intersection is composed of people who stop once a week or month in "one stop" shopping and, if the budget allows, buy a large variety of products which is not found in groceries.

2- Economizing Behavior

The severity of the economic crisis has dictated that the Lebanese consumer behave in a more conservative manner. His dominant goal since 1985 has been, namely, to find ways to economize. This takes a number of forms, depending on the consumer income class.

a- Low Income Class

Low income people have unanimously changed their habits and preferences drastically in the last three years. They have become less wasteful, and buy on a day by day basis the cheapest products from the closest cooperative or grocery. They readily switch to substitute products. An example of this trading down is switching

from steak to chicken to rice and beans. They ever grow some of their own food whenever this is possible, and eat less.

Advertising claims are taken less seriously, while word of mouth information is becoming important in addition to the growing role of sales promotion, such as free gifts, special offers and discounts. Packaging and design of goods is also losing its impact. However, consumers are more aware that giant sizes are cheaper when considering their cost per unit. But their budget constraint does not allow them to benefit from economies implied by large size, due to the shrinkage of their purchasing power.

b- Middle Income Class

Middle class people agree very strongly that their income is totally spent before the end of the month, and the use of savings and double jobs have now become a necessity. Consumption patterns are being rapidly altered to accommodate the new realities.

Consumers have, for example, reduced their dinner invitations, as well as their travel overseas. Food products are still assessed by their quality. However, there are price tags on some products that are seen to be exorbitant

to justify their purchase.

Giant product sizes are bought as a means of saving for other expenses. Quantity purchasing is preferred to conducting several shopping trips for economy reasons.

Housewives, becoming do-it-yourself oriented, have found recipies for basic ingredients and foods such as ketchup, concentrated milk and jam¹.

c- High Income Class

High income people have not yet changed their habits and preferences, but seem to take more note of the relative value of things in a manner they were unaccustomed to before. Packaging is given less importance but is still an image of the quality which is the leading factor in their adoption criteria.

Shift to cheaper substitutes of high consumption products are enhanced at the point of sale and are, therefore, beginning to be considered ². Loyalty is, however, kept for food brands such as milk and cheese.

¹ Abou Nader, Claude, "Eh Bien, Jeunez Maintenant", Magazine, October 1987

² Herisson, "La Crise et ses Solutions", Magazine, February 1988.

Table 4
Results of the Questionnaire

	I ₁ = 20,000-35,000				I ₂ = 35,000-60,000				I ₃ = 60,000-100,000			
	BEFORE		AFTER		BEFORE		AFTER		BEFORE		AFTER	
	YES	NO	YES	NO	YES	NO	YES	NO	YES	NO	YES	NO
1- Do you usually prepare a shopping list and stick to it?	2	23	23	2	3	12	12	3	10	4	6	6
2- Do you visit different places in order to compare prices before you buy?	YES	NO	YES	NO	YES	NO	YES	NO	YES	NO	YES	NO
3- Do you pick up the first item your sight falls on?	4	21	25		15	8	7		10	1	9	
4- Would you buy a product which you have not heard about before?	YES	NO	YES	NO	YES	NO	YES	NO	YES	NO	YES	NO
5- Do you usually read the ingredients of the product you buy as well as the expiry date?	2	23	25		2	13	15		10	10	10	
6- Do you prefer to buy from supermarkets or from groceries?	YES	NO	YES	NO	YES	NO	YES	NO	YES	NO	YES	NO
7- Do you always choose the product you are used to buy?	20	5	25		15	15			10	10		
8- Do you buy for daily consumption (or for stocking)?	SU	GR	SU	GR	SU	GR	SU	GR	SU	GR	SU	GR
9- If you see an advertisement on TV or hear it on the radio about a certain product, would you go and buy it for the sake of trying it?	20	5			9	6			10			
10- Are you influenced by others' opinions about a given product?	YES	NO	YES	NO	YES	NO	YES	NO	YES	NO	YES	NO
11- Are you encouraged to buy more when you know there is a special offer or discount on some product? (eg. buy 9 and pay for 6).	23	2	2	23	9	6	5	10	9	6	10	10
	YES	NO	YES	NO	YES	NO	YES	NO	YES	NO	YES	NO
	15	10	17	8	8	7	9	6	2	8	3	7
	YES	NO	YES	NO	YES	NO	YES	NO	YES	NO	YES	NO
	17	8	20	5	10	5	13	2	7	3	7	3

Range of Salaries (LL)

Sample size = 50 Marital Status: Single = 13

I₁ : 20,000-35,000 25

Sex: Males = 28 Married = 37

I₂ : 35,000-60,000 15

Females = 22

I₃ : 60,000-100,000 10

Results of the Questionnaire :

The questionnaire can be divided into three main parts.

The first deals with the diminishing impulsive purchasing behavior of consumers (78 percent of the persons questioned answered by the affirmative to the question, with the largest majority being in the low income group). The Lebanese consumer has become more rational and more price sensitive. He seeks to satisfy specific needs but he is not ready to pay any price for it. He is aware of the price difference of competing brands and stores. The majority confessed that they visit different places in order to compare prices (68 percent said YES to question 2, with 50 percent being from the low income group. It is noticed that before 1987, 92 percent of the same sample used to behave differently).

The Lebanese consumer searches and evaluates different brands; he does not take the risk of buying a product he is not informed about. Nobody buys the first item his sight falls on, as all persons questioned answered by the negative to question 3. The majority said that they would not buy a product they knew or heard nothing about (88 percent said NO to question 4).

The Lebanese consumer has become more careful concerning the ingredients and expiry date of the product (all persons questioned answered by the affirmative to question 5).

The argument of those who prefer to buy from supermarkets, who constitute 60 percent of the sample questioned, is that they have freedom of choice: they can compare all prices and brands and make their decisions according to their personal incomes.

Those who prefer to buy from groceries revealed that in groceries, temptation to buy things they do not intend to buy is reduced. Since they have a shrinking purchasing power, they cannot afford impulsive buying anymore. Around eighty percent fall in this category, (question 6).

The intersection of these two groups is those who buy from both supermarkets and groceries because they cannot find all that they demand in one place.

Another point of stress is the changing habits and preferences of the middle and low income groups. In question seven, 92 percent of the persons who are in the low income group said that they never choose the product they used to buy; two thirds of the middle income group answered similarly, while all those who are in the high income group emphasized that they are still loyal to their habitual brands. People who are in the low income group seem to have radically changed their habits since in the period "before" 1987, 92 percent used to be loyal to their brands.

Moreover, question 8 reveals that the majority (85 percent) of the middle and low income groups buy for daily consumption, mainly because they cannot afford to buy for stocking. "Before" 1987, 92 percent of these persons used to buy for stocking. It is noticed that persons in the high income group used to, and still buy for stocking, therefore, there is no change for the high income group.

The third point stresses the effect of sales promotion, discounts and advertising on the purchasing behavior of the Lebanese consumer. It is noticed that low income groups are more influenced by word of mouth information (68 percent) than by advertising on TV and radio (32 percent). Sixty percent of the middle income group are influenced by both. Advertising and word of mouth information seem to have little effect on high income group. No one questioned said that he would buy a product for the sake of trying it if he hears or sees an ad inviting him to do so (questions 9 and 10).

Concerning special offers and discounts, it is noted that it attracts all income groups to increase their purchases. Eighty percent answered by the affirmative to question 11. Offers and discounts have obviously always had a positive effect on the Lebanese consumer since 68 percent said that they used to be encouraged to buy more if special offers were granted, even "before" 1987.

Chapter IV
MARKET PROSPECTS OF
"MARKETING SERVICES"

This chapter discusses the company's market prospects. It is divided into five sections starting with a situation analysis of the company.

A. Situation Analysis

The general situation facing Marketing Services has already been discussed at some length in the previous chapters. This section presents the relative share of sales of each line during the past three years and the first five months of 1988, major opportunities and threats facing the company, as well as the strengths and weaknesses of Marketing Services.

1- Sales

The three main lines marketed by the company are the mosquito killer, canned vegetables, and maccaroni. As shown in table 5, their total contribution to sales was 64 and 78 percent, in 1987 and 1988, respectively.

Table 5

Percentage Contribution to Sales of each Line at
Marketing Services 1987-May 1988.

	<u>1987</u>	<u>May 1988</u>
1- Mosquitto killer	19	9
2- Tomato juice	8	6
3- Fruit juice	9	3
4- Canned vegetables	25	44
5- Jam	5	4
6- Maccaroni	20	25
7- Cooking oil	9	6
8- Butter ghee	<u>5</u>	<u>3</u>
	100	100

SOURCE: COMPANY RECORDS

However, in the first five months of 1988, the mosquitto killer's contribution decreased from 19 to 9 percent, while the contribution of canned vegetables increased from 25 to 44 percent.

It is worth mentioning here that total sales have remained approximately constant since the beginning of 1987 (chapter I, table 1); i.e the decline in sales of some lines of products, such as the fruit juice, cooking oil, butter ghee and the mosquitto killer has been balanced by an increase

in the sales of other products such as the canned vegetables and maccaroni. Moreover, the Lebanese consumer is now concentrating his purchases on basic food items as a result of the decline in his purchasing power as discussed in the previous chapters.

2- Opportunities and Threats of the Company

Marketing Services, such as any other company operating in Lebanon, faces some marketing opportunities which it can make use of, as well as a number of limiting factors. The major opportunities and threats facing the company are summarized in the following paragraphs:

i- Opportunities:

Management should give thought for concentrating on locally produced products so as to gear its various brands toward the low and middle income groups. Some of the reasons for the need to emphasize this sector of the market can be summarized as follows:

a- The majority of the sample surveyed which is mainly the middle to low income group, as noted in chapter III (results of the questionnaire), thinks that all products are alike and, therefore, look for the lowest price (table 4, question 2). Accordingly, there is a market for low quality

and low cost products in Lebanon.

b- The locally canned vegetables and maccaroni consumption represents 84 percent of total consumption of food products of the company (table 5). Management should, therefore, strive to increase its share in the canned vegetables and maccaroni market.

ii- Threats:

The main threats that Marketing Services and other similar firms are likely to continue to encounter in the near future stem mainly from the existing instability in the political and security situation as discussed in Chapter II. These threats include the following items:

a- Unstable money market conditions which result in high interest rates and wide fluctuations in the dollar rate (chapter II, table 2).

b- Distribution of food-aid, in the first three months of 1988, that consisted mainly of cooking oil and butter ghee to all Lebanese families, rich and poor, without exception, reduced the total demand for such items. Moreover, some of this food was sold in the market at very low prices.

- c- Free access to distribution channels by the competition.
- d- The products of the numerous firms are seen to be alike (chapter III, table 4, question 7). Management of Marketing Services should try to create product differentiation by differentiating quality or prices. Raising advertising expenditure is another possibility.

3- Company Strengths and Weaknesses

Marketing Services operations are influenced by a number of supporting factors, that facilitate its ability to succeed; at the same time, they are confronted by number of factors that weaken these operations. These factors are outlined below.

i- Strengths:

The major strengths of the company can be outlined as follows:

- a- Marketing Services offers a broad range of food products in the market with a wide variety of qualities and prices to suit every need.
- b- The structure of the company is such that the owner is the top manager (refer to chapter I, Organizational

Structure of the Company). This gives less room for conflict to arise; moreover, it allows quick implementation of decisions and, therefore, more flexibility. It also allows for the implementation of a family type working climate.

c- Management of Marketing Services always strives to ensure the widest possible distribution of products by making its products available even in the smallest retail shop.

ii- Weaknesses :

The major weaknesses of Marketing Services are the following:

a- The thirteen salesmen of the company are insufficient to cover their assigned regions as each one is responsible for visiting 150 retail outlets.

b- Lack of marketing staff (their function will be specified in the section discussing the resources needed to achieve the objectives and goals).

c- Advertising budget represents an average of 5 percent of total sales. However, it is worth mentioning that some products, like MISKA and SANTAL juice, are not advertised at all. Advertising budget is, therefore, insufficient,

and cutting down on advertising expenditure as a way to reduce expenses may have adverse effects on sales.

B. Objectives and Goals

The company has not articulated in its objectives and goals for the future. However, a short run framework can be worked based on discussions with the company's management. This is because it is very hard to plan for the long run under the prevailing unstable conditions in Lebanon, according to the company's General Manager. These objectives can be summarized as follows:

- a- To earn an average rate of return on investment of 10 percent after taxes, by the end of the coming year.
- b- To increase overall sales by an average rate of 5 to 8 percent during the coming year.
- c- To increase sales of locally produced products (canned vegetables) at an average rate of 30 percent during the same period.
- d- To expand consumer awareness of the King's (cooking oil) and Alfi (butter ghee) brands to raise their combined contribution to total sales from 40 to 80 percent.

e- To increase the market share of the macaroni (L'ITALIANA) from 40 to 80 percent.

f- To expand the number of distribution outlets by 20 percent.

g- To diversify the types of marketed products by introducing into the market new brands of soaps and toilet papers.

Resources needed to achieve the objectives and goals:

The present resources of the organization are not considered adequate to meet the objectives stated by the General Manager. However, it is felt that more resources should be added to the firm in order to achieve its objectives. More specifically, the following additional resources are deemed to be desirable:

1- Reorganize thoroughly the sales department by hiring additional salesmen. Moreover, a marketing manager assisted by a research staff should be hired to handle marketing research, promotion and marketing planning. The job assignments of the marketing staff would be to help the marketing manager in the following areas:

a- Forecast market and sales potential, survey buyers and dealers and analyze sales and profit results.

- b- Help in the annual development of goals, strategies and tactics.
 - c- Allocate marketing budget to various marketing-mix elements and territories.
 - d- Monitor performance, detect problems, improve efficiency and take corrective actions when needed.
- 2- Increase capital by 100,000 US dollars to acquire the necessary liquidity as soon as the overall situation warrants.
 - 3- Buy new delivery vans for each salesman, to replace the old ones, so as to provide faster and wider distribution.
 - 4- Increase the actual advertising budget by 20 percent in order to launch a large advertising campaign on television and radio.

C. Strategy Statement

Marketing Services intends to adopt a strategy of confrontation that will be used to achieve its objectives. This strategy consists of broad decisions on price, promotion and distribution strategies.

1- Product:

Due to the fact that the majority of consumers do not have brand preference (refer to table 4, question 7, in chapter III), the lower-priced brand "MISKA" (canned vegetables) can protect the market share of the company and even increase it. "MISKA" should be used to draw the attention of retailers to whom the salesmen propose to deal with Marketing Services. Deeper thought should also be given to the introduction of a new macaroni brand which can be produced locally and distributed in the market at low prices. The new brand would be geared toward the low income groups of consumers.

2- Price:

Prices would be set somewhat below competitive brands so as to attract competitors' customers. Emphasis should be made on middle and low income groups.

3- Promotion:

In order to promote its products, Marketing Services would have to develop a new advertising campaign that emphasizes lower-price units. This advertising campaign should aim to stimulate current customers to increase their current rate of purchase (Chapter III, table 4, questions 2, 10 and 11).

Advertising budget would, therefore, have to be increased by 20 percent.

4- Distribution :

Efforts should be made to win over competitors' customers by offering a faster distribution as well as by making its products widely available.

D- Marketing Program

The marketing program of Marketing Services, like any other firm, consists of the product mix, pricing policies, distribution system, and promotional activities. Each element of the marketing strategy will, therefore, be elaborated in this section.

1- Product Mix

Table 6 below shows the actual product mix of Marketing Services. It consists of nine lines, and the depth is forty-eight. The date of introduction of each line is also mentioned in the table.

The target market for the canned vegetables is the middle and low income groups of consumers, while the target market for the whole milk, fruit juice, jam and butter ghee is the high income group. The target market for the mosquito

killer, tomato juice, maccaroni and cooking oil is the middle and high income groups.

Table 6
Marketing Services
Product Mix, May 1988

		<u>Date of</u> <u>Introduction</u>
1-	<u>Tomato juice,</u> 200 GR, 500 GR, 1000 GR	1981
2-	<u>Whole milk,</u> 1000 GR	1981
3-	<u>Fruit juice,</u> 1000 GR	1981
	Exotic cocktail-Citrus	
	Grape fruit- Pineapple-	
	Peach-Apricot & Peach-	
	Pear-Orange-Apple-	
	Red Grape- White grape	

Date of Introduction

- | | | |
|----|---------------------------------|------|
| 4- | <u>Maccaroni</u> , | 1986 |
| | 500 GR Butterflies-Snails- | |
| | Stars-Spaghetti | |
| | | |
| 5- | <u>Mosquitto killer</u> , | 1986 |
| | with cord-cordless- | |
| | with 30 mats-Spray | |
| | flying-Spray crawling | |
| | | |
| 6- | <u>Canned Vegetables</u> , | 1987 |
| | 370 GR, 380 GR, 800 GR | |
| | Baba Ghanouj-Green peas- | |
| | Green peas + carrot- | |
| | Chick peas + tahina- | |
| | Foul Moudamas- Broad beans- | |
| | Bamieh-Mloukhieh-Green beans- | |
| | Chick peas-Mixed vegetables- | |
| | Mloukhieh leaves | |
| | | |
| 7- | <u>Jam</u> , | 1987 |
| | 1000 GR Apricot jam | |
| | Quince jam | |

- | | | |
|----|---------------------|------|
| 8- | <u>Cooking oil,</u> | 1987 |
| | 60 ML, 140 ML | |
| | Solea | |
| 9- | <u>Butter Ghee,</u> | 1987 |
| | 2 KG, 5 KG, 16 KG | |

SOURCE: COMPANY RECORDS.

2- Pricing Policies and Strategies

Price is considered by Marketing Services as a positioning tool. Costs are taken into consideration as not to allow any of the products to be priced below its marginal costs. However, some exceptions might happen such as when the product approaches its expiry date.

a- Pricing Method

Marketing Sevices applies a markup rate to its products which varies between 7 and 20 percent.

The highest markup rate is applied to the mosquito killer (VAPE), macaroni (L'ITALIANA) and butter ghee (ALFI), items that are heavily advertized. A markup rate of 18 percent is applied to the fruit juice (SANTAL) and milk from PARMALAT.

The jam (SANTAL) and cooking oil (KING'S), on the other hand, are priced at the market price, i.e. their price is slightly more or less equal the price of the majority of similar products in the market. The markup rate that is applied to these items is 10 percent.

And finally, the lowest markup rate (7 percent) is applied to the canned vegetables (MISKA).

Table 7 below shows the wholesale prices of the various mentioned products as of February 23, 1988.

Table 7

Marketing Services S.A.R.L.

Price List as of Feb. 23, 1988

(in dollars)

<u>Item Code</u>	<u>Description</u>	<u>\$</u>
0102001	Vape set with cord	3.89
0102002	Vape set cordless	3.47
0102003	Vape mat 30 mats	2.31
0102004	Vape spray flying	2.10
0102005	Vape spray crawling	2.44
0102006	Vape display 6*100	43.94
0201001	Pomi 200 GR.	0.37
0201002	Pomi 500 GR.	0.61
0201003	Pomi 1000 GR.	1.05
0204001	Whole milk 1000 GR.	1.07

<u>Item Code</u>	<u>Description</u>	<u>\$</u>
0204002	Exotic cocktail 100	1.44
0204003	Citrus 1000 GR.	1.44
0204004	Grape fruit 1000 GR.	1.44
0204005	Pineapple 1000 GR.	1.44
0204006	Peach 1000 GR.	1.44
0204007	Peach & Appricot 100	1.44
0204008	Pear 1000 GR.	1.44
0204009	Orange 1000 GR.	1.44
0204010	Apple 1000 GR.	1.44
0204011	Red grape 1000 GR.	1.44
0204012	White grape 1000 GR.	1.44
0401001	Baba ghanouj 380 GR.	0.30
0401002	Green peas 800 GR.	0.55
0401003	Green peas + carrot	0.55
0401004	Chick peas + tahina	0.28
0401005	Foul moudamas 380 G	0.20
0401006	Broad beans 800 GR.	0.55
0401007	Bamieh 800 GR.	0.70
0401008	BRLD Mloukhieh 800	0.56
0401009	Apricot jam 1000 GR.	1.11
0401010	Green Beans 800 GR.	0.67
0401011	Quince jam 1000 GR.	0.65
0401013	Chick peas 370 GR.	0.24
0401014	Mixed vegetable 800	0.55
0401017	Foul moudamas 800 G.	0.40
0401018	Mloukhieh leaves 80	0.56
0501205	Butterflies 500 GR.	0.25
0501206	Snails 500 GR.	0.25

<u>Item Code</u>	<u>Description</u>	<u>\$</u>
0501303	Stars 500 GR.	0.25
0501304	Turk verm.broken 50	0.25
0705001	Solea 60 ML.	0.30
0705002	Solea 140 ML.	0.70
0801001	L'Italiana spaghetti	0.33
0801002	L'Italiana v.broken	0.35
0801003	Vermicelli nido 500	0.43
0901001	Alfi ghee 2 KG.	2.29
0901002	Alfi ghee 5 KG.	2.26
0901003	Alfi ghee 16 KG.	16.00
0901004	King's 1 Lit.	1.25
0901005	King's 1 U.S. gallon	3.80

SOURCE: COMPANY RECORDS

b- Discounts and Allowances

The policy of Marketing Services company is to grant quantity discounts to encourage retailers to buy in larger amounts or to concentrate purchases with it. These discounts, however, do not cover all their products. They are essentially granted to encourage purchases of the canned vegetables and maccaroni, and actually consist of a reduction of 3 to 5 percent per unit for more than 125 units. There have been cases in the past (prior to 1987) where discounts granted

to some retailers have been so high that the net price has hardly covered marginal cost.

3- Distribution System, Salesmen's Compensation

Marketing Services products are sold to around two thousand retail outlets in Lebanon. The company follows the direct sales policy to make sure that its products are available even in the smallest shop. Marketing Services has divided its market into the following ten segments:

* West Beirut	* Chouf
* East Beirut	* Tripoli
* South	* Southern Suburbs
* North	* Kesrwan
* Bekaa	* Metn

Marketing Services has eleven salesmen, two in West Beirut, and one in each of the other segments. These salesmen are responsible for visiting the supermarkets, cooperatives and retail shops once a week, in their assigned regions and placing the orders. These orders are processed by computers within forty eight hours. The compensation plan of the salesmen includes a fixed monthly salary, a commission over sales and a bonus for above average monthly sales. On average, about 60 percent of the salesperson's total income is fixed and the remaining 40 percent is derived from commissions.

4- Promotional Activities

Promotional costs at Marketing Services have varied between 7 to 10 percent of total sales between 1985 and May 1988. Because of its size, Marketing Services company has no advertising department, and relies on Publirizk for its various advertising campaigns.

Each year, advertising is conducted on a seasonal basis. And to ensure that it reaches every single area in Lebanon, advertising is carried on different T.V. and radio channels. For example, they advertised on radio SCOP to reach the Bekaa, Voice of the Mountain for the Chouf, and LBC for Ehden, Tripoli and the South.

Table 8 below shows advertising and sales promotion as a percentage of sales for the period 1985-May 1988. It is noted that advertising has increased from 4 to 8 percent of total sales from 1984 to 1987, and dropped to 6 percent in 1988. Sales promotion, on the other hand, has declined from 4 to 1 percent of total sales from 1985 to 1988. Therefore, there is a declining trend indicating a policy on the part of the management to reduce their expenses, which as indicated earlier is a decision that should be revised.

Table 8
Marketing Services
Advertising & Sales Promotion
Percentage of Sales

	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>May 1988</u>
Advetising	4	5	8	6
Sales Promotion	4	4	2	1

SOURCE: COMPANY RECORDS

The company seeks to get the best possible display (eye level) in supermarkets and cooperatives granting them two to five percent discount. Gifts are also offered to them to strengthen the relationship.

Sales Promotion Activities

The company has participated in many schools, universities, and different social activities (Lyce'e, AUB, Leo, Rally...) offering them juice, milk, T. shirts, ashtrays, plates, cups..., in exchange for hanging stickers and posters of POMI. In 1985, the company also participated in expositions in Beirut Free Market and Lebanon Drive-Inn.

E- Sales Control

The company monitors sales by computing monthly sales figures by product and by region. Thus at the end of each month the Assistant General Manager receives a report showing both in figures and graphic form the evolution of sales of each product in each region as well as the overall trend of each product's sales and total sales. Moreover, each customer has a monthly card on which every salesman mentions weekly sales to that specific customer by quantity of each product and the total amount.

Chapter IV

SUMMARY AND CONCLUSIONS

This project attempted to investigate Marketing Services Company through its interrelationship with its environment and the nature of the problems facing the company in 1987 and beginning of 1988. Marketing Services Company is an exclusive agent of many consumer products. The problems the company has been having to cope with during this period stem from the very problems plaguing the Lebanese economy: Stagflation, deterioration of security, and devaluation of the Lebanese currency. These problems resulted in declining sales for the company. They also resulted in the expansion of the price sensitive segment.

A questionnaire was designed to investigate consumer attitudes and behavior of a cross-section of West Beirut consumers. The results of the questionnaire confirmed the hypothesis advanced in the project that in an economy where inflation and high prices prevail, consumers engage more in rational rather than emotional decision-making. Consumers are now conscious of the quality-price ratio and are not ready to pay any price for the best quality. The emotional and impulsive consumers have nearly disappeared in favour of a more rational behavior. The galloping inflation has heightened comparative-price shopping behavior on the part of the buyers. Today seventy-five percent of consumers spend more time shopping, comparing prices

among substitutes, learning about products and their ingredients and, given the resultant income constraint, are ready to compromise quality in favour of lower prices.

These findings should serve Marketing Services to address itself to the demands of the present environment. To do so, it is recommended that it pursues the following course of action:

1- Marketing Services should follow a strategy different from the present one which pursues geographic segmentation of the market. Segmenting the market according to income would be much more efficient in the prevailing environment. But as the middle to low income groups constitute the majority of the Lebanese consumers, by choosing to focus operations within this segment, the company would be dealing with the largest market size. Having chosen the market segment in which it wants to operate, all products should be reevaluated in order to decide which to eliminate, and which to concentrate upon, and to study the possibility of relying on locally produced products only. For example, the company has started to introduce canned vegetables under the name of MISKA. These products are being manufactured locally by "Conserwa-Chtoura", and have competitive prices. A heavy advertising campaign should be conducted to create awareness and familiarity with such products.

2- Marketing Services needs to review its advertising message and media if it is to build brand loyal consumers and to introduce

new products. Economizing on advertising expenditures to reduce costs is not a good alternative. Usually, sales will hold for a while because of consumer habit but, eventually they will drop favouring brands more heavily promoted. Advertising should be redesigned to help consumers understand how to use the product more efficiently and find new uses for the same product. Advertising should be well studied to reach targeted consumers and distribution of free samples will help consumers to switch to new substitutes.

3- Finally, in its drive to build brand loyalty, Marketing Services should persuade the grocers (or small shops) of the benefits of working with them, and utilize the grocers' ability at persuasion to achieve such loyalty.

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