

LEAN manufacturing and marketing  
for graphic media



# LEAN Marketing Workbook

Version 1.0  
5 April 2013



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## Introduction

### Marketing is making choices

When you are looking for the path, you need to know where you want to go first. When you do know where you want to go, there are often many paths that can lead you to your destination. As modern entrepreneur in the graphic media you have choices to make. Technology changes quickly and customer requirements change even faster. Marketing is all those activities that are aimed at making trade transactions happen, the make them easier and faster. Strategic marketing is about making choices. Strategic marketing is choosing the way your company is focused on the customers. The manual for Lean marketing will help you make the right choices. The fact that this manual has been written by the Dienstencentrum makes it especially suited to the graphic media companies in our industry.

### Marketing policy gives structure to choices

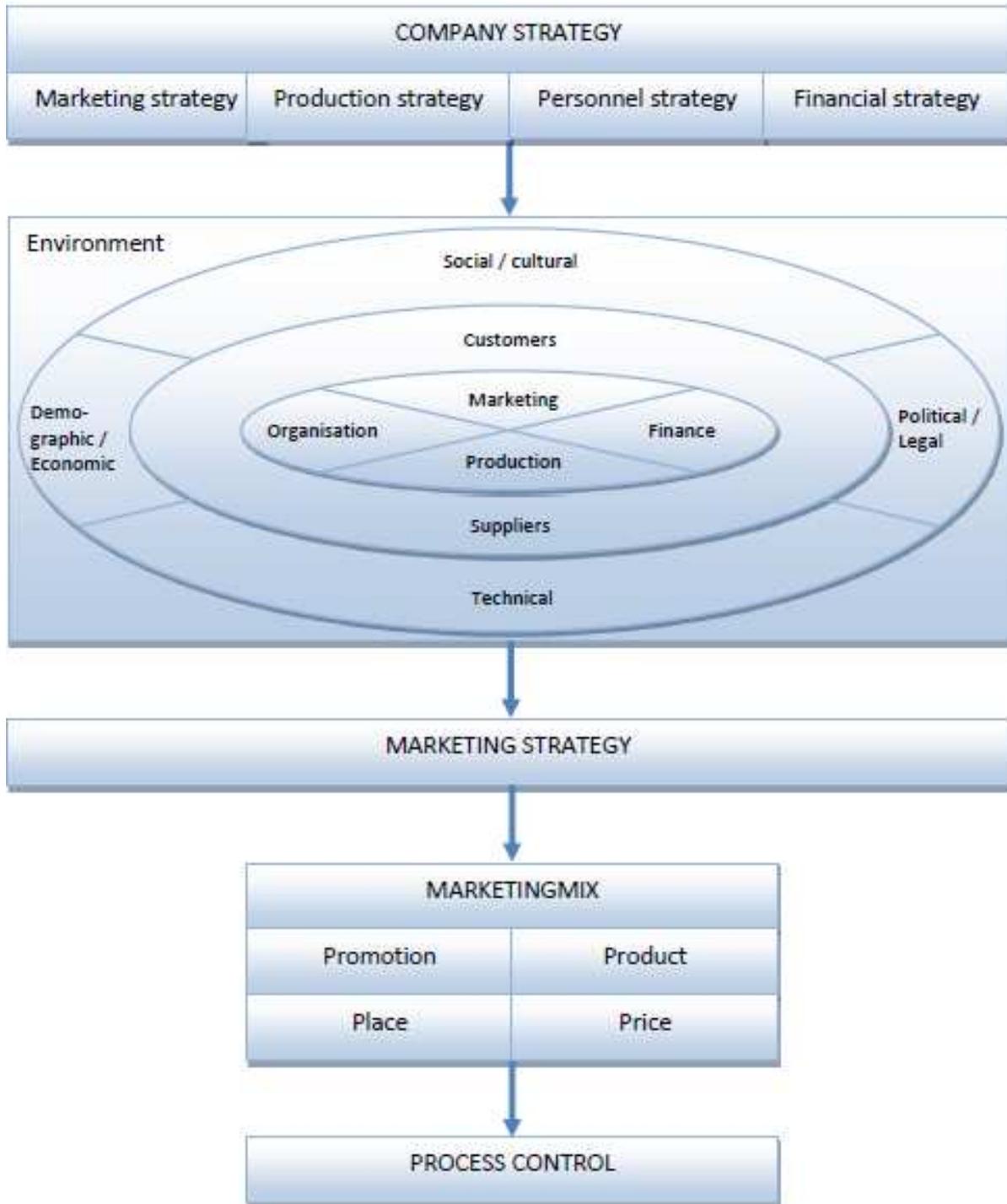
Of course, you can choose to not have a marketing policy, to make no choices, to supply different types of customer with many different production techniques. You will have to invest in everything and be able to deal with every type of customer. You will be involved in making labels for the food industry and yearly reports for banks.

Specialized companies for labels or yearly reports will be able to provide the customers with a better offer. These specialists know their customer's wishes better than you do, can produce more efficiently and make more profits. They have chosen a product-market combination and have a marketing policy that chooses for one market combination. They will beat the companies that do not make choices. Coming up with a marketing policy is not easy, but it is rewarding.

### LEAN as a sales model

When you have developed a marketing policy you will have to be able to explain your unique selling points to your customers. It is no longer obvious that a technologically skilled company or one with good salesmen will make enough profits to ensure continued existence.

Customers need a reason to choose your company. They must know in detail the advantages you can offer when compared to your competitors. In marketing this is called the defensible competitive advantage. The competitive advantage is central to strategic marketing. For graphic media companies, finding one's own defensible competitive advantage is essential for continued long term success. This manual will teach you how to find this defensible competitive advantage en applying it to market profile and personal sales.



Strategic model

# 1. Strategic window

## 1.1 Mission and organization goals

We are going to start the marketing process with an investigation of the current identity of your company. Your company culture and the values that your company is built on create your identity when they are combined with the market your company operates in. This identity is something you don't consider daily. The identity defines your company however, and creates brand awareness or at least recognizability for outsiders. It is a given just like your personal identity. This makes this identity hard to change as well. Much of the identity has been shaped from the history of your company. If you have worked in the company long you will find several things that go without saying. Outsiders do not see things as being obvious in the way that you do.

*Example:*

*Printing Company Europe is located in Brussels. It was founded in 1885. It has created cigar labels since its founding. As specialist it is accustomed to very detailed print on thin paper. The company is the foremost expert in the technique of printing with gold inks. When the cigar industry declined in the early 80s it appeared the company was in trouble. The 100-year existed was not celebrated in grand fashion. A timely strategic re-orientation allowed the company to develop its identity into printer of perfume boxes. This required the investment in machines that were able to handle heavier types of cardboard. PCE is now one of the most successful companies in Europe in this field.*

### 1.1.1 Mission and vision

We are going to determine your company's identity by looking at the mission, vision and market definition of the business. It is possible that you will conclude at the end of the marketing process that your company's identity will have to change. This is not easy. Right now we are concerned with determining the current identity. Necessary changes will be a topic for later.

Through acquiring knowledge it becomes possible to change the identity of your company. Just as an education trains you for a job and allows you to change your own identity. If a company desires to change its identity it becomes necessary to learn as a collective. This is not an easy process and requires time. Collective learning is only possible when a clear goal exists.

#### **Mission**

Mission is defined as the role and ambitions of your company in the field of work you have defined. The mission mirrors the organization's philosophy and company culture.

The mission describes the company's activities – it describes the task the company is set to do. A mission makes choices about the field of work the company operates in. This also means the possible exclusion of other fields of work. As an example, a printing company that works for design agencies will have strategic reasons not to offer design services to the market. It is also possible to include elements of competitive strategy in the mission. In this case, the mission describes the strengths of the company when compared to its competitors.

A mission statement can be very short. As an example, the industry organization Royal KVGO has the primary task to represent its members. All its activities derive from this central principle. A mission can also be expanded and answer the following questions:

- Why does the organization exist and for what goal?
- What fundamental need do the products or services fulfill?
- What are the company's unique (selling) points?

Several approaches are possible when the mission is determined.

- The technology involved, especially when it is innovative or new.
- The products and services that are delivered.
- The use of these products and services
- An original approach of the market.
- A deliberate choice for a group of customers.

It is important to give good weight to the process of drafting your mission. It is more valuable to describe the use(fullness) of your product than the products themselves. You should also avoid being too broad or generic. If you say that you deliver quality and service then you are communicating hollow phrases. It is about the exact type of quality and service you intend. Generic statements are best left out of a mission statement.

*Practical example:*

*Printing company Success helps its clients with realizing communication, specifically communication on paper. Great Success continuously invests in the knowledge of its employees, the technology used and the organization in order to offer better and better service to her customers. Additionally we continuously work at quality improvement and in this way ensure predictable and stable service.*

## **Vision**

The vision contains the entrepreneurial ambitions of the company. It is based on both ambition and a shared perception of the future. It is perfectly acceptable if there is tension between that vision and the current reality. The vision describes the goals of the company in the long term. This vision is often based on a personal philosophy of the founder. For instance for a print company indicates that every client should be 'extraordinarily satisfied'. If this is the case, everything possible is done to ensure a (measurable) high degree of customer satisfaction. A company that is used to high costs of failure can have the reduction of errors as a goal. The effects of new technology and developments on the internet (Social Media Marketing) may also cause the need for a new vision.

The vision also contains principles. A company may for instance decide to honor fair trade practices. Another example is a company that offers employees opportunities to develop themselves. Another aspect to include in the vision is the factors that determine the company's success (more on that later).

*Definition:*

*The vision is a shared view of the future of the company as expressed in goals, factors for success and principles.*

A complete vision expresses what the company wishes to achieve in the future. It also indicates the markets that company is involved with and the way in which the goals will be achieved. A mission also indicates the values and principles of the company.

We have mentioned that a completed vision also contains the success determining factors. These are the factors that determine whether the vision of the company can be turned into reality. Some of the factors are elementary, things you require to function as a company. Sufficient finances, good personnel and defect-free equipment are examples of this. When these factors are present your company will not quickly face a crisis. Visionary success determining factors are not so obvious, but they are required in order to realize the vision. These are the factors that determine your actual success. Being able to innovate or new ways of approaching the market can be such factors. A vision should therefore consist of a mission, success determining factors and principles.

Some more detail about the principles that are taken into consideration for the vision. These together make up the framework of norms and values. These are the principles that are used to base daily decisions on. Examples of such principles are:

- Quality first.
- We are reliable and honest.
- The customers comes first.
- We invest in our employees.
- We help create a better society.
- We respect the environment.
- Safety first.



### **Assignment**

Document the mission and vision of the company. This assignment should result in a clear mission with a matching vision that can be used at the corporate level. If this step is not performed carefully all following steps will suffer and deviate from the intended course.

### 1.1.2 Market positioning

Market positioning is a way of placing the product in the market in comparison to the offerings of competitors. A number of options are discussed below.

- **Quality positioning**  
An offset print company generally has an image of higher print quality than a local copy shop. A copy shop places less emphasis on being a source of quality than an offset print company. Companies with an ISO-9001 or ISO-12647 certificate will more often be able to (successfully) position themselves as a high-quality supplier.
- **Price positioning**  
Internet printers often position themselves based on their (relatively) sharp pricing. The quality of the printed product is often lower than for an offset printer, but experienced as sufficient for customers.
- **Product positioning**  
Aspects of the product are used as the determining factor. A print company can be satisfied with printing company letterhead but can also combine this activity with a marketing activity. This will allow the print company's expertise about the customer and the customer's customer to be utilized and expressed in additional services. Positioning is then based on problem-solving ability.
- **Delivery time positioning**  
In this case delivery time is extremely short. On train stations, airports and shopping malls the possibility of designing and printing business cards on Demand (POD).

### 1.1.3 Competitive strategy

Another aspect of marketing strategy is the choice of competitive strategy. The competitive strategy describes the way in which the company wishes to defend its market position or expand into other positions. Below are competitive strategies for four possible situations.

- **Strategies for market leaders**  
The market leader can utilize a defensive strategy with the goal of protecting the current market share. An offensive strategy is also possible to further increase market share, possible combined with stimulating demand in the market in order to grow into the increased market share.
- **Challenger strategies**  
The challenger is the company that uses an offensive strategy to attack the position of competitors. As a result this strategy carries the greatest risk.
- **Follower strategies**  
The follower is a company that imitates a successful competitor without opening direct attack on this competitor. The degree of following or imitation can differ:
  - Following closely. High degree of imitation. This can lead to a confrontation with the successful competitor.
  - Following at a distance. The competitor's offer is refined.
- **Niche strategies**  
Niche strategies are used by companies that find the niches (= small, specific markets). A niche exists because the competitors' offerings do not exactly match the specific needs of a group of customers. A niche strategy is suitable for small companies and divisions of larger companies. Small companies can specialize in meeting the needs of the niche.

### 1.1.4 Marketing goals

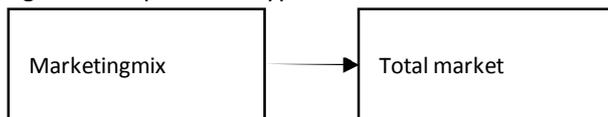
Formulated policy will have to be executed. This means that policy and strategic choices will have to be transformed into specific marketing goals. An important starting point for drafting marketing goals is the market situation. Below an overview of the most common market situations and the goals that are associated with it.

Market situation (demand)	Marketing goal	Possible background information
<b>Decreasing demand</b>	Alter demand	Customers are ignoring the company or the product
<b>Low demand</b>	Increase demand	No interest in the product (type)
<b>Latent demand</b>	Stimulate demand	Customers could be interested, but there is no supply / offering of the product
<b>Stagnating demand</b>	Incite demand	The market is growing, the demand is not increasing
<b>Varying demand</b>	Stabilize demand	Leveling peaks in demand
<b>Optimal demand</b>	Maintain demand	The ideal situation
<b>Increasing demand</b>	Limit demand	When there is no long-term prospect for being able to meet demand, this is harmful.

Supplying the entire market is a possibility that is only possible in theory for large graphic media companies with a wide financial base. These companies can then approach the total market in two ways, either through undifferentiated marketing or through differentiated marketing.

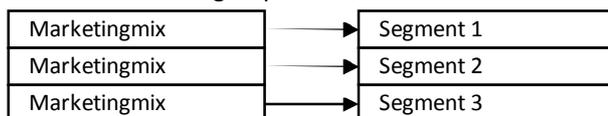
- **Undifferentiated marketing**

The company regards the market as a unified whole and does not wish to segment the market. This results in approaching the market with one marketing mix. The individual needs of different customers are not addressed specifically but the common denominator is. Mass distribution and mass commercials are relied on. A good example of this type is Coca Cola.



- **Differentiated marketing**

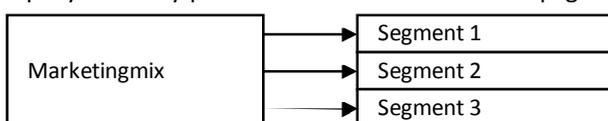
The company is aware of multiple market groups and had tuned its marketing mix to every segment. Such an approach is more costly than undifferentiated marketing as multiple mixes will have to be developed. The most important advantage is that higher sales may be realized because specific needs are met for different segments. An example can be publishers that have a wide diversity of magazines that need to reach different market groups.



Medium-sized and small graphic companies often find it hard to service the entire market. These companies therefore must focus on specific segments. In the most extreme cases one specific segment is chosen. The approach is then called concentrated marketing.

- **Concentrated marketing**

The company only delivers to one clear segment and as such needs only one marketing mix. An example is a company that only prints bottle labels for the champagne industry.



## 1.2 Market

### 1.2.1 Market research

Entrepreneurs face the problem of fickle customers and changes in their environment that create opportunities and threats. As such the entrepreneur requires information that will help make a considered decision. Market research decreases the uncertainty but cannot erase it completely.

Market research can be defined as the systematic collection, registration and analysis of data about problems that relate to the marketing of goods and services. The ambition is to objectively analyze (potential) markets. It is not easy to perform an objective analysis. The following example illustrates this. It shows that two observers with exactly the same facts arrive at very different conclusions.

*Practical example:*

*A manufacturer of shoes decides to investigate the market potential in Africa. Two representatives were sent. The first said upon return: "Fantastic, the possibilities are limitless, nobody wears shoes over there!". The other had a different view: "Unfortunately there is not market there at all for us – nobody wear shoes."*

#### **The process of research**

The research process indicates the phases that research is performed in. Globally speaking the following steps exist within an area of research:

- The definition of the problem
- Collecting the data
- Analysis, reporting and feedback.

#### **Problem definition**

The key ingredient in this phase is formulating the marketing problem. For instance lagging profits from a specific article in the product range.

To make the marketing problem more tangible it is often necessary to perform additional research. Explorative investigations in order to make the causes of the problem visible is one example. Should the profits from Product A be significantly lower than that of other products in the range, the key question is: is this low profit caused by too high pricing or flagging throughput?

#### **Collecting data**

Market research is based on collected data. We divide this data into primary and secondary data.

Secondary data is data that was already being collected, often for a different purpose. These can be internal data (own administration) or external data (CBS statistics, data from the Economic Institute for SMEs or data from branche organizations such as the KVGGO, etc.). It is generally cheaper to obtain secondary data than new primary data. This makes it practical to check whether the problem can be solved through the use of secondary data.

When there are no, or insufficiently reliable, secondary data it becomes necessary to perform – more expensive – field research. New and 'fresh' data needs to be obtained from the market.

	<b>Secondary data 'Desk Research'</b>	<b>Primary data 'Field research'</b>
<b>Advantages</b>	Fast Cheap	Addresses a specific problem Quality control for the company
<b>Dis-advantages</b>	Specific, but not always fully relevant Unclear quality Outdated data	Slow Relatively expensive

#### **Analysis, reports and feedback**

Collection and analysis result in a report that must meet a number of requirements. It should be legible and comprehensible (jargon should be explained), information should be presented in a clear manner (use of tables

and charts where appropriate) and it should explain the method of investigation. For instance, if a sample test is performed, the size of the sample should be noted and the method of sampling should be described.

### 1.2.2 Market segmentation

It is important to determine your identity in order to understand the current market the company is operating in. It is then possible to describe the ways in which the company can grow. A company's playing field is called market definition. Market definition is understood as marking the boundaries of the field of work the company operates in. This boundary is determined by three dimensions: the customer groups, the customer functions (what advantages are offered to the customer) and the technology (in what way is the customer function met).

#### **Customer groups**

The customers of a graphic media company can always be divided into segments. For instance, you could segment customers based on their industry or company size. You may also have consumer customers or foreign customers. Analyze your customers and determine their mutual characteristics. For instance – companies or organizations with a certain size or within a certain region.

#### **Customer functions**

Products and services are purchased in order to meet a need. The product offers one or more functions to the customer. For example, print can be manufactured in order to produce the customer's products. Folders and leaflets can be used to represent the company. Every graphic media company meets certain client needs. This need is often the need to communicate. That communication is required in order to increase brand awareness or repair a damaged image.

#### **Technology**

This aspect is about the means you use to meet certain needs. This goes further than just technical machines, for instance, graphical know-how can be a technique that meets a need in product management. Through a careful analysis of the first two dimensions these new technologies or techniques can be found. Based on this analysis you can develop innovations focused on the market.

#### **Discovering new possibilities**

The market definition can be used to discover new possibilities. Your company's playing field can grow through one or more of these three dimensions.

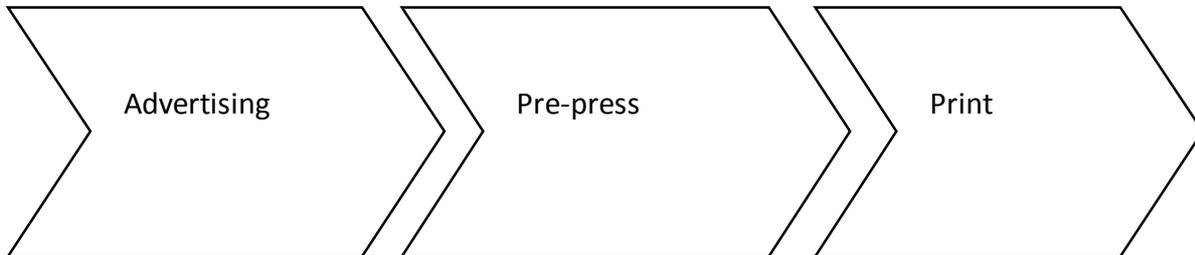
- Customer groups. Searching for new customer groups.
- Customer functions. Fulfilling different needs of customer groups.
- Technology: Applying new technology, techniques or methods.

#### *Practical Example:*

*Janine Rapido and her husband are the owners of pre-press company Rapido. Since the start of the company Janine has chosen to work for advertising agencies and PR firms (customer groups). Rapido is a well-established name in Amsterdam, especially because Janine understands the needs of these customers. Originally, she only supplied scans and films. Janine discovered that there is a need for file management and product management (customer functions). This is why she invested in a special server for content management and in knowledge and capacity for product management (technology). Now that the increased use of computer-to-plate for printers causes decreased demand in films this new market definition allows Rapido to retain its customers longer.*

### Company column

A fourth dimension is the company column. The company column consist of the sequential links in the manufacturing process. An example of (part of) a column is the manufacturing of printed advertising. A pre-press company can employ backward or reverse integration by taking over the activities of the advertising agency. Forward integration means taking over the activities of the print company. In both cases the company grows by taking over new activities from the company column.



### Assignment: use in your own company

Now you will determine the market definition for your own company. It may also be possible to map new possibilities. Try to use the theory and examples to determine the market definition of your own company. Describe the playing field and the relationships between customer groups, customer functions and the technology that is used. The playing field can be expanded with new consumer groups, consumer functions and technologies.

### 1.2.3 Product / Market Combinations

Determining the Product / Market combinations is one of the most important evaluations that a company needs to perform in order to determine the approach of customer groups. The product/market combination is a response to the company's most fundamental questions. Based on product, target groups and the market data the approach of the market is determined.

The Product/market combination (PMC) is an important part of the business plan. Below 6 steps are listed to draft the product/markets combinations of a company:

1. The selection of the correct PMCs is essential. This is why it is good to start with the most obvious PMCs. This will set a good starting level and will provide a vview of the market and the potential for the company.
2. The method of sales and determining customer needs differs for every PMC. This is why it is necessary to segment the market. Approach these segments from different angles.
3. Determine the appropriate price level for every PMC, the place and the way the company should be located, how distribution is performed, which services are not included in the company's activities (and therefore need to be outsourced) and how acquisition and promotion will be implemented.
4. Build the PMCs step-by-step.
5. Test the PMC regularly with regard to the realized sales, the company roadmap, ambitions, growth strategy and changes in the market and changing customers' (customers') needs.
6. Evaluate your own experiences and view of the market and the current PMCs. Are they satisfactory? Are they complete? What does your instinct say about them?

An example of a first step Product-Market matrix:

Market segment ->	Service industry	Print companies	Government	Tourism / Hospitality	Industry	Education	Housing
<b>Product Group</b>							
Business Unit: Offset							
Business Unit: Digital Print							
Business Unit: Crossmedia							
Commercial print							
Logo / style print							
Envelopes							
Magazines							
Digital apps							



### Assignment: Make your company's PMC-matrix

Now it is time to determine the current PMCs and chart them in a matrix. Try to follow the 6 steps in order to arrive at a clear matrix. It may already be possible to make a PMC that will be developed in the near future. Innovations and trying to develop new PMCs is essential in order to improve the company result.

#### 1.2.4 Boston Consultancy Matrix

The BCG matrix is a technique for analysis developed by the American consultancy the Boston Consulting Group. The technique evaluates products (or other parts of an organization) for their market growth and potential. This evaluation is transformed into a matrix that identified question marks, stars, cash cows and dogs. The BCG matrix is also called the portfolio analysis as it analyzes the products and services (portfolio) a company offers.

#### Market growth

Every Option can be connected to a certain market segment. If you know the growth of this segment, you can make the steps along the y-axis. In this manner an Option that has to do with print will be a star or a question mark (we know that this is a market with strong growth). The market for offset print still grows on a yearly basis (in volume) but not as rapidly as digital print and as such is either a cash cow or a dog. When you are able to find an application of offset that has more than 10% market growth then you can label this Option as a Star or Question mark.

#### Relative market share

If you are for instance a printer of corporate styles and logo in a certain region (market) this makes it possible by determining your market share based on your produced turnover divided by that of your (largest) competitor(s).

#### Question Mark

This Option is tied to a growth market where you are not the market leader. In this situation it is important to attack the market leader and try to outgrow the market. Market leadership will improve your cash flow. This means trying to convert the question mark into a star.

- Low market share
- Expectation = growth
- New product or service
- Makes little to no profit
- Invest strongly to turn this into a **Star**

### Star

A Star Option is characterized by the combination of a relatively high market share and a strongly growing market. A good method to make money in the future, but also an Option that your competitors will find attractive. It is therefore important to hold on to your market position. Your turnover needs to grow faster than the market, with more than 10% per year. Once the market slows its growth, the Star will turn into a Cash cow.

- Large market share
- Strong market growth
- Good returns on money
- Requires strong investment to maintain position
- Stopping investment turns this into a **Cash Cow**

### Cash Cow

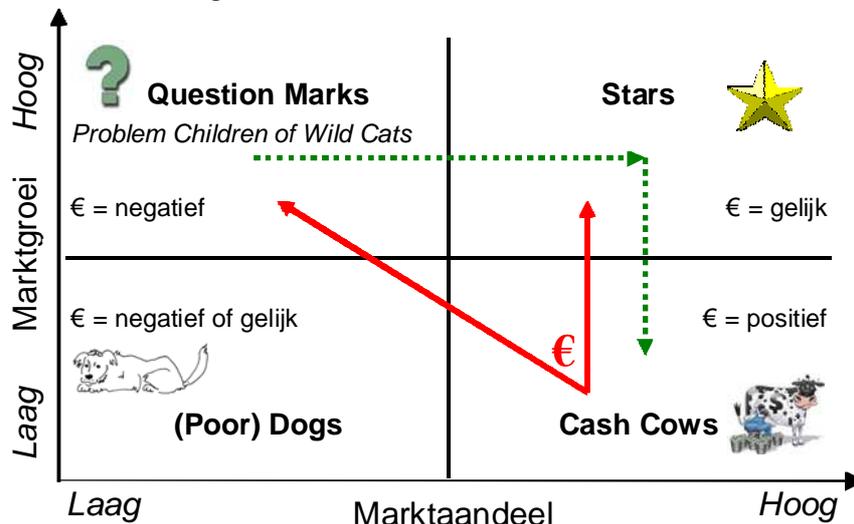
Market leadership in a non-growing market can be an excellent Option to realize good cash flow for many years. The attractive aspects of a Cash Cow are that you can 'milk' without too much investment. U are trying to create as much cash flow as possible. A problem develops if the market starts to decline. In this case you will require a new Cash Cow. Should you lose the relative market share the Cash Cow turns into a **Dog**.

- Large market share
- No growth
- High return on money
- The return on money is used to develop other Question Marks or Stars

### (Poor) Dogs

With this Option you need to ask yourself the question how long you should continue. As long as the activities are profitable you can continue them without investing. At the same time you are trying to get a larger market share to return the state to a Cash Cow. When the activities start losing money, it is time to stop. If you have made your strategy on time you will have other Options to follow up with. When your activities are all Dogs you are facing rough times ahead.

- Low market share
- Stagnant market
- Low return or costs money
- Not interesting for a company
- Divest / no longer invest



### Assignment: Chart your products and services in a BCG matrix

Create an overview of different product types. Divide the total sales in a percentage for each of these (the total should be 100%). Then plot these groups in a matrix of market share and market growth.

### 1.2.5 Competitive strategy

The American Michael Porter indicates three basic strategies that he calls competitive strategies. These are the strategies of cost leadership, differentiation and focus. An army of management gurus has occupied itself further with questions concerning strategy. Several general strategies are described. Within the framework of this document it is both impossible as well as unnecessary to describe all of these. A number of key points are described briefly with the aim of inspiring you. Those who are convinced of the merits will naturally start browsing the internet in the pursuit of the ideal strategy that will help develop their own company. Porter's strategies are important enough that we go into them below.

#### **Cost leadership**

This strategy means wanting to be the cheapest option for customers. In a market that is highly sensitive to price the winners are those companies that are able to execute their production process the most effectively. A company that does post-press finishing in the highly competitive market of magazines with large runs will try to achieve the production efficiency through advantages of scale and working in multiple shifts. When customers buy based on price the orders will go to the cost leader that leverages this effect to achieve the scale (growth) to remain the cheapest. Small companies can also utilize this strategy if they are clever. One such example is in air traffic where companies such as Easyjet (have) manage(d) to attack the dominant airline companies through highly efficient production methods. Cost leadership can therefore be used both in defensive strategies from market leaders and in aggressive strategies for smaller companies in order to attack. Cost leadership is **not** working below cost price. Offering below cost price is only possible in very specific cases and temporarily in order to achieve specific goals. Structurally offering below cost price is not an Option for a healthy company. For the graphic media industry, internet printers often use this strategy.

#### **Differentiation**

If you are unwilling or unable to work for the lowest price you can choose the strategy of differentiation. By choosing and delivering an added value it becomes possible to serve the customers that are willing to pay the higher price. Such added value can be creativity, knowledge of databases, extra services or better CRM. It is highly important that your customers are aware of the added value that you providing them with. This allows you to differentiate yourself from the cost leader.

#### **Focus**

The combination of cost leadership and differentiation is possible through the Focus strategy. In this case a specific market segment is chosen. In this way a printer may for instance specialize in working for advertising agencies. This creates so much expertise in dealing and servicing this type of customer that advertising agencies are happy to choose this printer for their work.

#### **Marketing strategies**

Another well-known division of marketing strategies, apparently continuing upon Porter, is the Treacy & Wiersema Value-Discipline Model. Their model has customer value as the departure point. They define three value disciplines:

##### Operational Excellence (Cost leadership)

This discipline is about cheap and efficient operation and offering the lower price to the customer. Efficiency is key and pervades all layers of the organization. The (diversity of) product offering will be limited.

##### Product Leadership (Delivering the highest quality)

This strategy aims at delivering the highest quality product to the customer. This may be the newest product, the most exclusive or the most innovative product. Innovation is key and this is also apparent in all layers of the organization. A Research & Development department is very likely to be present in the company.

Customer Intimacy (Customer partnership)

This strategy aims at achieving very close proximity to the customer. The customer is very well known and understood which makes it easy to discover and deliver (new) needs. Loyalty to the customer is a driving principle.

### 1.3 SWOT analysis

In this phase a SWOT analysis is performed to assess external (macro and meso) developments and internal (micro) strengths and weaknesses. This of course focuses on those aspects that are relevant to the company. The things that are relevant are determined by the business definition (identity).

#### 1.3.1 External analysis – opportunities and threats

##### **Macro-analysis**

For the macro-analysis it is important to identify Demographic, Economic, Political/legal, Ecological, Social/Cultural and Technological developments. ((DE) PEST analysis).

For the *demographical* developments the changes in the size and structure of the population are relevant. In the Netherlands the following changes are relevant: ageing population, decreased population growth, increasing level of education, increased number of foreigners, increased amount of 'single households', de-urbanisation and increased mobility.

For the *economic* factors the developments in purchasing power are relevant, such as distribution of income, exchange rates, business cycle changes, unemployment rates, income distribution policy and interest rate policies.

*Practical example:*

*The graphic media sector is rather sensitive to conjuncture when compared to sectors such as food (we all need to eat). When the economy is growing (high conjuncture) the graphic media profits strongly, when the economy is weak (low conjuncture) the graphic media sector feels a great deal of pain.*

With *ecological* factors we consider developments that impact nature and the environment. Resource scarceness creates opportunities for companies that are involved in the search for environmentally friendly and cheaper alternatives. Increasing water, ground and air pollution has led to recycling and a series of new environmentally friendly products and packaging materials.

*Political/legal factors* are all about the attitudes of national and international governments concerning commercial activities. This attitude can manifest in many different ways. Examples are the Wet Economische Mededinging (Law on Economic Competition), the Prijzenwet (Price law), environmental legislation, European anti-cartel laws, subsidies, taxation such as VAT and deductibles. The influence of trade unions and employer's organizations should also not be underestimated. The recent agreements that have been made to combat the financial crisis can also be considered a good example.

*Practical example:*

*A large number of cross-border fusions and mergers has happened within the European Union. In the graphic media sector this has happened as well which allow easier outsourcing of print jobs to other companies (in foreign countries as well).*

*Social/cultural* factors consider the changes in norms and values within a society or smaller groups within the society (subcultures). These changes express themselves through changing consumption patterns for clothing, hairstyles, music, food (healthy food trend).

*Technological factors* are about technological changes and renewals in several fields (electronics, biochemical industry, etc.) that lead to new product and production processes. Information technology is (still) in high gear, boosted by continued developments in microelectronics. The information technologies and especially the Internet are (still) a threat to traditional media.

*Practical example:*

*For several steps of the graphical process it is possible to identify developments that lead to threats and opportunities. In the preparation phase desktop publishing will continue to enable customers to execute the preparation themselves. The location that the preparation is performed has been made irrelevant by the newest broadband data connections. Preparation can be done in low-wage countries. In the production step of actual printing digital technologies are continuing to develop and reach quality levels similar to traditional printing. Also consider database publishing, 3D-printing and printed electronics.*

*Post-print finishing activities have also developed. Binding equipment can make catalogues where the machine can determine the quires that should be included or excluded (per customer).*

### **Meso-analysis**

The meso environment concerns the *participants* in the sector (customers, suppliers, intermediaries, competitors) and the so-called *audience groups or stakeholders* (shareholders, banks, media, local government, trade organizations, special interest organizations, employees).

*Audience groups* have a stake in the way the company works towards its goals. They have a degree of influence on the organization that can be positive or negative. One of these stakeholders is the (local) government that exerts significant influence on companies through legislation about company location and local pollution acts.

Participants in the sector

*Customers* can be divided in consumers and non-consumers (resellers, industrial customers, wholesalers, bulk users and non-profit organizations). Within these categories it is possible to identify subgroups of segments from which one or more target audiences can be selected. A number of significant variables is charted for these target audiences (sales, turnover, potential demand, competitors, etc.) and the development of these indicators is monitored.

*Suppliers* are also important to analyze; just as with customers it is possible that there are concentrations of power within that group that makes the companies that buy from these suppliers highly dependent on them. A possible response is co-opting the suppliers (buying them) or taking a significant position in those suppliers through shares. Neutralizing the increased power of suppliers can also be performed through co-operation within the own sector or merging with competing suppliers.

*Intermediaries* the go-betweens that help the production chain along (banks, advertising agencies, insurance agencies, realtors, transport companies, logistics and storage companies, etc.) but do not acquire ownership of the product or service (unlike importers, wholesalers and retailers).

*Competitors* will also have to be identified. This means that their policy must be made visible (especially marketing policy) and their strengths and weaknesses. A Strength/Weakness analysis is necessary in order to facilitate the (to be discussed later) internal (micro) analysis. Strengths/Weaknesses are relative terms after all. Money can only be spent once – this means that at the end of the story all suppliers are competing with each other. It is impossible to take all types of supplying competitors into consideration. It is therefore necessary to limit the scope, for instance by focusing on brand competition.

*Practical example:*

*The following subdivision can be made in this case: competition based on need (for instance the need for transportation), generic competition (for instance alternatives: airplane, automobile, motorcycle and bicycle), product competition (within the product group of the automobile: sedan, station wagon or sports car) and brand competition (for instance Ford vs. Toyota).*

Audience group / Stakeholders

The following list is not complete. We will deal with some of them that can have a structural influence on the image and policy and through that influence also change the company's result.

*Sector organizations:* For the graphic media sector this is the Royal KVGO, or INTERGRAF.

*Other interest groups,* such as the ANVR for travel, the ANWB for car owners and the consumers' union, unions and action groups. Greenpeace is (or used to be) a notorious example.

*The general public.* While there is no organized way of exerting influence it is still possible for the crowd to respond to media attention, which may arise from actions by action groups. This will make people respond and express their own experiences, which can cause an avalanche effect by subsequent publication in the press or attention from actuality columns.

*Employees* can through their attitudes and possibly through actions – strikes or cooperation with unions – influence the company's image and therefore the company result. This influence is sometimes also taken into consideration in internal analysis.

### 1.3.2 Internal analysis – strengths and weaknesses

#### **Micro analysis**

A Strength/Weakness analysis can take all aspects of the company into consideration, as noted previously. Porter has developed these aspects into an extensive checklist. We mention a number of them here: *Products* (reputation, assortment width and –depth), *Distribution* (number and quality of channels), *Quality of the management* (vision, stimulation), *Research and Development* (much or little research, creative investigations, patents, copyrights, etc.), *Production* (scale advantage yes or no, modern equipment, etc.), *Financial position* (much or little cash flow, capital position, etc.)

## 2. Marketing mix – 4 P's

We all know the 4 P's of marketing: Product, Price, place (distribution) and Promotion (communication). These are also called the marketing instruments. A marketing instrument can be considered a tool that can make the marketing plan happen.

The concept of four marketing instruments was devised by Philip Kotler. Some further P's were added later by other experts: Personnel, Packaging, Process and Presentation.

Marketing instruments can be played around with in order to achieve a certain effect. For instance, increasing the price may mean higher profits. Increasing the price will also lower the number of units sold, which decreases the profit. A higher price may be justified by adding a service to the product or by distributing the product more efficiently or by giving a good brand experience. A marketing manager will search for the price that brings the most profit. All marketing instruments interact with each other. The tuning of all the marketing instruments with each other is called the marketing mix. It is the complete collection of instruments which brings the marketing program to life.

As described in paragraph 1.1.3 and paragraph 1.1.3 the determination of the market segments is important prior to determining the marketing mix. This is why it is necessary to chart all the products and customers in an overview table. Actually segmenting products and customers is described in paragraph 3.2.1.

### 2.1 Product

The first part of the marketing mix is the product. In trade for the turnover you want to achieve, you deliver a product. This product consists of three parts:

- The physical product
- The expanded product
- The total product

#### **The physical product**

This is the product in the narrowest interpretation as you make it by order of your customer. It has physical properties that are predefined. The number of pages, images, texts in a certain font, paper type, number of colors, the way it is folded and stapled, etc. The product as-is generally offers you little chance to distinguish yourself in your marketing policy. Unless you have unique technology that allows you to create physical products that your competitors cannot make (at your price level). For instance a unique post-press technique or special way of altering images. It is also important that the graphic media company delivers exactly that physical product that the customer requires. The physical characteristics are determined by the customer – as graphic media company you exert little to no control on this.

#### **The expanded product**

When other elements of the marketing mix are added by your company we consider this to be the expanded product. In that case the physical properties are expanded with the extras you add. Numerous examples are possible. A post-press company can take of the internal distribution of the printed product for the final customer. Pre-press companies can offer consultancy services about design and IT. Allowing better credit through longer time before payment is an expansion of the product. If the expansions are important to the customer his willingness to pay a higher price will increase.

#### **The total product**

In addition to the properties that are already mentioned (physical and expanded) there are also properties that the customer experiences. It is the product as perceived by the customer. The total product is experienced differently by each customer. A customer has a perception of your quality, reliability and other properties of the product you manufacture. Clear agreements on quality, warranty and service can improve your customer's perception of an expansion of the total product. Building a brand images enhances this effect.

#### **Product properties and the graphic media industry**

In the section about strategic analysis you have learned that you can choose between price leadership and differentiation. The reality that the Dienstencentrum encounters is that graphic media companies that have a

conscious marketing policy often choose for differentiation. If you choose this route as well, you need a broad and total product. The expanded properties are required (beside the physical properties) to give you the differentiation you want to achieve.

*Practical example:*

*When tourists take a boat tour through the canals of Amsterdam, they always pass the Golden Horn. This is the area where the business banks are. Business banks service a small number of wealthy customers. As the post-war generation is often receiving dividends, these banks are doing well. One such bank is Banque de Provence. This bank acquires new customers through advertising. Those customers that respond then are sent a classy brochure, printed in full color and the two colors of the bank. Printing company PinStripe has been printing these brochures for the Banque de Provence for years. As the bank has limited storage facilities (their location is expensive), the printing company holds these brochures in stock for their customer. Through cooperation with the bank's call center PinStripe now mails these brochures directly to the bank's (potential) customers. Banque de Provence was only willing to do this once sufficient trust had grown in the careful performance of this process by the printing company. The Banque does not see the brochures that are sent but still wants certainty that those brochures look perfect. This is why PinStripe checks every outgoing brochure individually for blemishes or other defects. Banque de Provence has peace of mind.*

## 2.2 Price

The price policy and price strategy in graphic media companies proves to have a great impact on the final financial result. For most graphic media companies major investments needed for production equipment such as offset presses, digital printers and binding and sealing equipment. This means that profit is a result of a combination of margin on the order and the operational effectiveness and work load on the machines.

Companies that require less investment are less dependent on the machine but have higher dependence on the productivity of the employees. In pre-press and multimedia companies a current effect is that knowledge needs to be sold in the form of consulting hours. This means the sales price is determined in a different manner.

- Cost price plus margin method
- Competition focus method
- Market focus method

### **Cost price plus margin method**

This method determines the sale price for the graphic media company by taking the integral cost price and adding an acceptable margin. The integral cost price consist of the variable costs per order and the distribution of constant or fixed costs. The variable costs are easy to determine. These are the costs that are directly associated with the order. For example, the cost of materials. The effect of constant or indirect costs is determined by taking all the constant costs in the company and dividing them by the production hours. When it becomes possible to make more productive hours than budgeted this results in profits from increased machine load (more productive hours). The other profit results from margin on orders. To calculate the correct cost price a full distribution of costs is required. The Dienstencentrum offers advice in this area and can help implement the Graphic Media Cost Price System. The advantage of that method is that it results in a clear insight into costs. It also helps determine which production means have a high profitability. A disadvantage of the method is that it does not take into consideration market conditions or marketing goals.

### **The competition focus method**

When price is the only criterion and there are multiple suppliers the competition focus method is often used to determine sales price. An example can be found for agricultural products where the price is determined by auction. In this auction the cost price of the product plays no role at all. This means farmers have to sell below cost price for years whenever the supply is higher than the demand. The competition focused method is often disadvantageous for the seller. In this graphic media there is no transparency such as in an agricultural auction. Price is also not the only property that determines the desire to buy. Large buying companies still try to force a competition-focused method by creating tenders and making suppliers compete with each other. This is a buying strategy of the customer of the graphic media company.

### The market focus method

For the market focus method the integral cost price is determined and the sales price is used as marketing instrument. The choice of strategy depends on two factors. One is whether customers experience a reluctance to switch to a different supplier. A good relationship or access to essential elements such as images in a database are often considered barriers to making a switch to the competitor.

The presence of differentiation based on competitive advantage. If your company can distinguish itself from other companies this means a high degree of differentiation. With low differentiation companies can be compared much more easily (high transparency). This creates much price competition.

When these two variables are divided into quadrants, the following types of price strategies for the graphic media company exist.

		Differentiation	
		High	Low
Barrier to switching	High	<b>Reap</b>	<b>Differentiate</b>
	Low	<b>Penetrate</b>	<b>Maintain cost price</b>

#### *Reap*

If your customer experiences a high barrier to switch this means your offer is considered different from others. You can utilize the attractive 'reap' strategy. In this situation it is wise to sell at a high price. When the barriers decrease and your differentiation decreases it is important to gradually lower prices and try to introduce new barriers and differentiation opportunities.

#### *Penetrate*

This strategy can be used when there are options to differentiate. To sell to the customer a low price is offered intentionally. Then barriers for switching are introduced and the prices are gradually increased. This allows the Reap phase to begin.

#### *Differentiate*

For a customer where there is no special relationship and/or no distinguishing service the price can never be higher than that of the competitor plus the cost of switching to the client. The higher the barrier to switching the higher the sales price can be. Now you can try to introduce differentiation.

#### *Cost price*

When it is definitively impossible to create barriers to switching or options for differentiation you can sell at the integral cost price. To be effective in this segment you must have the best cost price. Never sell below cost price because this will never lead to profits in the long term.

## 2.3 Place

The P for place stands for the method of distribution. For the graphic media company it is important to know how the product, with all its expanded properties (total product) arrives at the customer. There are two strategies, each with advantages and disadvantages.

- Working through intermediate steps
- Direct delivery to the final customer

### **Working through intermediate steps**

Many graphic media companies work with intermediate links. Pre-press companies and finishing companies consider the print company to be an intermediate step in the production chain towards the customer. For print companies the advertising agencies but also internal purchasing departments can be considered intermediate steps. Working in this manner had two important effects for graphic media companies.

The number of contacts decreases. By working as the finishing company for for instance five print companies you can service dozens of customers. The finishing company does not need a large sales apparatus. The communication with the print companies is more efficient than it would have been if the company would have needed to communicate with each of the end customers. The final customer also needs less communication moments, making matters more effective for them as well.

An intermediate can open markets for you that you find hard to access alone. When a graphic media companies wishes to operate on a new market it may help to start the process through an intermediary. A foreign go-between that knows the market may help to get to know and export to that market.

#### **Direct delivery to the final customer**

In order to achieve a higher sales price it is necessary to delivery immediately to the final customer. This final customer will require more services and be willing to pay a premium price for this. U will have to be able to deliver this service. It will require more contact and the time per contact will increase. A larger and more expensive sales department will be required in order to work directly. These costs will have to be recouped.

#### **The channel conflict**

When you use both the intermediate steps and direct delivery it may lead to a channel conflict. The intermediate will not appreciate that you also operate directly for final customers. To avoid a channel conflict it is necessary to incorporate the distinction in which market segments there will or will not be direct delivery. A common channel conflict in the graphic media is the tension between working for a graphic designer and directly working for a final customer that also has dealings with this designer.

### **Adding value**

An intermediary can or cannot add value to the product. An advertising agency that arranges graphic design adds value to the product. A broker of printed material that only trades in the product does not add value and will try to take part of the margin of the graphic media company. It is important that graphic media companies – when possible - choose for those intermediates that add value themselves. This can prevent too much pressure on the margin.

## **2.4 Promotion**

You have determined your strategy and decided how you will use product, price and distribution as marketing instruments. The last marketing instrument, promotion is now used to communicate this plan to the target audiences. The execution of the promotion can be described in a communication plan.

The order in which the communication plan is made for a graphic media company can be divided in the following steps.

- Determining the target audience.
- Influencing the target audience.
- Personal sales

### **Determining the target audiences**

To collect addresses you can use several sources.

- Specialized address list companies. Here you can buy or rent addresses. When you purchase these the addresses are yours and you can use them multiple times. When you rent them, you can use them once. The addresses of respondents do belong to you.
- Collecting your own addresses, for instance through the internet or social media.
- Advertising in a magazine that is read by the target audience. Try to collect a response by creating easy access, for instance through providing a coupon for something nice. Or give potential customers the option to participate in a contest where they can win something.
- You can ask for addresses through your website. Realize that a prospect needs to make an effort to do this and therefore needs to deliver a payoff. Website visitors are more likely to leave their address if they can receive a newsletter from your company, can download a “whitepaper” or can participate in an action or campaign.

Of course, you need to be aware of the relevant legislation in your country concerning the use of addresses for mailings or other purposes.

### **Customer Relationship Management**

Addresses can best be kept in a database system that is suited to performing sales activities. This will allow you to store the response with the address and later reports of visits, etc. Such a system is called a Customer Relationship Management (CRM) system. Implementing a CRM system takes time and effort. When used properly you will have a rapid return on investment through the increased efficiency of your sales department. Commercial information is also available more quickly to your employees, which increases the customer orientation of your company.

### **Increasing the value of the addresses in the target audience**

In order to increase the value and be able to successfully use the addresses it is important to call all the addresses in the target audience before you undertake commercial action.

These questions are:

- Is the data correct?
- Is the company still active?
- Which people in the company decide about graphic media assignments?
- What is the size of the graphic media portfolio?
- What competitors are currently active?
- What are important criteria for graphic media jobs?

Extensive telephone work can also be distributed to a specialized call center. In that case you will need to ensure that the call center returns files that are compatible with your CRM system.

**Other sales channels**

Of course, there are more sales channels you can use to deliver your message. Examples range from different means through the internet (social media, forums, etc.), television, radio, mouth-to-mouth marketing, guerilla marketing, networking, etc. The difference between these channels and obtaining addresses is that you can measure the response and follow up on it in a more controlled and measured manner when you use specific addresses of known organizations.

## 3. LEAN Marketing

### 3.1 Marketing A3

Continuous improvement and problem solving are core elements of the Lean method. Lean utilizes multiple methods, including the use of A3's for project and policy definition. A3 is a technique that derives from Deming's quality improvement cycle. This cycle describes four activities that are relevant to all changes in organizations that together ensure better quality. The cyclical aspect ensures continuous attention for quality improvement. We further investigate Continuous improvement through Plan Do Check Act (PDCA) in paragraph 3.3.

The A3 report is the means to document a thought process. The clarity of structure of the document and its clear focus on the content allow the A3 an increased role in parts of the process, including progress reports, project proposals, management summaries and diverse reports/.

A3 thinking is a tool to help people express in concise and powerful style. Of course, the tool is as useful as the people that are using it. It is not only about drafting the A3, but about a different way of thinking, structured and thorough and a communication style that aims at hard data and key information. A3 thinking can be used throughout the entire company structure including marketing activities and the sales process.

#### 3.1.1 Marketing goals

Knowledge about marketing can easily be gathered through different means: books, classes, internet etc. This begs the conclusion that marketing is a generally and broadly focused topic, whereas specific marketing activities should be highly tailored to specific companies. As these activities are tied to the company it is important to define goals for marketing activities and to use these goals in formulating a plan of action.

A marketing goal is a target that the marketing efforts should achieve. Defining a marketing goal is not easy because it depends on many factors. Consider the type of company, the market it is currently active in, the competition and the growth or development phase the company is currently in.

The global goal that should be reached should be kept in mind. A starting company can be focused on achieving brand awareness and creating a public image. In later stages, increased sales or market share may be even more important.

Below follows a short list of marketing goals:

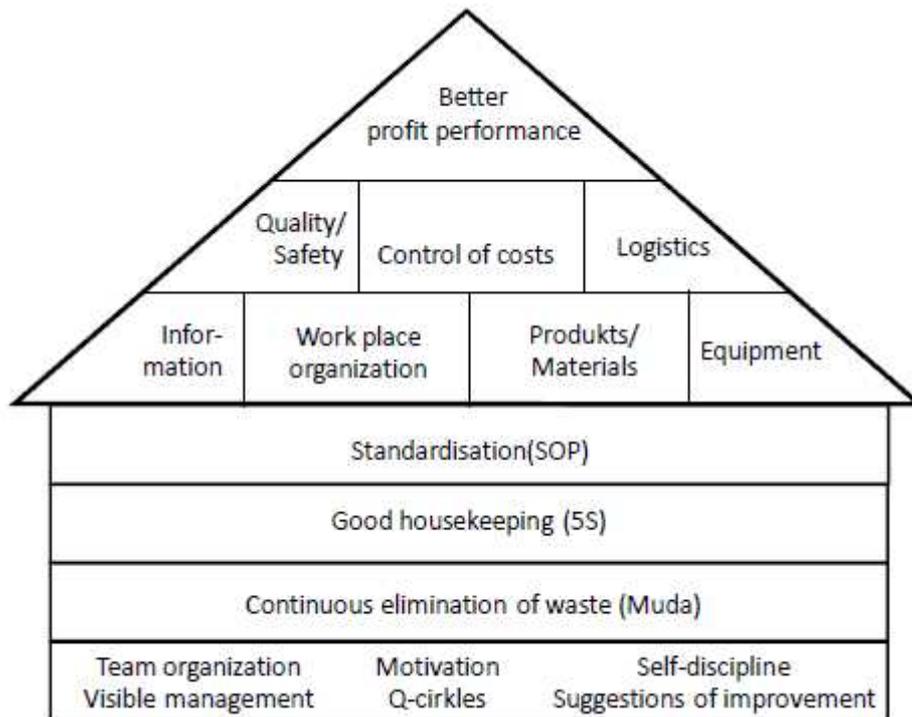
- Creating or expanding an image,
- Creating a coherent message,
- Improving the access of customers to the company,
- Exploiting the competitive advantage,
- Increasing distribution,
- Developing additional services,
- Increasing added value for customers,
- Creating brand awareness,
- Engaging and motivating employees.

Like every goal, the SMART principle applies – Specific, Measurable, Acceptable, Realistic, Timely.

When the global goals have been established it is possible to define sub-goals. These sub goals should lead to practical activities that a company can undertake and should be in line with the primary goal and the company's marketing policy. The next step is determining the deadlines for those goals and devising actions for these goals. In this manner the main goal (a vague description to most employees in the company) becomes a tangible and clear set of actions for all layers in the company.

Reaching a marketing goal will of course also have impact on other goals in the company. Increased brand awareness will lead to increased sales; marketing for specific customer groups may also be effective on associated groups of potential customers.

Many marketing activities have the goal of increasing brand awareness, but brand awareness is often not the real problem for a company. It may turn out that the problem is in fact a low number of returning customers or repeat orders: this indicates a problem with your product or service. The most important goal in that case should be improving the offering and not the brand awareness.



An element of the LEAN philosophy is the LEAN, or GEMBA house. It illustrates the required steps in order to grow and develop the profitability of a company. The author (Masaki Imai) uses the LEAN house to illustrate that you need to learn to crawl before you learn how to walk and that there are steps in a company's development that should be followed. Without a solid foundation the house will be shaky and every layer of the house is as important for stable growth.

### 3.1.2 Marketing improvements with A3

Writing a fully developed marketing plan is quite a task but bringing structure to the marketing activities remains very important. For many companies the effort is a reason to not start the process. The LEAN philosophy has developed a method to develop improvements called 'A3'. A3 can be used in many different ways because the content and steps are not rigid. To use an A3, the following steps should be used at a minimum:

- Fundamental background information. This information should provide an answer to the question 'why is this important and why do we want to change'.
- The current situation, describing the problem in detail. What is the starting situation that requires changing?
- The desired future situation, the measurable goals that should be achieved to consider the (sub)project successful.
- The underlying problem. Often a chain of problems is the cause which means that the source problem needs to be identified.
- Countermeasures. What alternative methods, or solutions, can be used (or tried) in order to solve the problem at the source.

- Implementation of the countermeasures. This means it is important to monitor the changes that have been made so that it can be determined as facts whether the new way of doing things meets the defined goals.
- Feedback on, and evaluation of, the improvement. Making the improvement a standard and systematic part of (daily) operations.

A3 is typical of the LEAN way of making improvements and has the most added value when it visualizes key elements (using graphs, charts, tables with factual data). By restricting all the required information to an A3 format the team (authors) is forced to stay specific and on-topic. If an A3 has too little space for a description this is an indication not that the problem is too hard, but that it is not understood sufficiently yet.

Winston Churchill: "When I need to give a 2 hour speech, I only require 10 minutes of preparation. When I need to give a 10 minute speech, I need to prepare for 2 hours."

LEAN - A3 MARKETING PLAN		Name: _____	
<b>Background</b>	<b>Plan</b>	<b>Check</b>	<b>Act</b>
<ul style="list-style-type: none"> <li>Why is this important?</li> <li>Why should the reader care about this situation and be motivated to participate in improving?</li> </ul>	<b>1</b>	<ul style="list-style-type: none"> <li>Proposed improvement(s) to address each candidate root cause.</li> <li>Predicted results for each improvement.</li> </ul>	<b>5</b>
<b>Current Condition</b>	<b>Plan</b>	<b>Check</b>	<b>Act</b>
<ul style="list-style-type: none"> <li>How is marketing currently conducted?</li> <li>What are the main marketing issues?</li> </ul>	<b>2</b>	<ul style="list-style-type: none"> <li>Actual result of each improvement (experiment).</li> <li>How does the system actually behave with the improvements that are being proposed for implementation in place?</li> </ul>	<b>6</b>
<b>Goal / Target Condition</b>	<b>Plan</b>	<b>Check</b>	<b>Act</b>
<ul style="list-style-type: none"> <li>What outcomes are expected for what reasons?</li> <li>What changes in metrics can be plausibly expected?</li> </ul>	<b>3</b>	<ul style="list-style-type: none"> <li>What have we learned that does or does not improve the situation?</li> <li>In the light of the learning, what should be done?</li> </ul>	<b>7</b>
<b>Root Cause Analysis</b>	<b>Plan</b>	<b>Check</b>	<b>Act</b>
<ul style="list-style-type: none"> <li>What is the root cause(s) of the marketing problem?</li> <li>Use a simple problem analysis tool to show cause-and-effect relationships. (e.g., 5 why's, fishbone diagram, cause-effect network)</li> </ul>	<b>4</b>	<ul style="list-style-type: none"> <li>What other parts of the organization need to be informed of this result?</li> <li>How will this be operationalized and communicated?</li> </ul>	



**Assignment:**  
From the marketing and sales departments, determine a common problem and use the A3 method to develop an improvement for the organisation.

### 3.2 Sales Process

Marketing has multiple facets. Besides the tradition topics such as image, brand awareness and commercials it is also important that a company's sales efforts are a part of the LEAN Marketing. The 'Lean' in Lean Marketing means that the developed free capacity in the company (from applying Lean principles to other areas, such as Manufacturing) is sold, but also LEANing the sales process. Lean Manufacturing focuses on the sales process; Lean Marketing takes the principles a step further inside the sales process.

Just as in LEAN Manufacturing it is important to map the process steps and value stream. If the current situation is not (sufficiently) known it is impossible to improve towards a new situation. In this paragraph we describe the sales process and take it apart into several component steps. To these steps we assign a value as understood by the LEAN philosophy. Finally, we use a LEAN method called SIPOC to make an improvement.

#### 3.2.1 Customer groups and customer needs

Almost every company has a wide range of products and customers. Every product has its own purpose and every customer has his own needs. As this interaction is a complex thing to communicate it becomes important to segment customers and products into groups. When this is done it becomes possible to define a sales process for every product/market combination (PMC). A purchaser for a large organization has a different goal when buying stationery than the marketing manager of dynamic company. In order to meet the needs of every customer group without having to reinvent the wheel for every customer it is important to define the PMCs.

Creating the PMCs can be done in a simple and global manner but can also be done in detail. As this should incorporate LEAN the development should fit the organization and add value to the organization and the customer.

An overview should be made of all types of products and services. This overview uses the same information as the BCG (Boston Consultancy Group) matrix.

1. Every product group should have a short description that makes it clear what the product group is about and consists of.
2. It is good practice to link these product groups to product groups in the management information system so that it is easy to generate relevant data in the future that can be used for marketing actions.
3. Segmentation of customers. Just as product groups need to be describes, it is required that an overview is developed of different types of customers. This can be based on type of industry, B2B or consumer market, on need (price vs. service), etc. These customer groups should fit the company and have clear specifications.
4. Every customer group should have short description that makes it clear to everyone in what group any customer should fit.
5. Customer and product groups can be plotted in a matrix that allows an indication of which clients use which types of products. This also makes the most important PMCs for the company clearly visible. It also indicates potential growth areas.
6. For every PMC it is then possible to document the factors determining success. Why and when is a PMC (un)successful and what are the competitive advantages / unique selling points with regard to the competition.
7. The needs must be described per PMC. What are the customer needs, why is this customer group ordering these products and/or services and what is the overall goal of the product or service. It is important to develop the PMCs into factual information with clearly defined goals.



**Assignment: segmenting customers, markets and needs**

**Deliverable: Matrix with PMCs including the conclusions of currently succesful PMCs, insufficiently developed PMCs and possible growth areas. Where does a company want to develop to?**

### 3.2.2 SIPOC and CIPIS

To improve a sales process and apply LEAN to it the first step is to map the processes and separate them into specific processes by department in the company. To map these department processes several tools are available. SIPOC is one of these tools. It examines Supplier, Input, Process, Output, Customer. This method creates a clear picture of the working process from start to end.

- Supplier: Suppliers are systems, people, organizations or other sources of materials, information or other substances that the process consumes or transforms.
- Input: Inputs are those materials, information and other substances that are supplied by the suppliers and that are consumed or transformed by the process.
- Process: the process is a series of actions and activities that transforms the input to the output.
- Output: The output is those products and services that the process produces and the customers uses.
- Customer: Customers are the people, groups, companies, systems and follow-up processes that receive the process output.

The LEAN philosophy is based on customer needs and customer value, which means that in LEAN Marketing the original SIPOC method is used from the perspective of customer value. This is why CIPIS is used instead of SIPOC.

- A Customer has specific needs that the process needs to achieve
- Inputs are required to meet customer needs,
- The Process adds value for the customer so that the customer wishes to pay for it,
- Inputs are needed for the process in order to have the right materials at the right time,
- The Supplier is the one able to create the required flow based on previous steps.

A CIPIS can be used for several purposes. A complete CIPIS helps answer the following questions:

- What are the start and end of the process?
- What are the 3-5 main processes in the company?

- What are the primary inputs and outputs of the different process steps in the process?
- Who are the most important customers or stakeholders?
- Who are the most important suppliers (or stakeholders that supply)?
- What requirements do the customers or consuming stakeholders have?
- What requirements do the suppliers, or supplying stakeholders, have?

Creating a CIPIS consist of 7 steps. These are:

1. Identify the process that is examined.  
Give the process a name and clearly determine the starting and end point of the process. Transform this process into 3 to 5 process steps.
2. Identify the (most important) output and customers.  
For every process step determine the output and customers that are involved.  
Identify the demands and requirements of all the output (from a customer perspective).  
Check the actual output of every step and look at it from a customer point of view: determine requirements that exist for that output.
3. Identify the (most important) inputs and suppliers  
For every process step and every identified output and customer determine the input and suppliers that are required.
4. Identify the specifications for each input  
For every input check the requirements and demands that the input should satisfy. Pay attention to both the supplier's requirements and demands but also those of the person / department that needs the input.
5. Identify the KPI's (Key performance indicators, Critical-to-Quality (CTQ) elements).  
Determine the KPIs or CTQ elements for the entire process.
6. Finish CIPIS  
Review al input and verify whether the most important subjects are described. Adjust the CIPIS further if necessary in order to achieve a consistent and coherent final result.
7. Follow-up actions. My CIPIS is done, now what?  
Option 1: Use CIPIS for determining work instructions or procedures.  
Option 2: Use CIPIS for identifying stakeholders in order to execute a Voice of Customer.  
Option 3: Use CIPIS for developing improvement projects (Lean Six Sigma initiatives).  
Option 4: Use CIPIS for determining metrics that can monitor the process (Input Metrics, Process Metrics, Output Metrics)



**Assignment:**

Define the value stream of the sales process by making a CIPIS. When doing this, make the customer the starting point and ensure that his needs are met. Use the earlier-defined PMCs where the needs have already been documented for every PMC

The CIPIS template:

A CIPIS consists of roughly 8 process steps. If you have significantly fewer, your description is at too high a level. If you have many more, your description of the process is too detailed.

Who is the client of the Process?	What does the Customer want to receive?	What process steps are taken?	What input is required to realize this?	What supplier can deliver these inputs?
Customer (who)	Input (what)	Process (what)	Input (what)	Supplier (who)

### 3.2.3 Waste during the sales process

The goal of Lean is to increase the speed of the process through minimization of waste. Lean is a matter of increased awareness that in the end allows a company to lower costs and production time, especially for those parts of the company that normally receive little attention. The production time is the time required from order to delivery to the customer. The process preceding production is sales. The reduction of waste is just as important for the sales process as it is for manufacturing – the importance of knowing customer value and paying close attention to it is naturally also highly important. Lean identifies 7 basic types of waste that are used in a production environment in order to improve performance. These 7 types can also be applied to the sales process.

#### 1. Waste through overproduction

This waste type entails that the company is trying to add more (or deliver more) value than the client demands. This waste is focuses on for instance the extra production that is created during the printing step, which also means that every process down the line perform more production work to process these (internally delivered) amounts. An example from the sales process can be any added value that is sold to the client that does not meet his primary needs. Overproduction also occurs when the customer mistakenly orders too much product. The direct customer does pay for this production but attaches no value to it nor does it contribute to the product's goal. Carefully determining the product's goal and the requirement amounts to meet this goal are important considerations.

#### 2. Waste through waiting

Every delay between the end of a step and the start of a new step is a waste. As an example for the sales process this can mean the waiting time between a concept proposal and a proposal that has been validated by a company's management. The waiting time between received the approved (signed) proposal and actually starting the value-adding steps of production can be seen as waste.

#### 3. Waste through transport

The unnecessary moving of material, products or information. Every moment of transport takes time and Lean aims to eliminate this effect. Especially paper can move through the whole company several times and wait at multiple locations while easier routes and methods are possible. This type of waste is difficult to identify in a sales environment – this does not mean that it is not important.

#### 4. Waste during the process / overprocessing

The process should be smooth and flow should exist. In order to create flow it is important to eliminate the unnecessary types of waste. These types of waste are often hard to quantify as they consist of small bits of waste with a large impact on the total process. As an example from the sales process, consider the complexity of maintaining a management information system or superfluous steps such as repeatedly sending a confirmation of order because the order data needs to be changed. Another example is defining suggestions for improvements (or dealing with customer complaints) for the process that consume time but are not followed up.

5. Waste through (intermediate) inventory

All the work that is somewhere in-process, but not currently being transformed, leads to an increase in cost due to longer waiting times, longer production times and possibly not meeting customer demand. The capital that is tied up in the inventory is not active, furthermore the stacks of inventory may cause more waste, for instance degradation of material quality or creating unnecessary transport.

6. Waste through unnecessary movement.

This waste happens when someone moves more than is strictly required. As such it is hard to define in the sales process. One way of signaling this subtle type of waste is continuous switching between computer domains or similar interfaces. Solutions range from moving desks to using software in order to execute tasks offline. The hand-over of a customer request from external sales (request proposal) to a calculator (determining price) to creation of the proposal (internal sales) can create an enormous waste due to unnecessary discussions and exchange of information with a big risk that a customer's core needs are actually unsatisfied.

7. Waste through defects / errors

Every part of the service that does not need the customer's needs. A defect or error is usually discovered further down the line by an employee that has to try to fulfill the service or return it to the point where the error occurred. The direct out-of-pocket costs of an error in the sales process is often small, but the opportunity cost of losing the customer to a competitor is much larger.

LEAN Marketing is less concerned with the actual description of the 7 wastes, but more concerned with the awareness that waste can also exist as early as the sales process. The primary wastes are meeting customer demand insufficiently, inefficient approach of customer groups and client families with different needs and finally the communication that transforms the clients' needs to actual products and services from the company.



**Assignment:**

Evaluate the sales process with the 7 types of waste in mind.

**Deliverable:** a table containing all the wastes and the performance of a brainstorm session that provides input on the actually occurring types of waste.

### 3.3 Kaizen and Plan-Do-Check-Act

In LEAN, Kaizen is the name for continuous improvement. The Japanese words 'Kai zen' actually mean continuous improvement. Kaizen can be used at all levels of a company and is aimed at continually improving the products, services and methods of a company. As in all Lean methods, the customer is placed at the heart of determining relevant improvements. The customer's needs can be split into three core areas: the quality of the product or service, the delivery time and the associated cost. In paragraph 3.2.1. The customer groups and the customer needs were already segmented in PMCs and possible areas of growth.

#### 3.3.1 Kaizen (Kaizen)

From the point of view of Kaizen determining the customer groups and needs are the first step. If the customer group has an opinion on budgets the approach will be different from a group focusing on quality. This also determines the properties of the product, especially when quality demands are involved.

A highly skilled professional will always want to deliver more than 100% quality. As quality is something subjective to the customer, there will be a difference between the customer's perception of quality and the professional's perception. This means it is important to weigh customer demands and compare them with internal demand. A specific customer segment may only require 70% quality. Following cost and quality we also find the delivery time of the product



or service. What are the customer's needs? These range from delivery on the specified date and time on the specified location or a variable date where the product can be delivered at some front desk. As customers may be different people within the same company it is also important to identify these and their (differing) needs.

- Someone places the order. This may be someone from the purchasing department or a random employee from a group of employees that are all allowed to place an order.
- Someone determines whether certain (types of purchases) are actually allowed or investment can be made. This person has a bigger scope than the direct goal of a means of communication, examples are marketing managers or commercial directors.
- Someone receives and pays the bill (hopefully on time). This may be someone working in the (financial) administration department.

All three customers have different needs and requirements for their suppliers of printed matter or other communication channels.

### 3.3.2 PDCA-cycle

The PDCA cycle is a control loop for the continuous improvement of a process; it consists of Plan Do Check Act. The way it is used and maintained proves to be essential for improving an organization's performance. Many systems and models use the PDCA cycle – LEAN is one of them. Many organizations struggle with the practical implementation and maintaining the PDCA Cycle in the organization.

The four activities are:

#### Plan

In the Plan phase a plan is drafted that includes the required results. It takes into consideration the environmental factors and requirements that have been placed upon the process. Every result is defined precisely based on goals or standards. The way these goals are measured through KPIs is one of the things that must be established in this phase.

- Are the goals SMART? (Specific, Measurable, Acceptable, Realistic, Timely)?
- Are sufficient means available (money, education)?

#### Do

In the Do phase all the planned activities take place. The KPIs are continuously monitored and reflect practical data. The Plan phase is the guideline for the actions that may happen in the Do phase.

- How are measurements performed? (registering facts and the measurements, the collection of relevant data).

#### Check

In the Check phase the planned results are compared to the actual results. The data are evaluated and possible causes of mismatches are determined.

- Have the goals been reached (within requirements such as time, money, quality)?
- Are areas of improvement sufficiently monitored and re-examined?
- Is the information complete, timely, reliable and based on facts?

#### Act - Re-act

The Act phase can be divided in a re-act and a pro-act phase. It may happen that the achieved progress leads to adjustments that are required to reach the original goals.

- Decisions to adjust are based on the pre-determined goal and the actual reality.
- The pro-act phase is used to draft new goals in order to start planning new improvements.

