

# External factors and forces affecting the market marketing essay



In today's world where time is of essence and mobility is indispensable. Smartphone or tablet users do feel the need to project and share their work on the go, be it pictures, videos, presentations, watch movies or play games on a larger screen but are often constrained due to bulky and wired projectors and at times incompatibility with all smartphones and tablets. SMART Project is just the answer to this.

SMART Berhad, is a newly formed IT company which manufactures SMART, Intelligent and compact IT products for its customers. SMART Berhad is owned by the Malaysian Multi National Company, MAXIS Communications Berhad, which is also the leading communications provider in Malaysia.

SMART takes pride in introducing the first 'All in one' portable projector that can also be connected to 'All' smartphones and tablets by establishing a Bluetooth connection.

The SMART Project will be available in the market with a wide range of colors and for all genders. A price tag of RM300 (for the basic version) and RM500 for the high end version (for professional usage) does give SMART Project the competitive edge over its rivals

Profitability

Future prospects:

Smart phone users in Malaysia which is currently 22% is set to increase to 75% by 2016

Tablet industry in Malaysia showed a record growth of 87% in 2012

Global projector market which was \$ 0. 49 billion in 2011 is expected to grow at an Annual Compound Growth Rate of 75% as projected till 2016. Which will reach to \$8. 12 billion in the year 2016.

Age division of Smartphone and Tablet users shows that maximum users for these devices are in the age range of 15-45years which is the targeted market for SMART Project.

Taking into consideration the above booming factors in the local as well as International market, sales of SMART Project is expected to grow at a rapid pace. This growth will be profitable to the company in generating more revenues for expanding the business locally and later penetrate into the International market.

#### Risk

SMART Berhad being a newly set up company will require a high capital for marketing the product and placing it into the minds of potential buyers. The company is expected to face teething problems which in general any startup companies would.

Future economic slowdown that would hit hard on the IT industry would also decline the sales of smartphones and tablets which will indirectly affect the sales of the SMART Project.

Product will be competing with other existing products.

New companies incorporating similar features in future which will penetrate into the local market.

## Key elements of success

Substantial increase in smartphone and tablet users in Malaysia and growing global demand for pico (hand carried compact) projectors.

SMART Berhad is owned by MAXIS Communications Berhad which is Malaysia's leading communications provider.

MAXIS carries a strong brand name.

Parent company possesses knowledge of the local market and experienced sales team.

Favorable access to distribution networks through MAXIS.

Can use similar distribution channel as parent company and use the MAXIS advertising to its advantage.

Compatible with all smartphones, android, ios devices.

Light in weight and small to fit into pocket.

Cheapest pico projector in local market.

Wirelessly connect to all smartphones and tablets.

Experience of carrying your own personal Mini Theater on the go.

Forecast increase in smartphone and tablet users in Malaysia and global increase in pico projector sales.

## **2. 0 Situation analysis**

### **2. 1 External Factors and Forces Affecting the Market**

The scan of the external macro-environment in which the firm operates and is expressed in the terms of the following factors:

Political

Economical

Social

Technological

Political Factors - include government regulations and legal issues and rules under which the firm must operate. These include.

Tax Policy: As stated in Asistrade hub, all income of companies derived from Malaysia are liable to tax.

Apart from income tax there are other taxes, such as property gains tax, indirect taxes like service tax, sales tax, excise duty, import duty etc.

According to the Official Assessment System Income tax is assessed on the income in the preceding year.

A tax rate of 28% is applicable to resident as well as nonresident companies.

Sources of income that are liable to tax and that would affect the company directly or indirectly are:

Gains and profits that arise from the business

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Employee salaries, gains, profits etc

Dividends gained, interests on dividends etc

Rents, Pensions and other profits of an income nature.

The above mentioned factors have been taken into consideration as it would  
would affect the Net earning capacity of the company.

Source: <http://www.asiatradehub.com/malaysia/tax1.asp>

Employment Laws – As per Malaysian Employment Act 1955 (Act 265) as  
stated in ILO. These laws are considered prior employment which includes  
but not limited to:

Probation

Entitlement of leaves

Rest day

Hours of work per day

Overtime

Public holidays

Termination of services

Other factors that are to be considered over and above are the

Environmental Regulations

Trade restrictions, tariffs

Political Stability

Source: [http://www.ilo.](http://www.ilo.org/dyn/natlex/docs/WEBTEXT/48055/66265/E55mys01.htm)

[org/dyn/natlex/docs/WEBTEXT/48055/66265/E55mys01. htm](http://www.ilo.org/dyn/natlex/docs/WEBTEXT/48055/66265/E55mys01.htm)

Economic Factors – These affect the customer’s purchasing power and the company’s cost of capital. They affect the customer needs and also the size of the potential markets.

Economic growth – Which is the steady growth in the productive capacity of the economy that directly affects the growth of the organization. Economic growth directly relates industry and purchasing power of people and organization increases and vice versa.

The economic growth affects the purchasing power of customers and has been taken into account. Product launch is planned when the Malaysian economic growth is forecasted up hill.

Figure 1 in Appendix 1 shows the chart of the GDP growth in Malaysia.

Other factors that relate to the Economic Factors and considered in the Marketing plan are interest and exchange rates, inflation rates.

Social Factors – They are the cultural aspects of the external macro environment. They affect customer needs and potential market size. Below are a few of these factors

Population growth: The population growth is one of the major factors that has been considered in the Marketing Plan. A growth in population means more potential buyers and more needs from the market and vice versa.

As can be seen from Figure 2 in Appendix 1, the population in Malaysia is growing at a steady pace which means more needs from the consumers and more opportunities for the organization to meet those needs.

Other important factor is the Age distribution - SMART Project market is targeted as per the country's age distribution which in turn provides more opportunities for the sales of the product. Refer to figure 3 in Appendix 1.

Technological Factors - As technology changes constantly, business must also change in order to keep up to the current expectations and requirements from customers. This will require some products to be rejuvenated and new products to be launched. The technological factors affect the market in three ways.

Production

Workers

Marketing

These factors have positive and negative impacts in the market and which are also considered in preparing the Market Plan



## **2. 2 Organization Profile**

### **2. 2. 1 Background history**

SMART Berhad is a newly set up company that manufactures Intelligent, Smart and compact IT products. SMART aims in solving common problems most gadget users face due to lack of compatibility, mobility and connectivity. SMART Berhad is owned by Maxis Communications Berhad which is a mobile network operator with approximately 13. 8 million subscribers, of which revenue generating subscription base of 12. 7 million. Maxis is the leading communications provider in Malaysia.

Source: [http://maxis.com.my/personal/about\\_us/investor/financial/Press%20Release%202.pdf](http://maxis.com.my/personal/about_us/investor/financial/Press%20Release%202.pdf)

Maxis Background:

Type - Public Listed

Traded as MYX: 6012

Industry - Telecommunications

Founded - 1993

Headquarters - At Maxis Tower, Kuala Lumpur, Malaysia

Area served - Asia

Key people - Sandip Das, (CEO)

Revenue - 9. 0 billion MYR (2011)

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Parent - Usaha Tegas Sdn Bhd

Subsidiaries - Aircel

Products and services - Maxis provides variety of cellular communications products & services. Maxis also provides the following services for prepaid and post paid plans, Broadband Internet plans, 3G services, VSat services.

Maxis is the founder of Malaysia's first NFC (Near Field Communication) service called FastTap which integrates Touch' n Go and Visa Wave from Maybank.

Source: [http://en.wikipedia.org/wiki/Maxis\\_Communications](http://en.wikipedia.org/wiki/Maxis_Communications)

Below is the planned organization chart of SMART Berhad

## **Board of Directors**

**From Maxis Communications Berhad**

**CEO**

**From Maxis**

**Operations**

**New from SMART**

**Marketing**

**New from SMART**

**Administration**

**From Maxis**

**Production**

**New from SMART**

**Sales**

**New from SMART**

**Finance**

**From Maxis**

**Advertising**

**New from SMART**

**Customer Service**

**New from SMART**

**HR**

**From Maxis**

## **System and subsystems are found within the business activities**

**Accounting**

**Payroll**

**Collections**

**Hiring**

**Training**

**Manufacturing**

**Inventory Mgmt**

**Quality Control**

**Purchasing**

**Maintenance**

**Lead Generation**

**Lead Conversion**

**Sales Presentation**

**Product Testing**

**Pricing**

The above tabulations shows that since SMART Berhad is a newly setup company and is owned my Maxis berhad. Many of the key indicators including the Board of Directors, CEO, Admin, Finance and HR will be handled by Maxis.

SMART will also occupy the office space in the currently existing Maxis Tower, which also eliminates the monthly recurring cost such as lease etc.

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In this was SMART will be able to increase the productivity, concentrate on Sales and will be able to Break even at an earlier stage.

## **2. 3 Industry / Market Analysis**

### **2. 3. 1 Marketing definition**

As Karunakaran (2008, p. 1), states, that the current market in the extremely competitive economy is no longer the producers but the buyer's market.

Buyers can make or break a company. Customers who were initially treated like Kings are now being treated as Gods.

According to Karunakaran (2008, p. 3) In order for a company to succeed in the present competitive scenario, they have to be totally customer oriented and should ' think customer', ' smell customer', live for customer' and ' build customer relations'.

### **2. 3. 2 Main market segments and their size**

Market segmentation is the initial step in the marketing strategy. Second step is target marketing, which is done by evaluating each markets segments attractiveness and there by selecting once or more segments to enter. Precise marketing mix must be decided in order to attain this, the factors being product, price, place and promotional appeal for each segment. The third and final step is the market positioning, which places the product at a well-defined place as compared to its contenders and into the minds of target customers. (Karunakaran, p. 39)

Considering the above, the market segments that compliment the SMART Projector are mainly the Smartphone and Tablet users who operate either on Android or ios platforms.

The SMART Project is designed for the above mentioned users and the increase in sales of these devices will in turn open up more opportunities for the SMART Project market.

The market is segmented by identifying and splitting it down by predetermined criteria into meaningful buyer groups so that the product may satisfy the needs of a particular group(s). Using this principle, the SMART Project market is segmented into all smartphone and tablet users, including but not limited to home users, students, corporate users and sales personnel.

As per indexmundi, 17. 2% of the Malaysian population is aged between 15-24 years and 41. 2% are ranged between 25-54 years. Considering this the targeted population in Malaysia for SMART Project are males and females in the age group of 15-50 years

Source: [http://www.indexmundi.com/malaysia/age\\_structure.html](http://www.indexmundi.com/malaysia/age_structure.html)

For SMART Project, the above market segmentation is measurable, identifiable, acceptable, substantiated and meaningful to the business, sustainable and viable.

Home users are classified as ' light users' as most of them have unrestricted access to either televisions, DVD players, gaming devices, connecting cables

and other accessories that would does not restrict them from viewing on a larger screen..

Students are classified as ' heavy users' as majority of them are tech savvy and would want to avail the features of portable projection, be it for gaming, watching videos, images, conducting a group discussion or surfing the net and video chatting. They can also enjoy watching Movies on a larger screen by having their own personal, portable theater on the go.

Corporate users are classified as " Medium to Heavy". Most companies would have a projection room, where the slides and work could be projected.

However the meeting rooms are limited and would require to be booked in advance. The SMART Project could be a quick alternative solution to the above limitation. The projection could be projected at any convenient location or substitute rooms that do not avail the fixed projection facility.

Moreover the SMART Project being able to wirelessly connect to the device, the user is mobile in his operation up to a range of 10 meters.

Sales personnel are classified as " High users" as often they would want to present their works to clients, which if informed on a short notice would not allow the projector enabled meeting rooms to be booked in advance.

Moreover the sales personnel can avail this facility of displaying their work at any other convenient location on the go.

## **Smartphone market in Malaysia**

Figures 4 and 4a in Appendix 1 shows the following

Current and projected Smartphones growth in Malaysia

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Smartphones subscribers market in Q4 2012

## **Tablet market in Malaysia**

As per Adiomagazine, the Malaysian tablet industry showed a record growth of 87% in 2012, with approximately 823, 000 units being sold i. e. 384, 000 units more than the previous year.

Growth of the Tablet industry reached US\$ 415 million, the main contributing factor that compelled customers was a price slash which increased the affordability of the tablets.

Number of tablet brands also grew from 18 in 2011 to 35 in 2012.

Source: <http://adoimagazine.com/index.php/news/1-breaking-news/8916-tablet-industry-marked-milestone-growth-in-2012>

Advertised in The Malay mail and as in Figure 5, the tablet penetration for Malaysia is second highest in the region behind Singapore. Owing to the increased in interest of customers the tablet penetration in Malaysia was expected to triple by the end of 2012 and further increase in 2013.

The above factors show the potential of SMART Project in the Malaysian market.

## **Global Pico projector market**

As per Market Research, the global pico projector market produces revenues of around \$0. 49 billion in 2011. This figure is expected to grow at an Annual Compound Growth Rate of 75% as projected till 2016. This market is expected to reach to \$8. 12 billion in the year 2016. Research expects that

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the increased use of embedded products in devices like smartphones, tablets, digital cameras, gaming stations etc and the miniaturization of high end projectors for professional use will lead to a higher revenue growth.

This means that once the product is successful in Malaysia it would be taken to the International Market. The product when being taken into the International market would require rejuvenation as per the demand and trend of the International Market. Also the pricing strategy will be considered, taking into account the competitors in that region, the average income of people, needs of customers and the advertising required to launch the product on an International platform.

Source: [http://www. marketresearch. com/GBI-Research-v3759/Pico-Projectors-Application-Portable-Devices-7025812/](http://www.marketresearch.com/GBI-Research-v3759/Pico-Projectors-Application-Portable-Devices-7025812/)

### **2. 3. 3 Global competitors and Competitive forces**

Below table shows the price comparison and features of the SMART Project to that of its top competitors

Company

Brookstone

Aiptek

General Imaging

Acer

3M

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SMART Project

SMART Project

Product Name

HDMI pocket projector

Mobile Cinema i20 plus

ipico

C120

Streaming Projector

SP-B

B-basic

SP-A

A-advance

Price

RM 927

RM 388

RM 403

RM 778

RM 837

RM 300

RM 500

Dimensions weight / size

0. 2kg

2x10x10

0. 1kg

2x5x6

0. 1kg

0. 2kg

3x12x8

0. 3kg

5x11x11

0. 1kg

2x4x7

0. 3kg

4x12x12

## Compatibility

Digital input

HDMI

X

X

X

HDMI

HDMI

HDMI

Standard video

âˆš

X

X

X

âˆš

âˆš

âˆš

Personal computers

âˆš

X

X

âˆš

âˆš

âˆš

âˆš

### **Light Source**

Type

LED

LED

LED

LED

LED

LED

LED

Life

20000hrs

20000hrs

20000hrs

20000hrs

20000hrs

15000hrs

20000hrs

## **Display**

Native Resolution

854×480

960×540

960×540

854×480

854×480

854×480

960×540

Aspect Ratio

16: 9

WGVA

16: 9

WGVA

16: 9

WGVA

16: 9

WGVA

16: 9

WGVA

16: 9

WGVA

16: 9

WGVA

## **Std. Lens**

Focus: Manual

âˆš

âˆš

âˆš

âˆš

âˆš

âˆš

âˆš

Zoom

X

X

X

X

X

X

âˆš

## Special features

USB port



âˆš

âˆš

âˆš

âˆš

âˆš

âˆš

âˆš

Bluetooth Connectivity

X

X

X

X

X

âˆš

âˆš

SD Card

X

X

X

X

X

X

**âˆš**

Speakers

**âˆš**

X

X

X

**âˆš**

X

**âˆš**

Color range

X

X

X

X

X

âˆš

âˆš

Compatibility with smartphones and tablets

Requires additional adapters and micro cables to be purchased

Requires additional adapters and micro cables to be purchased

Requires additional adapters and micro cables to be purchased

Requires additional adapters and micro cables to be purchased

Requires additional adapters and micro cables to be purchased

Bluetooth connection with devices

Bluetooth connection with devices

Competitor's data sourced from: <http://www.projectorcentral.com/popular-pico-projectors.htm>

The additional features of the SMART Project are distinguished by the items highlighted in 'Red'

From the Comparative table it is made evident that the SMART Project has all the advanced features embedded into it, along with additional features like the Bluetooth connectivity with all smartphone and tablets which eliminates the additional cost of purchasing separate adapters and connection cables.

The advanced model also has an SD card feature that can store data up to 8GB which can remotely project images, videos, movies, slides, presentations etc.

Considering the advance features, mobility and the price affordability SMART Project has not compromised on the video resolution and quality of the product. Moreover it provides an extended warranty up to 2 years.

As per Havard Business Review the 5 competitive forces in the industry are shown below, which are taken into consideration for developing the features and establishing an attractive price tag for the device.

The above imbedded features along with a cheap price tag, wireless connectivity and compatibility with Smartphone devices and Tablets, the SMART Projector will in no tome become a necessity for every user.

## **Potential Entrants**

### **(Threat of Mobility)**

## **Suppliers**

### **(Supplier Power)**

## **Buyers**

### **(Buyer Power)**

## **Industry Competitors**

### **(Segment Rivalry)**

## **Substitutes**

### **(Threat of Substitutes)**

The Five competitive forces

Source: <http://hbr.org/2008/01/the-five-competitive-forces-that-shape-strategy/>

## **2. 4 Marketing Issues**

### **2. 4. 1 SWOT Analysis**

Taking into consideration the SMART Project and the competition in the existing pico projector market the SWOT analysis has been prepared.

Environmental factors internal to the firm are classified as strengths (S) or weakness (W), and those external to the firm are classified as opportunities (O) or threats (T).

As per Havard, the SWOT analysis is based on the model as shown in figure 6 in Appendix 1.

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SWOT/TOWS Matrix below table has been simplified, which shows the strategies that the company needs to follow depending on the Internal Strengths and Weaknesses as compares to External Opportunities and Threats

Strengths

Weakness

Opportunities

S-O strategies

W-O strategies

Threats

S-T strategies

W-T strategies

Figure 8 TOWS Matrix

Source: <http://timmermansconsulting.nl/en/overige-diensten/>

(S)-(O) tactics hunt opportunities that are good fit to the company's strengths

(W)-(O) tactics conquer weakness to pursue opportunities

(S)-(T) tactics recognize ways that the firm can use its strengths to reduce its vulnerability to external threats

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(W)-(T) tactics create a defensive plan to prevent the organization's weaknesses from making it very vulnerable to outer threats

## **Strengths**

SMART Berhad is owned by MAXIS Communications Berhad. Maxis has the advantage and knowledge of advertising in the local market, understands the psychology of buyers, has got various distributors and galleries.

MAXIS carries a strong brand name which has over the years acquired customer faith and satisfaction in their services, SMART Berhad has an added advantage of being a part of Maxis as customer would anticipate the similar product quality, customer satisfaction and post sales services and support.

Parent company possesses knowledge of the local market and also is well versed with the marketing tactics.

Favorable access to distribution networks. SMART Berhad can use to its advantage the distribution networks of the parent company and place their products at the same retail outlets and galleries.

The additional strengths of the SMART Project are

It is compatible with all smartphones, android, ios devices and tablets and can be wirelessly connected by establishing a Bluetooth connection which does not require additional cables to be carried.

SMART Project is an all in one package as it has incorporated all the features into a single device which is compatible with smartphones and tablets.

Considering the all in one features and compatibility, it is the cheapest product in the existing market with a wide range of price tags. The lower one that suits students, low income group and as the price tag advances it suits the corporate and average to higher income groups as well as to sales personnel for professional use.

Light in weight, can be easily accommodated into ones pocket.

Users can enjoy the experience of wirelessly connecting their devices to the SMART Project and enjoy the overall experience of projecting videos, images, net surfing, video chatting, project sharing etc.

SMART Project also gives you a complete experience of carrying your own personal Mini Theater on the go.

Corporate users and Sales personnel can also remotely present their projects and slides.

No separate meeting rooms with projector facilities required as SMART Project solves this problem.

This product would benefit not just few but ' ALL' smartphone, android, ios and tablet users.

It is an extremely handy tool which meets the day to day needs of students, corporate group as well as sales personnel, as they would be having the liberty and benefits of projecting anywhere, everywhere.



## **Weaknesses**

Being a new product in the market it would require extensive marketing in order to place the product into the minds of all smartphone, android, ios and tablet users.

SMART Project will be competing with the existing pico project (hand held projectors) manufacturing companies.

High cost structure - Since SMART Berhad is a startup company, it will require a high Capital for setting up the organization, manufacturing products, establishing relationship with distributors.

Difficulties in setting targets and measuring performance

Initial difficulties in motivating employees and maintaining employee interrelationship

Initial problems that would be encountered during Licensing, Permits, Registrations and Legal formalities.

Teething problems

Operational expenditure (OPEX) on advertising the product through various advertising channels.

Penetrating into the current market and brake even to cover up various costs.

Cash flow problems

Stock holding and record keeping

Initial difficulties in placing the product into the minds of customers.

## **Opportunities**

No existing pico projector has the complete set of features into one model that is specifically designed for smartphone and tablet users. SMART Project has this advantage as it incorporates complete compatibility and features in its single device.

Existing products are expensive and does not cover a wide range for targeted customers.

Product will be launched during Chinese New Year which would maximize sales.

Product has been designed by taking into consideration the average monthly income of the Malaysians and the local target market of smartphones and tablets.

## **Threats**

Competitors having similar products

Competitors launching new advertising campaigns

Competitors expanding and the market and incorporating the products current features

New competitors penetrating the local market.

Competitors opening shops close to the distribution outlets

Competitors slashing prices of the existing product and incorporating additional features and schemes

### **3. 0 Objectives**

#### **3. 1 Organization Profile and Marketing Objectives**

**To be successful in a competitive and stable business environment, achieving results with exemplary leadership.**

##### **VISION**

**Maintaining efficiency through effective cost control and profit maximization**

**Providing a safe, conducive and quality working environment.**

**Total customer satisfaction**

##### **MISSION**

**People development**

**Brutal openness**

**Customer focus**

**Hands-on execution**

**Commercial awareness**

##### **CORE VALUES**

##### **GOALS**

##### **LONG TERM**

**Make the brand known in the International market**

**To be the customers preferred brand**

**To increase market share by 20% in 2years**

**To increase competitive edge by establishing stronger corporate image**

### **SHORT TERM**

**Create brand awareness to a level of 10% of consumers in the first 12 months.**

**Getting into immediate profit as soon as possible**

**Increase sales and keep expenditures within the allotted budget**

**Establish bond with suppliers and agencies**

**Win the hearts and minds of customers**

### **Marketing Strategy**

#### **4. 1 Target Market and Market Communication Strategy**

As per Kurtz, Dave. (2010) target market is a group of consumers that the business has decided to aim its marketing efforts and ultimately its merchandise towards.

The Target market as observed from the below graph for for SMART Project is customers in the age range of 15-50 as seen in figure 7 Appendix 1 . The population in this age range are techno savvy and are the maximum purchasers of smart phones, android, ios devices and tablets. These customers could in turn use the SMART Project in conjunction with their existing devices in order to avail the facilities provided by SMART Project.

Marketing the SMART Project to this targeted market will in turn generate maximum revenues and sales for the company in the shortest possible time.

## Advertising

SMART Berhad being a startup company with a new product will follow the following strategies.

Initially target the market in Kuala Lumpur, as the sales of smartphones and tablets is the most in Kuala Lumpur as compared to other cities in Malaysia.

Deploy entire sales force to create awareness and demonstrate the product in the Kuala Lumpur market.

Utilize 7.5% of the allocated budget in advertising. As can be seen from the budget forecast table in Section 5.

Product will be advertised in newspapers, radio and IT magazines.

Contest can be executed in conjunction with special occasions that will entitle people to win discounts on the product.

Target major shopping malls, IT malls and super markets across Kuala Lumpur, conduct road shows in those malls and place the product at major retailer outlets besides the hot selling product.

Place the target into the minds of customers. Once the pro