

# MEMORANDUM

**From:** Barbara Williams VP Marketing

**To:** Executive Committee

**Subject: Market Comments**

Below are notes on market issues. If you need further comments please ask.

## **The Offering**

Technologically the offerings in the B2B and B2C markets are almost identical. The B2B and B2C markets are linked in that many of our B2C sales are funded by employers. This is because the consumer version needs to connect to internal systems. Any growth or fall in either market tends to be reflected in the other making the markets move more or less together.

## **Market Size and Growth**

The current combined market is approximately \$5billion. Both markets are mature and are expected to grow at 5% per period for the next 5 periods.

## **Competition**

The market has 5 competitors including ourselves. Each competitor holds 20% of the market and to the best of our research is internally structured the same way as us basing their planning assumptions on the same criteria as we do.

## **Customer Weightings of Functions**

As of our most recent research, customers value the following when making their purchase decisions:

- Brand as Advertised 25%
- Distribution effectiveness (availability) 25%
- Quality of warranty and product support 20%
- Manufacturing quality 10%
- Product functionality and reliability 20%

## **Social media versus traditional advertising**

XYZ has relied on mass advertising for years and taken little notice of social media. The argument has been that mass consumer advertising influences employees and they in turn influence the employer who typically subsidizes the purchase. With the arrival of social media,

we should consider adjusting our mix away from mass advertising. The reality is that there is greater targeting accuracy using social media and the greater ability to engage the customer. Though the research is limited, it is estimated that we could reduce our advertising budget by 4 dollars for every dollar we spend on social media. Our current social media expenditure (accounted for under the Sales line item) is largely start-up expenses. If we decide to move to more social media we will require upgrading our skills and technology.

### **Possible Disruption of the Market**

There are always rumours of new entrants or a breakthrough offering, however, as of today there is no sign of disruptive activity in the high functionality markets we serve. Our offerings are technically sound, digital, and reliable. We do not envisage a line of attack for a new player.