Wholesale Value Uncovered: Implementing Effective Marketing Strategy and Tactics to Enhance Customer Perception

by

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ABSTRACT

The Company is comprised of retail and wholesale agri-input outlets, toll/contract manufacturing and various departments that aid in three tiers of the supply chain. The Company Department 2’s principal goal is to earn a profit and that is achieved by helping their retail customers succeed across Division M. Therefore, a comprehensible strategy for selecting, positioning and promoting wholesale products and services is fundamental in uncovering actual value.

The Company has grown to be one of the nation’s foremost agricultural distributors across the United States. Various geographies across the United States, excluding the region, have moved to a three-tier supply chain by merging retail and wholesale outlets. Currently, value demanded from end-users and retail outlets has been supplied from the wholesale level that has sustained the four-tier supply chain across the region of the United States.

Even though the Company is vertically integrated, their knowledge and core offerings originate from the retail segment of the supply chain. Retail firms that provide differentiated products and services with the most value to the end-user are those that fit the Company Department 2’s market. In addition, targeted retail firms emphasize a full-service business model by supplying products and services across multiple categories. Company Department 2 provides value internally and externally.

The three core areas from Company Department 2 are proprietary products, precision products and services, and other retail services valuable to retail customers. Positioning of these core areas differs based on the depth of the current relationship. A flanking strategy is proposed for prospective customers by bundling prestige goods and distribution innovations specifically in the focused proprietary line of products. A guerilla
strategy is proposed for existing customers by highlighting product proliferation and improved services across all three of the core areas. Both strategies emphasize advertising and promotion, but more intensive campaigns are proposed with prospective customers.

These positioning strategies and tactics are accomplished through accurate implementation at the field level. By risking a claim for what Company Department 2 stands for, communicating how value is created for a customer and communicating the reliability of these offerings, Company Department 2 will develop a unique identity in the marketplace.
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CHAPTER I: INTRODUCTION

Long-lasting, relationships begin with small interactions. Small exchanges build trust that lead to a customer feeling comfortable with a company’s intent and confident with the product or service. The key to building a relationship is to minimize self-promotion, and communicate what a current and/or potential customer truly needs. Some agri-input suppliers may have become too comfortable with practices of the past instead of looking to the future. The last wholesale firm left in the region will be the one that consistently and accurately provides valuable products and services to their retail customers.

The Company is comprised of retail and wholesale outlets, toll/contract manufacturing, and various other departments that aid in the three links of the supply chain. The focus of this thesis is on the M Department Division 2 of Company. Understanding all elements of Company and the market they are involved is critical for positioning core offerings and sound tactics. The thesis illustrates the depth of offerings that the M Division of Company Department 2 has available for retail customers. It also assesses the structure of the agri-input industry, the evolution of the supply chain and an overview of the industry’s end-user. Reviewing Company Department 2’s units will offer an outlook of where Company Department 2 fits within the enterprise, as well as the rest of the market.

1.1 Objective

This thesis examines Company Department 2 core offerings regarding the value created for retail customers and how implementing effective marketing strategies may increase market share. The key for Company Department 2 is to transition the unknown and perceived value to actual value through better communicating the features and benefits
of the core products and services to their existing and prospect customers. This can be executed through implementing a marketing strategy with tools available for the field and for wholesale customers. The basis of the tactics is derived from how Company Department 2 goes to market, while taking into account the strengths and weaknesses of their competition. The methods of this thesis start by targeting retail customers and prospects that embrace the business model of Company Department 1. Staying consistent with who Company Department 2 targets provides the ability to add value by knowing what products and services add to their customer’s bottom line. The other variable that needs taken into consideration is the target’s current supplier. It is important to position strong products and/or services in weak areas of their current supplier. The thesis compares and contrasts Company Department 2 and their top two competitors, and applies that knowledge to develop an overall marketing strategy.

Tangible value is highlighted by positioning a focused strategy of established offerings that are successful at the retail level. Since tangible value can be different across geographies and personnel, an internal survey was conducted to measure the value of those established offerings. The objective of the survey is to compare the opinions of experienced sales representatives to the profitability of certain offerings. Among the Company Department 2 employees that were surveyed were sales representatives with more than ten years of industry experience. The offerings successful to Company Department 1 provide a quantitative measure of retail value, while the survey provides a qualitative insight of retail value. Both measurements should align. If they do not align, it is important to analyze the quantitative and qualitative measurements. If they do align, the next step is to develop an annual marketing strategy. This is accomplished by dividing Company Department 2
customer base into existing and prospective customers. The end goal is to have a coherent and flexible strategy involving multiple marketing mix elements available for each customer.

The final step illustrates the components and which strategy should be used with each wholesale customer. The components and strategy of each package vary depending on the deepness of Company Department 2’s current relationship with each retail firm. It is hypothesized that Company Department 2’s strategy with prospective customers involves products and services not available from their main supplier. The offerings must truly separate the retail prospect from competitors and add to their bottom-line. The extensive amount of offerings that Company Department 2 has to offer may not be able to be matched by another competitor in the industry. The strategy with Company Department 2 established customers includes the breadth of Company Department 2 products and services. Company Department 2 needs to continuously add value in each segment of their retail customer’s business. This reduces other suppliers trying to use Company Department 2’s prospect strategy. Both strategies need a combination of marketing tools to help transition Company Department 2’s perceived value to actual value among retail firms across the region.
CHAPTER II: LITERATURE REVIEW

This chapter reviews the Company, the agri-input industry, the supply chain, and the end-user. This provides a context behind the strategy and direction offered in the marketing plan. The last part of this chapter assesses Company Department 2’s largest competition and highlights the differences of each firm.

2.1 Agri-Input Industry Assessment

Both the wholesale and retail segments in the region of the United States are made up of national, regional and local suppliers. The suppliers are publicly-owned, privately-owned or cooperative business structures. In many cases, research summarizing the agri-input industry group consider retail and wholesale suppliers together. That grouping may be inaccurate when doing a competitive analysis, but holds true when comparing the strengths and weaknesses that guide the overall market. The largest driver of these segments is the volatility in commodity markets. In the past decade, agri-input firms have been able to realize high cash flows, stemming from the success of the end-user. Department 2 and retail firms must understand the end-user’s balance sheet is most important and predicts what he/she may demand in various market conditions. That knowledge is especially important in a down market. The recent decline of commodity prices has and will continue to challenge retail segments. As the industry experiences tougher times, firms in the supply chain may join together and evolve to increased size, expertise and knowledge levels within the industry. The leaders of today’s industry will take a key role in this evolution.

2.2 Supply Chain Evolution

Even though there are a lot of similarities across the region, the M Department 2 Division identifies each component of the business in its domain differently. Throughout
the thesis, the focus will be on the wholesale distribution market in the Corn Belt and three large national distributors: Company B, the Company and Company C. The largest threat of wholesale suppliers in the Corn Belt originates from the increasing demand of manufacturers to bypass the “middle men” and move straight to the retailer and/or even the end user. This threat stems from the domestic disparity in the supply chain. Regions outside of the M and Pacific Northwest have moved to a three-tiered supply chain merging wholesale and retail suppliers. Currently, the wholesale segment across the region has provided enough value to sustain their position in the supply chain and even grow overall sales. Market entry is rare, but rapid expansion and growth among leading firms has become the standard. The development of distribution at the wholesale level is illustrated by Parsippany (2013) who notes that:

“With growth of 6.2%, the U.S. crop protection “the” industry is projected to become an $11 billion market at the distributor cost of goods sold (COGS) level during 2013... By tracking the leading 17 distributors, the report covers over 96% of total crop protection sales within the United States...Distributor consolidation/expansion activity throughout 2013 with multiple acquisitions from...The “Big Three” national distributors –Company B Parent Company, and Company C – have continued to follow.”

Wholesale fertilizer and seed have followed the trends in crop protection sales. Retail firms tend to follow wholesale trends and have grown larger in 2012 and 2013. A threat of many agri-input suppliers is the size of market leaders and the supplier leverage they have acquired. In addition to the demand for manufactures wanting to go direct, another worry for retail and wholesale suppliers is the increasing interest of a large end-
user going direct. These two threats have the potential to intermingle due to market leaders’ presence in both wholesale and retail.

With a down trending market, small independently-owned outlets provide the retail market leaders with the largest opportunity for growth. These are scarce throughout the region, so bidding is at a premium for market leaders. The largest firms within the agri-input industry are publicly and privately owned corporations. These firms have a large national footprint, both wholesale and retail, focused on the agri-input industry. This allows them to leverage suppliers and invest more resources at both the retail and wholesale level. The largest inhibiting growth variable of the leading publicly and privately owned corporations is the presence of farmer-owned cooperatives. Cooperatives may have alliances with each other that may provide larger opportunities to national cooperatives that are of similar business organization. These cooperatives are diversified in more markets including grain handling, feed and fuel. This type of integration requires a parent company with a broad knowledge base. Also, this allows them to spread their risk in other markets besides just agri-inputs making them less vulnerable to the ups and downs of a specific market.

The largest disadvantage for the cooperative system is the lack of collaboration they have with each other. Since they are owned by different members, they have difficulty using each other’s size, expertise and knowledge. Those components are necessary in today’s evolving agri-input industry. The last threat to growth of M Department 2 and Department 1 outlets is the recent expansion of large regional competitors outside the region and their urgency to move into the profitable market of the region. This threat has pressured the growth of key players and reduced the magnitude of their acquisition
strategies. These type of threats delay key players from starting relationships with key end-users, especially at the retail level. It is vital for the company to communicate their wholesale and retail offerings to bring recognition to the value they provide.

The recent volatility across the agri-input industry has drove retailers and end-users to find a valuable partner as their preferred supplier. For now, the supply chain remains steady, but with more difficult times ahead, many firms are questioning their go-to-market strategy, as well as whether each link in the supply chain is needed. Figure 2.1 shows the current and possible future structure of the supply chain across the United States. The four-tier supply chain including manufacturing, wholesale and retail firms is the current structure of the region and the Pacific Northwest. For Company Department 2 to continue to grow, all actions taken to bypass the wholesale segment are considered threats to their presence. The three-tier supply chain illustrates the structure elsewhere in the United States. This is due to the limited presence of separately-owned farmer’s cooperatives across the rest of the United States. These cooperative entities demand assets, data and information from national suppliers to be competitive in the market. Also, less integrated manufacturing and wholesale firms across the United States have begun to pressure the supply chain by directly targeting the end-user. These firms struggle with implementing supply chain management concepts and cannot supply adequate assets, data and/or information to the end-user.
The expansion of the industry has driven firms to reduce the supply chain to decrease cost and increase profitability. The company has integrated through supply chain collaboration with subsidiaries and other suppliers. Small independents and independently-owned cooperatives are collaborating and/or being acquired, so communicating the value of a firm is more important than before.

Company Retail is targeting the regional independents and Company Department 2 is looking to intensify their relationship and collaboration with regional firms. In addition, regional competitors of Company are aggressively expanding their footprint and national competitors are building on current relationships. Both are focused on providing what end-users are demanding. Company Department 2’s largest national competitors, Company C
and Company B are trying to provide what retail customers are demanding. Company C’s products and services, as well as their cooperative ownership of retail customers are two areas where they differentiate themselves. Company B’s size as the market leader, as well as their wholesale presence provides two key factors for their success. The critical factors influencing retail value from Company Department 2 are different than their competitors. It is important for Company Department 2 to highlight the value their competitors are bringing to retail customers, then position similar offerings on top of those critical factors.

2.3 Identifying the End-User

Identifying and addressing the needs of a customer is not possible without first understanding their businesses. A lot of the expansion and growth of input providers is derived from the success of the end-user. The expansion and growth of the producer is exemplified by Hoppe (2010) who stated that:

“...very large family farms and nonfamily farms produce the largest share of agricultural output. Large-scale family farms (annual sales of $250,000 or more), plus nonfamily farms, made up only 12 percent of U.S. farms in 2007 but accounted for 84 percent of the value of U.S. production.”

The rapid growth at the producer level has been beneficial for the majority of the crop production supply chain. One issue that occurs with growth is a firm’s inability to adapt to customer needs. The firm that creates the most consistent value across their customer base will be the company that experiences the most long-term success. The more sophisticated end-user may be less satisfied with what has been supplied to them in the past, and likewise retail firms are requiring more from their suppliers. Therefore, adapting to the expanding agricultural industry and better providing true value-added products and services is vital for the future success.
Growth in the wholesale segment has been criticized due to the lack of value-creation and leverage each entity has to determine which supplier is chosen. If that is constant across all wholesale firms, Company Department 2 would see minimal growth and even lose market share in the coming years. Fortunately, all firms are not equal in the wholesale business and Company Department 2 may have more to offer than competing firms.

2.4 Evaluation of Competition

The wholesale segment is extremely competitive. Some of the firms also have full ownership in both the wholesale and retail segment, whereas others are more focused in wholesale. This section takes a look at the current market leaders within the region: Company B and Company C.

One of the largest firms that focus on the wholesale market is Company C who uses the cooperative system.

“Company C is a leading distributor of crop protection products and agricultural seed in the United States. With unmatched expertise and performance as core company values, we offer a comprehensive suite of leading-edge products and services to help growers, dealers and other industry partners achieve the highest level of success” (2011).

Since Company C is cooperative owned, they target farmer-owned cooperatives at the retail level. This business structure allows them to serve cooperative customers better, and in some cases guarantee them ownership by offering a cooperative dividend (patronage equity plus customer credit). This has been noted as both an advantage and a disadvantage due to their competition offering a similar dividend generally in direct exchange of some type of
currency, on top of the disconnection this structure may have with non-cooperative customers.

Company C’s joint venture cooperative strategy with the individually owned cooperative systems offers a large opportunity for future growth. A large advantage Company C has over Company Department 2 and Company B is their presence in the seed business. They receive discounts from all major seed manufacturers providing a retail customer selects them as a distributor. This may cause a retail customer to select Company C as a seed distributor, which in turn creates entry for many more of their agri-inputs. They also have their own proprietary seed brand, which is a producer’s “most emotional” purchase of crop inputs. Therefore, not only does Company C have an opportunity with seed sales, but is able to enhance retention, leading to a larger and broader purchasing relationship with Company C. Another focus of Company C’s strategy is innovation. They have a web-based seed ordering system. The other large focus includes the online tool that is an interactive web-based platform that assists in agronomic decision-making provided through a partnership. However, the tool has received criticism throughout the industry. At a recent forum, the tool was said to be “a sales tool first, precision ag tool second…” and the tool had “poor accuracy and poor zone maker” (AgTalk 2013). Since distribution of seed and innovation is Company C’s perceived advantages, it would make sense to brand these advantages at the national level since they have little exposure at the retail level. Company C has done an exceptional job of branding these advantages through national, regional, state and local events. Company C summarizes its offering as follows:

“In agriculture, growing smarter starts with getting smarter and getting smarter comes from hands-on experience, valuable expertise and the crop protection
insights you gain from attending an event. Our agronomists can show you firsthand how the latest crop protection and seed technologies can address your unique growing challenges.” (Company C n.d.)

The Company C brand provides producers with local data, access to experts and exposure to Company C’s proprietary products and services. The last advantage Company C has is their ability to market nationally. Since Company C and Company compete at the retail level, national marketing campaigns tend to threaten their wholesale customers. A weakness the company has is the day-to-day knowledge and expertise of the retail business. This puts them at a disadvantage when comparing producer exposure. Therefore, since Company C has less exposure to producers than their competition that own retail assets, it is important to communicate their advantages at a national level.

One of the firms with assets in both retail and wholesale distribution is Company B. In 2008, Company B parent purchased a holding company that consisted of more than 300 outlets and Company B parent, branded Company B at retail distribution and Company B parent at the wholesale commodity fertilizer level, consisted of more than 700 outlets. It is important to realize that Company Department 2 is not wholesaling commodity based fertilizer, only pesticides, seed and proprietary products. This acquisition introduced the first comparable competitor to the Company in terms of integration across the supply chain. Company B’s parent is publicly traded and a major business line is wholesaling commodity fertilizer. A large threat Company B has experienced since the acquisition is the criticism they have received from shareholders in regards to how their retail distribution and wholesale fertilizer businesses work together. A large hedge fund shareholder, Jana Partners’, stated:
“JANA believes that for years Company B Parent’s full value creation potential has been buried by the company’s conglomerate structure and burdened by operational missteps in its retail distribution business. As a result, Company B Parent trades at a significant discount to its true value and has consistently underperformed the weighted average of its peers in total shareholder return over the long term. Company B Parent has also underperformed its true earnings potential due to factors including allocation and poor disclosure...” (2012).

Company B Parent struggles with wholesale and retail offerings. Within Company B’s parent are subdivisions of wholesale and retail focusing on each agricultural input. Missteps and lack of focus are occurring within Company B. Since the acquisition, Company B’s wholesale has been infamous for cross-competing with Company B’s retail when working with large producers. This not only hurts Company B’s retail distribution business internally, but damages the reputation of both divisions externally in dealings with other customers. Company B’s wholesale and retail have separate web-pages that summarize their strategies:

**RETAIL**

Company B summarizes its retail offerings as follows:

“At Company B (CB), we are focused on one thing and one thing only – providing our customers with the products and services they need to grow the best crops possible. We do this farm by farm and one customer at a time by leveraging our global experience. With the planned acquisition of well over 200 other centers, we’ll bring together innovative products and knowledge from over 1,250 retail
outlets on three continents. Our experience and total product offering will help you compete with farmers around the world” (2009).

WHOLESALE

Company B separates their wholesale homepage from their retail homepage and summarizes its offerings as follows:

“For more than 40 years, the CB Wholesale Division has worked to develop and market a complete line of the most dynamic and highest-quality agricultural products available. We focus solely on the needs of independent wholesalers and cooperatives – and, most importantly, the clients they serve. CB Wholesale, a division of Company B (CB), has grown to be one of the largest agricultural product distributors in the US. CB continues to grow by being an innovative, full-service wholesale distributor with a vision for the future success of its customers” (2013).

By running different websites and summarizing a different focus, CB divides their retail and wholesale divisions. CB is consistent with their true comparative advantage, the company’s sheer size in the agri-input industry. The company’s buying power is second to none, which has placed them as the market leader. The threat they have is industry volatility. Buyers are less attracted to cost-cutting and more attracted to profit-seeking. Since Company B lacks differentiated offerings, they have become less attractive as a value-added business partner. Table 2.1 below summarizes the similarities and differences between Company Department 2, Company C and Company B.
Table 2.1: Company Department 2’s Competitive Analysis

<table>
<thead>
<tr>
<th>Description Title</th>
<th>Company Department 2</th>
<th>Company C</th>
<th>Company B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company Type</td>
<td>Private corporation</td>
<td>Cooperative</td>
<td>Public Corporation</td>
</tr>
<tr>
<td>Retail Presence</td>
<td>Yes-Medium Concentration</td>
<td>CoOp Ownership</td>
<td>Yes-High Concentration</td>
</tr>
<tr>
<td>Manufacturing Ownership/Subsid.</td>
<td>Company Industries</td>
<td>None</td>
<td>Yes</td>
</tr>
<tr>
<td>Wholesale Fertilizer</td>
<td>Company Products Group</td>
<td>No</td>
<td>Parent Company</td>
</tr>
<tr>
<td>Proprietary Product Line</td>
<td>Yes-&gt;500 products</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Seed Brand</td>
<td>No-Only distribution</td>
<td>Yes</td>
<td>No-Only distribution</td>
</tr>
<tr>
<td>R &amp; D</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Concrete Programs</td>
<td>None</td>
<td>Yes</td>
<td>None</td>
</tr>
<tr>
<td>Marketing</td>
<td>Local-Customized to fit retail</td>
<td>National focus</td>
<td>National-Retail specific</td>
</tr>
<tr>
<td>Training Focus</td>
<td>Yes- Retail focus</td>
<td>Yes-Grower focus</td>
<td>Yes-Grower focus</td>
</tr>
<tr>
<td>Training</td>
<td>Various brands per department &amp; in-field training</td>
<td>Yes</td>
<td>Yes &amp; In-field training</td>
</tr>
<tr>
<td>Precision Ag Software &amp; Tools</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Precision Ag Brand</td>
<td>Retail &amp; wholesale brand</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Strategy</td>
<td>Focus strategy- retail/wholesale matching models</td>
<td>Focused differentiated products and/or services</td>
<td>Overall low-cost leadership</td>
</tr>
<tr>
<td>Target Market</td>
<td>Full-service retail outlets selling value</td>
<td>Cooperative outlets selling value</td>
<td>All firms selling standardized products</td>
</tr>
</tbody>
</table>

The marketing strategy that will be developed will take into account the strengths and weaknesses of Company Department 2 and their competition. The strategy must offer Company Department 2’s differentiated products and/or services to prospect customers doing business with Company B and Company C. Also, it will be important to put a plan in place to defend competitor strengths with current customers of Company Department 2.
The understanding of the agri-input industry is important in solving issues that relate to one’s market, yet the key to long-term success is identifying the producer and consciously working to address their needs.
CHAPTER III: METHODS

Company Department 1 and Company Department 2 customers share similar profits and losses, as well as how they go to market and which growers they target at the retail level. Company runs full-service retail locations that provide seed, pesticides, fertilizer, proprietary products and custom precision services. The products and services Company Department 1 are derived from three key areas: retention of products and services, profitability of products and services and demand of the end-user.

3.1 Critical Strategies Influencing Value

The backbone to Company’s retail strategy is to sell across categories by supplying the entirety of their portfolio. This strategy has lead to an increased rate of retention of their customers.

Table 3.1: Selling Across Categories Increases End-User Retention

Table intentionally removed

Table 3.1 measures the retention rate of customers purchasing across the Company Department 1’s portfolio. As an employee sells across more categories within the Company Department 1’s portfolio, the chances of retaining a customer are greater. The five categories are pesticides, fertilizer, proprietary products, seed and professional services. The categories are not just limited to those; research stays consistent throughout all products and services offered within the M Division of the Company. The simplified way of thinking about this strategy is retention increases the more pieces of an end-user’s business to which a retailer adds value. Since Company Department 2 targets retailers with similar business models, this rate of retention may be relevant if they follow this strategy.
Company Department 1 incorporates differentiating features into product and service offerings that causes end-users to prefer them over brands from rivals. The strength of selling across categories is not attractive unless the products and services are profitable and innovative in the market. Company’s proprietary products and services, as well as products and services they outsource from suppliers are among the leaders in the market. Since the Company’s proprietary products differentiate a retail customer and provide high margins to their bottom line, Company Department 2 focuses in providing these products. Also, the majority of these products are not mature in the marketplace and provide a retail customer new profits.

Table 3.2: Selling Across Categories Increases Sales of End-User (2013)

*Table intentionally removed*

Table 3.2 show the type of sales are gained from selling across categories within the Company product line. Table 3.2 indicates the importance of selling across categories by showing that sales increase, in addition to increasing the retention of customers. The first two areas of focus within Company Department 1’s strategy are important, but are not relevant without the demand of the end-user. Therefore, the third key to their strategy ties everything else together by focusing on what the end-user is demanding.

3.2 Critical Offerings Influencing Value

The Company has emphasized the importance of selling key inputs within their portfolio such as seed, precision technology and services, and proprietary products due to the demand of the end-user.

Seed is the first highly demanded input. The demand stems from two variables: the increasing control that seed has compared to all other individual crop inputs on an end-
user’s balance sheet and the knowledge needed to appropriately recommend a hybrid for a variety of soil types and management practices. This area is the weakest for Company Department 2 due to a lack of a seed brand and little leverage at the grower level. This lack of leverage has some of the seed suppliers in control that has led to funds being allocated to competitors instead of Company Department 2. Company C and Company B have retail brands as well as access to wholesale offerings for retail customers. Therefore, only one variable can be exploited that provides retail customers with the knowledge needed to recommend different hybrids. The advantage of not providing a company retail brand of seed provides credibility in providing an unbiased recommendations. The lack of a retail brand of seed aids in Company Department A by having the ability to recommend an unbiased seeds to their growers.

The second focus category within Company is precision technology and services, due to the demand of “site-specific management” and the payoff it provides to the end-user. The Precision Ag Institute conducted a National Corn Study of over 100 growers, farming from 300 to 4,500 acres of corn (with the average corn acres of 1,288), and found the following:

“More than three of four growers who use precision technology report that the financial benefits outweigh the costs, regardless of how many corn acres they farm. Technology has increased their yields and reduced their production costs, both of which add to the bottom line. Growers surveyed had an average cost savings of 6.8 percent and experienced an average yield increase of 7.6 percent. Growers responding to the survey report using more than 9 separate precision technology tools in 2012, from grid sampling to automatic steering on their tractors. More than
50 percent use an RTK signal for their GPS equipment” (PrecisionAg Institute 2013).

Statements for these results and justification of the importance of precision technology and services were reiterated by Jon Johnson and K. Elliott Nowels.

“Corn growers are looking to invest more in precision ag tools. They are looking for on-the-go crop sensing, variable-rate seeding and variable-rate herbicide application” (Johnson 2013).

“GPS, data and variable-rate technology are allowing growers to save money by only using the inputs they need exactly where they need them. Growers using precision technology are better able to optimize their use of land, water, seed and nutrients. That kind of stewardship benefits everyone. The support of our partners will help us reach more growers with that message and also help us tell the story of agriculture’s resource conservation to the wider public” (Nowels 2013).

The Company was ranked highly by CropLife for precision ag offerings. Therefore, not only does grower demand show the importance of this focus area, but supplying these products and services is what the Company does well. Supplying precision technology and services also differentiates the Company and adds to their bottom-line. The only disadvantage of this focus area is the lack of technology differentiation. Company Department 2 focuses on providing their retail knowledge of precision technology, as well as processing services and brands for retail customers.

The third, and possibly most important, category Company Department 1 emphasizes is their proprietary products. This line consists of over five hundred products that are only available to their retail and wholesale customers. Company proprietary
products are profitable for Company Department 2, Company Department 1 and retail customers, as well as the end-user. Company Department 3 is responsible for private label and proprietary products. Their functions include: Sales and Marketing Management, Product Development, Research and Development, Product Registration and Advertising and Promotion. Along with the oversight of those functions, Company also owns Company Department 4 that manufactures the majority of those proprietary products. Company proprietary products pass five descriptions: technologically differentiated, some form of intellectual property protection, sustainable competitive advantage, field trials to assure effectiveness and high return on investment for the customer. The line of products offers innovation and value. They focus on the efficiency and effectiveness of other commodity-based inputs to increase the bottom-line of the end-user. Company Department 2’s ability to market and position these products is vital to short-term and long-term success.

“Established retailers must create diversified and innovative retail formats that industry has never offered. Profitability will come from their ability to deliver, efficiently these innovative formats, both from the cost and operational perspective” (Grewal, et al. 2010).

The separate divisions provide a department of value-added resources to Company employees and customers. Although Company employees are guided to focus on seed, precision services and proprietary products, they are not limited to them and will not be successful long-term unless they market the rest of the products and services that the company has to offer.

The employees of Company are the drivers of this strategy; therefore drivers of success are clear job definitions and regular feedback internally. These drivers are not just
sales representatives. The drivers also include each and the benefits they supply to a customer. The company believes in three elements of their people strategy: comprehensive training and professional development, an intern program to help drive local yield data and develop bench strength and an incentive plan that enables them to attract “pay for performance” individuals.

Similar to Company Department 2, Company Department 1 focuses on customers that embrace a similar business model. This type of strategy succeeds by targeting and retaining loyal, diversified and profit-driven customers. One way to attract and retain those customers is to provide the knowledge across every part of a customer’s business. If Company cannot develop a sales representative into an expert of each dimension of the business, the department leaders are available to do so. The combination of a precisely led employee base and a proven strategy is vital for the success of Company Department 2.

3.3 Value Perceived Internally

Belief is great, but the world demands accuracy so a survey of nine experienced co-workers (eight wholesale sales representatives and one brand manager) was conducted. The objective of the survey is to determine the internal perception of importance of each department within Company. All nine respondents have more than ten years of experience within retail distribution; three who have previously worked at a retail outlet and six who had previously worked for a basic manufacturer that had a customer base of retail outlets. The survey used a traditional five point Likert scale (from strongly agree to strongly disagree). The Likert scale assesses someone’s attitude about a particular topic. The five points were: Strongly Agree, Agree, Neutral, Disagree and Strongly Disagree. To transfer the answers into numbers, the answers are linked to a descending set of numbers from 5 (Strongly Agree) to 1 (Strongly Disagree). It is understood that these numbers are not
exact, but due to the ease of the survey these generic answers can derive quite a bit of meaning.

Four departments were highlighted in the survey: Area 1, Area 2, Area 3 and Area 4. These departments are seen as the most crucial for Company Department 2 success. Besides Company Department 3, these focus on department products and services that are not clearly defined for Company Department 2’s customers. Therefore, increasing the quality and quantity of communication of these department products and services will have to be a focus in the final solution.
<table>
<thead>
<tr>
<th>M DIVISION RESOURCES</th>
<th># of Sales Employee Responses / Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strongly Agree (5)</td>
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<tr>
<td><strong>Area 1</strong></td>
<td></td>
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<tr>
<td>This department is crucial to success in Distribution</td>
<td>5</td>
</tr>
<tr>
<td>The department’s offerings are clearly defined for a retail customer</td>
<td>0</td>
</tr>
<tr>
<td>Retail customers would benefit from proper education within this department</td>
<td>3</td>
</tr>
<tr>
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</tr>
<tr>
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<tr>
<td>Retail customers would benefit from proper education within this department</td>
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<tr>
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<tr>
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<td>6</td>
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<tr>
<td>The department’s offerings are clearly defined for a retail customer</td>
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<td>5</td>
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<tr>
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<td>This department is crucial to success in Distribution</td>
<td>9</td>
</tr>
<tr>
<td>The department’s offerings are clearly defined for a retail customer</td>
<td>6</td>
</tr>
<tr>
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### Table 3.3 Continued

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<tbody>
<tr>
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<td>4</td>
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<td>0</td>
</tr>
<tr>
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<td>1</td>
<td>5</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Retail customers would benefit from proper education within this department</td>
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<td>3</td>
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</tbody>
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<table>
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<tr>
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<td>4</td>
<td>2</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
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<td>3</td>
<td>4</td>
<td>2</td>
</tr>
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<td>2</td>
<td>4</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
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<td>0</td>
<td>0</td>
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<td>6</td>
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### Table 3.4: Ratings on Department Importance

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<th>Avg. Rating</th>
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<tr>
<td>Area 2</td>
<td>43</td>
<td>4.78</td>
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<tr>
<td>Area 3</td>
<td>39</td>
<td>4.33</td>
</tr>
<tr>
<td>Area 4</td>
<td>45</td>
<td>5.00</td>
</tr>
<tr>
<td>Area 5</td>
<td>39</td>
<td>4.33</td>
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<tr>
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<td>39</td>
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</tr>
<tr>
<td>Area 7</td>
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<tr>
<td>Area 8</td>
<td>25</td>
<td>2.78</td>
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### Table 3.5: Ratings on Current Department Performance

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<thead>
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<th>Department</th>
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<th>AVG</th>
</tr>
</thead>
<tbody>
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<tr>
<td>Area 2</td>
<td>26</td>
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</tr>
<tr>
<td>Area 3</td>
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<tr>
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<td>Area 5</td>
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<td>1.89</td>
</tr>
<tr>
<td>Area 6</td>
<td>28</td>
<td>3.11</td>
</tr>
<tr>
<td>Area 7</td>
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<td>2.11</td>
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<tr>
<td>Area 8</td>
<td>12</td>
<td>1.33</td>
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### Table 3.6: Ratings on Possible Future Performance

<table>
<thead>
<tr>
<th>Department</th>
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<th>AVG</th>
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</thead>
<tbody>
<tr>
<td>Area 1</td>
<td>38</td>
<td>4.22</td>
</tr>
<tr>
<td>Area 2</td>
<td>44</td>
<td>4.89</td>
</tr>
<tr>
<td>Area 3</td>
<td>41</td>
<td>4.56</td>
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<tr>
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<td>45</td>
<td>5.00</td>
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<tr>
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</tr>
<tr>
<td>Area 6</td>
<td>39</td>
<td>4.33</td>
</tr>
<tr>
<td>Area 7</td>
<td>38</td>
<td>4.22</td>
</tr>
<tr>
<td>Area 8</td>
<td>38</td>
<td>4.22</td>
</tr>
</tbody>
</table>
Tables 3.4, 3.5 and 3.6 summarize the ratings given by internal employees of Company Department 2. Table 3.4 measures the importance of each department to the success of Company Department 2. Table 3.5 assesses the current performance of each department. Table 3.6 measures the benefit if properly educated by each department. The departments that received the highest ratings, in terms of importance to Company Department 2, were Area 4, Area 2, Area 1 and Area 3. Unfortunately, most of the departments that were rated most important were not the best performing departments. Table 3.6 helps illustrate the importance of proper education among those departments.

The results discovered in this survey helps uncover the core areas of Company Department 2. The data also helps determine whether the current performance among these departments is sufficient and provides a payoff compared to what could be received if properly positioned to retail customers.
CHAPTER IV: STRATEGY & TACTICS

Company Department 2’s competitive advantage as a distributor is their collaboration among divisions internally – both wholesale and retail and across all departments. The departments are the foundation of Company Department 2’s strategy that offer people, products and services valuable for any full-service retail outlet with the same business model as Company Department 1. Product and service benefits are the focus of the solution development, while also taking capital, time and energy costs into consideration. It is vital to highlight those benefits by first choosing the right product and/or services, price and/or programs, place and promotion that match the buying behavior of their customers. Since Company Department 2 strives to follow a differentiation strategy, the solution will focus on communicating the value and why that value cannot be easily copied or matched by rivals.

4.1 Marketing Strategy

Unfortunately, communicating every product and service that Company Department 2 has to offer in an annual marketing plan would overwhelm retail customers. Therefore, the solution is focused on providing direction and tools in key areas that have been proven to influence value at the retail level. In addition, Company Department 2 should consistently target full-service retail customers and prospects that are driven to sell value and can benefit from selling across Company Department 2’s categories. This will attract the type of end-user and provide the consistent benefits of the products and services for which Company Department 1 is known. This will also guarantee the positioned offerings that are valuable for existing customers as well as prospective customers. The most important piece is to provide a balance mix of tools across the core areas vital to retail
success: Area 2, Area 3, Area 4 and other retail products and services. Each of these core areas are highlighted in Figure 4.1 below.

**Figure 4.1: Core Areas in Company Department 2’s Offerings**

*Figure intentionally removed*

Each of the core areas are encompassed by an overall brand. Each of the brands narrows the portfolio of each category and separates the Company brand. This provides focus for Company Department 2 sales people on what to focus on within each core area. This also allows a through-put strategy from Company Department to the end-user without threatening retail customers. Packaging these core areas differs with prospective and existing customers. A narrow focus spotlighting highly demanded products will be positioned to prospective customers. This narrow focus provides profitability and differentiation as well as leads with products backed by many years of research. The narrow focus also provides a defensible, value-added entrance and does not threaten existing supplier relationships. Whereas, a broader focus across all of the core areas needs to be consistently positioned to existing customers. A broader focus supplies the breadth of retail knowledge and emphasizes the need to focus services across multiple business segments. This focus also helps secure a permanent business relationship by occupying gaps in the market that are easily exploited by competition. Both customer segments will use intensive advertising, sales promotion and direct marketing as part of the communication process. In addition, different packaging strategies are used to allow Company Department 2 to position a broader range of their offerings. The package strategy
is consistent across Company Department 2’s customer base, but it is important to note that components of each package vary greatly.

Even though the value provided is similar across Company Department 2’s customer base in the long-term, a different approach must be taken in the short-term. This separation focuses on new and existing customers due to the variation of relationships and commitments with competition. As a result, a flanking attack strategy will be used on prospective customers and a guerilla attack strategy will be used on current customers.

**Flanking**

“Indirect marketing strategy aimed at capturing market segments that are not being well-serviced by the firm’s competitors. Flanking compels the threatened competitor to either allocate resources to the segments being attacked (and thus dilute the competitor’s marketing efforts) or to lose them to the attacker”

(WebFinance, Inc. 2014).

**Guerilla**

“Tactics available to every small firm to compete with bigger firms by carving out narrow but profitable niches. These tactics include extreme specialization, aiming every effort at favorably impressing the customers, providing service that goes beyond the customers’ expectations, fast response time, quick turnaround of jobs and working hours that match the customer’s requirements” (WebFinance, Inc. 2014).

The flanking attack strategy focuses on a mix between the strongest offerings of Company Department 2 and the weakest areas of their current suppliers. As determined previously, Company products and the resources available for them is Company
Department 2’s strongest offering. Therefore, the focus of this strategy is positioning higher quality products with a premium margin to the end-user and developing new channels in immature markets. It is important to showcase the success these products provide at the retail level, without threatening them as a retail competitor. This strategy is combined with intensive advertising and promotion to challenge the competition. Although a budget will not be specified in this thesis, it must be known that “intensive” advertising and promotion consist of a much larger budget with prospective customers compared to the “relevant” advertising and promotion with an existing customer.

The guerilla strategy used on existing customers has a broader approach of numerous small campaigns that communicate the breadth of Company Department 2’s core offerings. This type of approach secures a permanent foothold by consistently providing value as a true retail business partner. The strategy highlights a larger product variety and better services within the core areas of Company Department 2. This strategy also requires supporting evidence on how each offering has proven successful at the retail level. Similar to the strategy used on prospective customers, this focus is accompanied by advertising and promotion to challenge any competitors trying to enter. Figure 4.2 illustrates the foundation of the strategy.

**Figure 4.2: Foundation to Company Department 2’s Marketing Strategy**

*Figure Intentionally Removed*

Dividing Company Department 2’s customer base into meaningful subdivisions allows a greater evaluation and more precise decisions of appropriate marketing
investments. This foundation offers a coherent strategy internally for Company Department 2, but still does not offer any tools to enhance the positioning of products.

**4.2 Company Department 2’s Marketing Mix**

Positioning strategies are accomplished through the development of distinctive combinations of marketing elements commonly termed as the 4Ps: product, price, place and promotion. Since it has been determined that customers are more knowledgeable with a larger load on their time and less tolerance for disturbance, this marketing mix is justified by the 4Cs model introduced by Robert F. Lauterborn: customer value, cost, communication and convenience (Lauterborn 1990). It is important to segment customers based on the depth of their relationship with Company Department 2. Therefore, the first combination introduces marketing tools available for prospective customers and the second combination will launch tools available for existing customers of Company Department 2. Both segments use an intensive advertising and promotion strategy among the products and/or services offered.

The marketing mix positioned to prospective customers is focused on Company proprietary products. This offer is differentiated and thus the current preferred supplier cannot easily copy. This does not mean other core offerings within Company Department 2 are ignored, rather used as incentives to sell. The products chosen within Company Department 2’s product lines are a combination of prestige goods and/or goods offering distribution innovation. The marketing mix highlights four core product brands. These brands are Company Department 2 and Company Department 1 sales leaders and currently makeup more than (number intentionally removed)% of total proprietary sales across the M Division. Within each of the core four brands, various products are available and provide flexibility throughout all practices and geographies. In addition, these brands are
differentiated in the marketplace. Two brands challenge the existing supplier by being industry leaders in terms of the best quality and performance. These products have been around for decades, whereas similar competitor products were only introduced a few years and have yet to prove themselves. Two additional brands challenge the existing supplier because they have the ability to develop a new channel of distribution. Each of these four brands provides opportunities for Company Department 2 to sell to prospective customers.

The presentation to the customer defines the importance of the products and why a retail customer and the end-user would want to buy them. Presentation also explains the application of the product. Positioning these tools and products starts with upper management of Company Department 2’s retail customers and demand they buy in before moving to sales people within the organization. Company provides incentives, knowledge and tools available for sales people within Company Department 2 to sell Company products. Therefore, the creation of internal marketing tools is not as highly demanded as the presentation of these products to Company Department 2’s prospective customers. As an alternative, a mix of training and incentives provided to retail sales people will be developed. Cost is not a focus here, only a comparable piece that is justified by the payoff of the products. Also, since these products are not mainstream commodities, the only cost is the incentive provided to the retailer that sells these products. This will motivate sales people to sell these products, which provides a larger payoff to their company and themselves. Two examples are provided below in Figure 4.3 and Figure 4.4.
This is especially important if increasing the retail company’s bottom-line is not attractive to individual sales people. This incentive can be provided to a retail sales person and/or their growers. The focal point is on rewarding the sales of Company proprietary products. The first example (Figure 4.3) would be given to a customer not receiving any benefit from their company for selling a more profitable, differentiated product. This incentive can also be passed on to the end-user if a specific sales person is being rewarded by their company and is having difficulty selling the product to the end-user. The second example (Figure 4.4) could also be used in this situation. This example better fits during an unfavorable market, as well as ties in another resource (Area 1) that retail has to offer. It is important to note that people are motivated by different things and one program will not fit every customer.

The second piece of the mix, in addition to financially motivating a sales person, is training them on each of the brands. They have to be confident in the payoff to their customers. Therefore, providing tools containing proven trials and sound agronomics is necessary. Communication of these products to retail sales people is essential; train the retailer that is selling the product and bring awareness to the grower by promoting the benefits. The retail sales person is the point at which all sales occur and will be the focus of
each marketing campaign. The end-user is the target, yet all campaigns must follow the structure of the supply chain. As a result, campaigns must direct conversations towards Company Department 2’s retail customer. This can be done with various mediums, but will focus on the product attributes, benefits, application and end-users to target. Since each of these products fit in an under-communicated environment, the tools present technical agronomic information consistent with what Company Department 2’s retail customers already believe. Figure 4.5 is an example of a tool that is available for Company Department 2’s retail sales people.

**Figure 4.5: Sales Guide for Company Department 2’s Retail Sales People**

*Figure intentionally removed*

The guide is available to Company Department 2’s customers across different mediums including smart device applications and interactive online trainings. These tools provide a retail sales person with equal or greater knowledge of products received by Company Department 1 sales people. The focus of these marketing tools is specific to a commodity application, yet each tool packages various products available for retail customers. These tools highlight the attributes of each brand and how they differ with the rest of the market. Training the retail segment is only part of the equation at the wholesale level. The most important influence in the supply chain is the end-user and none of these steps are relevant without awareness at the end-user level. Therefore, the last goal of the value creation process is to communicate knowledge to the end-user. Separating marketing campaigns at these two levels is where Company Department 2 struggles, since they are involved in both retail and wholesale. It is important that Company Department 2 endorses their products
through their retail customers. This is important due to Company Department 2 customer’s perceived competition at the retail level. Any type of promotion launched through Company Department 1 is negatively recognized. Therefore, end-user awareness must be obtained through the overall branding of Company Department 2’s customer. This is obtained through intensive advertising and promotion at a local level. Figure 4.6 illustrates a campaign of a product through a retail customer.

**Figure 4.6: Bringing Awareness to Company Department 2’s End-User**

*Figure intentionally removed*

Figure 4.6 is a simple design with the goal of attracting end-users of our retail customer. Once distributed, an end-user typically follows the directives of the postcard and asks about the product. This is simple, but the goal is to help understand how Company Department 2 must target end-users. A mailing is only one way to go about targeting end-users. Also available for Company Department 2 sales people and their customers are tools such as: email blasts, social media, flyers, brochures, face-to-face presentations and video advertisements. Each one of these tools can be created to modify and distribute at a local level.

The tools created for existing customers will mimic those created for prospect customers, besides the components offered. The strategy and tactics to existing customers differs from the strategy described with a prospective customer. Since a relationship has already been established and value has already been discovered, small wins across various segments of their business serve as the biggest opportunity. The guerilla strategies provide a marketing mix with a focus on product proliferation and improved services. These tactics
include retail specialization across Company Department 1’s core areas and product proliferation among the core areas. This strategy fends off competitors by carving out narrow but profitable niches. These tactics need to be presented at every opportunity and aimed to favorably impress the customer. It is important to provide service that goes beyond the customers’ expectations. Since service cannot differentiate Company Department 2, it is important to merge the needs, wants and desires of the customer with the offerings supplied. Similar to the strategy for prospective customers, the supplied products and services need to receive intensive advertising and promotion. The components of these packages are focused on providing products and services in the core departments of Company Department 2: Area 2, Area 4. Transferring retail knowledge is the foundation for existing customers to become their preferred business partner.

The first tactic includes intense retail specialization across Company Department 1’s core areas. This begins by applying the platform. Figure 4.7 illustrates how knowledge across each of Company Department 1’s core areas can be distributed with Company Department 2’s existing customers.

**Figure 4.7: Retail Specialization across Core Areas**

*Figure intentionally removed*

The platform strives to maximize retail knowledge and return on investment over standard retail practices. Applying this system at the upper management level is vital to ensure information shared to the field is consistent with the direction of the customer. Each of the brands provides tangible benefits that provide alignment and integration of all messaging. Also, the brands improve external awareness, perception and desirability of the end-user.
Ultimately, combining knowledge across these core areas offers Company Department 1 and Company Department 2’s customers a genuine and defensible market position.

The second tactic includes product proliferation within each of the core areas. Positioning various products and services across the core areas is important. It is important to lead with prestige products and services, but also position other products and services in Company Department 2’s portfolio. The focus covers as many areas as possible presented in the competitive analysis. This tactic presents diversity and helps fill gaps in the market that competitors of Company Department 2 could exploit. The products available from other suppliers must be competitive in price or offer a differentiated value. Selling across categories also benefits the customers bottom-line and increases the retention of the customer base.

These positioning strategies and tactics are accomplished through implementation at the field level. The right marketing tools increase awareness and recognition that aids in these strategies. By risking a claim for what Company stands for, communicating how value is created for a customer, and communicating the reliability of these offerings, Company Department 2 will develop a unique identity in the market.
CHAPTER V: CONCLUSION

Company Department 2’s offerings strive to create value for retail customers above and beyond those offered from the competition. Company Department 2 can maximize wholesale value by sharing the successes they experience at the retail level. Transitioning unknown and perceived value to actual value will be accomplished by implementing effective marketing strategies and tactics. This starts by staying consistent with which firms to target. The target must be similar to the business model of Company Department 1. After establishing which firms belong, Company Department 2 must segment their customers as prospective and existing customers. Positioning Company Department 2 offerings depends on past experience with Company and the depth of that relationship. A “Flanking Strategy” should be used with prospect customers with a focus on prestige goods, distribution innovation and intensive advertising and promotion. With existing customers, a “Guerilla Strategy” should focus on product proliferation, improved services and relevant advertising and promotion across Company Department 2’s core areas. The other variable considered is the competitive market. By understanding current and/or potential suppliers, Company Department 2 will accurately position their products and/or services. The last piece of this thesis introduces tools available for Company Department 2 sales people. These tools focus on training and motivating retail customers to sell Company Department 2’s core products. The tools also help promote and advertise the brands throughout the supply chain.

These positioning strategies and tactics are accomplished through accurate implementation at the field level. The marketing tools increase awareness and recognition. By risking a claim for what Company Department 2 stands for, communicating how value
is created for a customer, and communicating the reliability of these offerings, Company Department 2 will develop a unique identity in the marketplace.
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