1. **Describe Pestel analysis (environmental influences on buying behaviors) for firms in the industry and the nation that you want to study based on your selected case study for that industry  This is the macro environment not the micro or company factors.**

Political environment: There exists a favorable political environment in the USA, as the government has been spending 2.5 times more capital as compared to the other countries (Case Study: Kaiser Permanente).

Economic environment: The cost of controlling the insurance plans increased that led an increase in the premium value for the insurance plan in the market.

Social environment: The social environment for insurance sector consisting of a balanced lifestyle between the emotional, physical and spiritual angles of an individual (Ferrell & Hartline, 2012).

Technology: The insurance plans with recent technological innovations such as prepaid health plans, physician’s group practices and integrate delivery system are being introduced (Pride & Ferrell, 2008).

Ecological environment: The ecological environment in the form of global warming and pollution, the demand for health insurance is increasing.

Legal Environment: The law regarding Affordable Care Act (ACA) has been signed by the president with an intention to expand the health insurance coverage (Cheverton, 2005).

1. **Create a stakeholder analysis - looking at the impact of each (power and influence) and the impact of globalization on each stakeholder.**

The major stakeholders for the marketing and brand Platform strategies being introduced by Kaiser Permanente are as follows:

• Potential members: The potential members would be targeted to be motivated for learning new health care programs being introduced through the marketing strategy being introduced.

• Advertising and marketing agency: Provide assistance to communicating and articulating the health advocacy.

• Communication Firm: Assists in decision-making and articulating the new and innovative strategic direction.

• Employees: The employees or the insurance agents will be responsible for delivering the health insurance plan to the customers.

• Investors: The investors are one of the major stakeholders as they would be financially influenced by the consequences of the marketing strategy.

• Purchasers and customers: Both the domestic as well as the international buyers of the health insurance plan being strategically introduced.

• Government: The government of the USA is also the stakeholder as the insurance plans are required to be introduced as per the legal regulations passed by the government.

The below-mentioned stakeholder’s grid demonstrates the power and influence relationship regarding the new marketing strategy being introduced considering the globalization:

* Investors
* Advertising and marketing agency
* Government
* Communication Firm

**Interest**

High

Low

**Power**

High

Low

* Potential members
* Employees or the insurance agents
* Purchasers and customers

\

Through the above stated grid, it can be reasonably stated that while introducing the new marketing strategy, the firm is required to manage the investors closely, and keep its customers and purchaser informed regarding the plans being introduced. The Advertising agency, communication firm are the two major pillars upon which the strategic plan will rely, thus they are required to be kept satisfied. Moreover, the government will also act as the powerful element, thus it also needs to be kept satisfied by meeting all the rules and regulatory criteria enforced by it (Thompson, 2011). Since the insurance agents and the potential members hold low interest and low power, they are required to be closely observed.

**3.**

The competitive positioning Map for Kaiser Permanente against its competitors is presented as follows:

High Quality

**4.**

High Pri

Low Price

Low Quality

**A) In looking at the whole environment assess the key factors using a Porter's Five force analysis (see Lehmann and Winer) and mini-lectures in this module**

**B) Then apply the Pestel factors from question 1in order to identify the support for the industry (Porter's diamond model) by the nation and the relevant market boundaries (or what factor causes a customer to prefer one competitor over the other)** [**http://www.westga.edu/~bquest/1997/ecnmkt.html**](http://www.westga.edu/~bquest/1997/ecnmkt.html)

**In other words: from the competitive analysis create the porter five force model, and  based on the Pestel analysis - create the Porter's diamond model analysis for the industry.  When analyzing the demand conditions include the relevant market boundaries based on your Pestel analysis.**

Porters Five Force Analysis of Kaiser Permanente is as follows:

|  |  |  |
| --- | --- | --- |
| Bargaining Power of Suppliers | Low | \* Large degree of substitution  \* High degree of completion  \* Varied Distribution channel |
| Bargaining power of the Customers | Low | * Less Price sensitivity of the buyer * Significance of product is high * Market Size is high |
| Intensity of Existing Rivalry | Low | * Comparatively low competitors * Large size of the industry * High and fast growth rate |
| Threat of new Competitors | High | * The Affordable Care act (ACA) might attract more new entrants * The scope of bringing advanced technology into the product range in high |
| Threat of Substitute | Medium | * The customers are loyal to the insurance plan offered by the company * Technological substitute might turn up |

**Firm Strategy, Structure and Rivalry**

Total health positioning and Thrive Campaign

### Factor Endowments

Favourable political and legal environment

**Demand Conditions:**

High Demand for insurance policies and growing industry

**Related and Supporting Industries:**

Heath care industry

**5.**

**A) Perform a TOWS Matrix( strategy from strength, weakness, opportunity, and threats) analysis for firm and**

**B) from the tows create a VRIO table (see mini-lectures for examples of both tools)   Please add ethical decision making to your vrio as a possible resource**

Two analyses for Kaiser Permanente is presented through the below mentioned table:

|  |  |
| --- | --- |
| STRENGTH   * Innovative and technologically upgraded products * Well established brand name and goodwill * Longevity | WEAKNESS   * Weak and rigid cost structure * High Labor turnover |
| OPPORTUNITY   * Affordability of healthcare has improved * Favorable political and legal environment * Online marketing * New and innovative services | THREATS   * High competition and environmental dynamism * Availability of Substitution products |

Table demonstrating the VRIO analysis of different strategies undertaken by the Kaiser Permanente is as follows (Chapman, 2011):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Company programs under the Thrive campaign | Resource Characteristics | | | | | Strategic Implication | | |
| Valuable | Rare | Imitable | Organization Exploits it | Ethical Decision Making | Competitive Implication | Influence on the economic Performance | SWOT Category |
| KP Health Connect | Yes | Yes | Yes | Yes | Yes | Temporary competitive advantage | Above Average | Core competence and Strength |
| Health and Weakness Classes | Yes | No | -- | Yes | Yes | Sustainable competitive parity | Normal | Strength |
| Community Benefit Programs | Yes | Yes | Yes | Yes | Yes | Sustainable Competitive Advantage | Above Normal | Long term Core competence and Strength |

|  |  |  |
| --- | --- | --- |
| TOWS matrix | External Opportunities (O)  • Affordability of healthcare has improved  • Favorable political and legal environment  • Online marketing | External Threats (T)  • High competition and environmental dynamism  • Availability of Substitution |
| Internal Strengths(S)  • Innovative and technologically upgraded products  • Well established brand name and goodwill  • Longevity | SO 1. Online marketing through upgraded technology.  2. Pricing strategy can be reconsidered due to brand’s goodwill and name | ST 1. Well placed brand will help in competing with competitors.  2. Innovation and technology will provide an edge over substitutes. |
| Internal Weaknesses (W)  • Weak and rigid cost structure  • High Labor turnover | WO 1. Weak cost structure can be overcome by favorable political and legal environment  2. High labor turnover can also be handles by increasing their wages due to affordability improvement | WT 1. Substitution and cost structure can be avoided by bringing innovation in a cost-effective manner.  2. High competition and labor turnover can be managed with increased employee benefits and innovation. |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Company programs under the Thrive campaign |  | | | | |
| Valuable | Rare | Imitable | Organization Exploits it | Competitive Implication |
| KP Health Connect | Yes | Yes | Yes | Yes | Temporary competitive advantage |
| Health and Weakness Classes | Yes | No | -- | Yes | Sustainable competitive parity |
| Community Benefit Programs | Yes | Yes | Yes | Yes | Sustainable Competitive Advantage |

**6. Read the annual report for your selected firm- create an SBU analysis based on their SBUs from their annual report: see above for help with this. Review chapter two in your book. Where would you increase invests, maintain current investments, divest of current investments (or get rid of lines). Then based on the mini-lectures or chapter 9 in your book what is the business level strategy for each SBU?**

Kaiser Permanente is a non-profit generating company, its Strategic Business units are segregated into three integrated organizations, namely Kaiser Foundation Hospitals and its subsidiaries, the permanent medical Groups and the Physical Medical Facilities. Considering the integrated functioning of all the three business units of Kaiser, it is advised invest more in all the three units in order to be able to expand its market base and face the aggressive health care insurance competition (Schultz,Patti & Kitchen, 2013). Such mutual exclusiveness of the units suggests the proportional investment in all the three units.

**However, amount the three, the major focus is suggested to be laid on the permanent medical groups, as it is the innovative introduction of the industry and thus, possesses a huge scope of expansion in the market.**

**7. If you were to segment the market (I want you to define your segments) how would you describe the typical decision making process for selecting a supplier for each of your segments? You may use the Positioning graph from the mini-lecture to illustrate this. Remember keep it simple to be useful and do not segment by product but customer characteristics.**

The market segmentation is the natural result derived from segregation of the market into different segments based on the vast differences in their characteristics (Paley, 2006). The five major ways through which a market could be segmented are geographic segmentation, demographic segmentation, socio-cultural segmentation, user behavior segmentation and finally the psychological segmentation.

**The decision-making regarding the supplier section is undertaken by giving a perceived importance to the economic costs, vendor cooperation, functional performance and capacity (Wedel & Kamakura, 2012). Thus, in case of geographical and demographic segmentation, the selection of the supplier will be undertaken on the basis of the vendor cooperation and capacity. Moreover, in case of behavioral and physiological segmentation, the supplier will be selected on the basis of their functional performance. In case of socio-cultural segmentation, the performance and capacity of the vendor will play the major role in the selection of the supplier.**

In the case of Kaiser Permanente, the psychographic segmentation will be applied as the company renders health care services, which require the customer lifestyle to be considered. The key market segment that the company will target will be the old aged population, who are above 65 years of age, as well as seeking health advice and efficient healthcare services even at their homes.

**8. Complete the following table based on your segments in 7.  You may add additional rows based on your segmentation of the market in 7.  you may find module ll mini-lectures helpful when identifying marketing mix strategies (see product life cycle documents).**

|  |  |
| --- | --- |
| Geographic Segmentation (Target Segment: Urban and Sub-Urban old aged population) | |
| Product mix Strategy | Expansion Strategy |
| Pricing Strategy | Penetration Strategy |
| Channel Strategy | Distributional Strategy |
| Promotion Strategy | Social Media |
| Demographic Segmentation (Target Segment: Old age people between age group of above 65 years old | |
| Product mix Strategy | Positioning Strategy |
| Pricing Strategy | Price Skimming |
| Channel Strategy | Retail Strategy |
| Promotion Strategy | Product Giveaways |
| Socio-Cultural Segmentation (Target Market: All community people) | |
| Product mix Strategy | Positioning Strategy |
| Pricing Strategy | Price Skimming |
| Channel Strategy | Whole Sale Strategy |
| Promotion Strategy |  |
| User Behavior Segmentation (Target Market: Consumers seeking cost effective services) | |
| Product mix Strategy | Positioning Strategy |
| Pricing Strategy | Psychological Strategy |
| Channel Strategy | Retail Strategy |
| Promotion Strategy | Social Media |
| Psychological Segmentation (Target Market: People who want to live healthy and fulfilling life) | |
| Product mix Strategy | Expansion Strategy |
| Pricing Strategy | Psychological Strategy |
| Channel Strategy | Retail Strategy |
| Promotion Strategy | Point of Sale Promotion |
| Geographic Segmentation | |
| Product mix Strategy | Expansion Strategy |
| Pricing Strategy | Price Skimming |
| Channel Strategy | Distributional Strategy |
| Promotion Strategy | Social Media |
| Demographic Segmentation | |
| Product mix Strategy | Positioning Strategy |
| Pricing Strategy | Penetration Strategy |
| Channel Strategy | Retail Strategy |
| Promotion Strategy | Product Giveaways |
| Socio-Cultural Segmentation | |
| Product mix Strategy | Positioning Strategy |
| Pricing Strategy | Psychological Strategy |
| Channel Strategy | Whole Sale Strategy |
| Promotion Strategy |  |
| User Behavior Segmentation | |
| Product mix Strategy | Positioning Strategy |
| Pricing Strategy | Psychological Strategy |
| Channel Strategy | Retail Strategy |
| Promotion Strategy | Social Media |
| Psychological Segmentation | |
| Product mix Strategy | Expansion Strategy |
| Pricing Strategy | Price Skimming |
| Channel Strategy | Retail Strategy |
| Promotion Strategy | Point of Sale Promotion |

**9. Based on the segments described in question 7, which market would you target and what would be your marketing strategy for that target market.**

The geographical and demographic segmentation is considered to be the easiest and is considered as partially irrelevant as it does not provide any information regarding the probability of the product demand. The psychological segmentation is theoretical and scientific in nature and hence, it holds less relevance with the practical life (Gelder &Woodcock, 2003). The socio-cultural environment is also imperfect in nature, while the user behavior is the most effective and reliable market segmentation. Hence, the user behavior segmentation strategy should be adopted for the target market.

The target market would consist of elderly people including both males and females. This market requires the health care services to a large extent, along with the inclusion of quality and low-cost services. The target market would consist of middle-aged women and the elderly people. This market requires the health care services to a large extent, along with the inclusion of quality and low-cost services. In line with the new selected target market, the best suitable marketing strategy for the company will be the market development strategy. With the help of this strategy, the company will be able to create new markets for its existing service base

The target market would consist of old aged people including both males and females. This market requires the health care services to a large extent, along with the inclusion of quality and low-cost services. In line with the new selected target market, the best suitable marketing strategy for the company will be the market development strategy. With the help of this strategy, the company will be able to create new markets for its existing service base (Gelder &Woodcock, 2003).

**Amongst the five different modes of segmentation provided in question 7, the geographical and demographic segmentation is considered to be the easiest and is considered as partially irrelevant as it does not provide any information regarding the probability of the product demand. The psychological segmentation is theoretical and scientific in nature and hence, it holds less relevance with the practical life (Gelder &Woodcock, 2003). The socio-cultural environment is also imperfect in nature, while the user behavior is the most effective and reliable market segmentation. Hence, the user behavior segmentation strategy should be adopted for the target market. Thus, as mentioned in question 8, the positioning strategy will be adopted as the product mix strategy and physiological strategy will be adopted for deciding the prices of the product. The retail channel will be adopted and promotion will be undertaken on point of sale basis.**

**10. In thinking about the types of world market or global strategies that your selected organization uses, what "GLOBAL OR WORLD MARKET' strategy (refer to corporate strategy mini-lecture) do you recommend and why?**

Considering the environmental conditions being faced by Kaiser Permanente, the Cost leadership strategy, as a part of global marketing strategy, will be beneficial for the company. This strategy is dependent on the existing average wage in the country and the competition degree exiting. However, pricing varies as per the different target countries

Considering the environmental conditions being faced by Kaiser Permanente, the strategic pricing strategy, as a part of global marketing strategy, will be beneficial for the company. This strategy is dependent on the existing average wage in the country and the competition degree exiting. However, pricing varies as per the different target countries (Doole, & Lowe, 2005). Since, the pricing for the policies and insurance plans being proposed by the company are required to be inexpensive considering the political and legal environment in the USA, it is recommended that the strategic pricing is undertaken.

**Moreover, considering the bargaining power of the supplier, the international strategy of possessing the centralized manufacturing and R&D unit along with the corporate planning unit is suggested to be adopted (Verbeke, 2013). However, the marketing operations in terms of the pricing, promotion and distributional mixes will be undertaken internationally.**

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