



Faculty of Economics and Business Administration

Business Department

MAN-400

Graduation Project
On

SONIC CORPORATION

Submitted to : Asst. prof. Dr. ERDAL GURYAY

Chairman of Business Dept.

Submitted by : Tilak Barua

Student of Business Administration

Date : 25TH October 2001

Abstract

The sonic corporation is a most popular in USA. They are producing DVD & CD. There headquarter in California and another two important area are London & Tokyo. Although the corporation are receiving various rewards and also their targets Today more DVD titles are produced using sonic names .Sonic success is based in strong technology .But they have some weaknesses. If they are able to remove this weaknesses, They will be market leader. From this analysis we can say that the future of the corporation is good.

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1.1. Aim of Study

Aim is a goal to be reach throws a course of action. Our life is a continues concatenation of purpose action so it has an aim to achieve. Everyone has it and should have it because an aim less study or life is like a boat without a rudder. Right now My aim is to fulfill requirement of MAN400.

1.2. Objectives Of Study

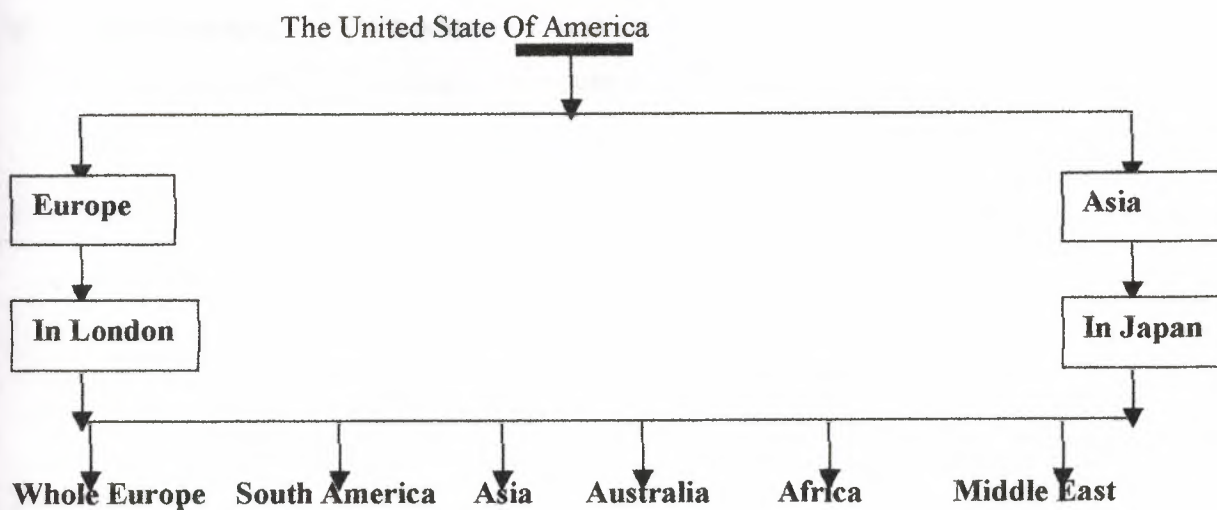
As a business student we know that today understand customer is not enough and also 21st century is the most important and complicated century than decade 1990 and flat 1970 in all sectors of business are facing problem by competitor, customer needs, and environment. My objective is to find a nice solution to survive and archiving goal in the complicated global market. Through PEST analysis for external environment and SWOT and various technique for sonic corporation so that The corporation could able to find out their designated target.

1.3. Limitation of Study:

My main limitations are overall information about the Sonic Corporation with short time in summer school. I collect all information's from corporation websites and some books. Though these information are sometime quite difficult to prepare a project. And also I have got little information about their marketing side and also internal situation, which include corporation strategy and targets.

1.4. Background:

The sonic corporation is a most popular in USA It established in 1986.They are producing mainly DVD and CD. The Sonic corporation is constantly lead producing system for digital media production. Like other companies such as Sony, Panasonic, etc. Today many companies are producing DVD by using Sonic name .The Sonic distribution and marketing channel sale their product are reaching more than 40 countries .They are distributing products by using geographical location.



There headquarters are located in California and another two important areas are Europe in London and Pacifica rim in Tokyo Japan. Sonic success is fully depended in strong Knowledge base technology and strong strategic management. Such as they set the standard for quality, productivity and creativity. As a result year after year Sonic receives rewards in the World completeive market as leading publication in Video, Audio and television industries. Acctually Sonic is the name of new technology and applications for

digital media. The sonic has some milestones which are called "Sonic Milestones". Such as

1. 1988 Nonlinear Workstation.
2. 1989 Integrate a CD recorder.
3. 1991 Introduced 24-track editing and mixing workstation.
4. 1994 Introduced Medianet, the first true networked multi-user audio editing environment.
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6. 1996 Introduced first commercial DVD producing system.
7. 1997 First all-in-one production system for DVD
8. 1998 First DVD-audio authoring system.
9. 1999 First DVD authoring application for video enthusiasts/procurers.
10. 2000 Introduced xDVD extensions to DVD format and introduced MyDVD, the first DVD authoring application for consumers.¹ (Appendix -a)

¹ This information collected from the sonic web side. [www.sonic corporation.com](http://www.soniccorporation.com)

1.5. Metrology:

I used verity types of method for analyzing company situation in the world competitive market likely;

The Michael Poter models.

The Boston matrix.

Situation analysis model.

Value chain model.

And also various models of marketing matrix.

SWOT analysis

PEST analysis

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2.1. Vision

I have developed vision of sonic corporation using my knowledge of marketing

Side ,sonic data library and internal resources.

Vision is to be the Global market share leader of digital media in the world.

2.2. Mission:

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Side ,sonic data library and internal resources. We will learn the leadership position by providing our distributor we are intending to stay an Innovative and environmentally responsible product. That offers access to the world at the highest standard for customer. We will add value to this product by providing legendary Customer service. Through our uncompromising commitment to customer satisfaction.

2.3. Objectives:

Organization target for achievement for short term and long term both. There are two types of objectives.

2.3.1. Financial objective :

Financial target as a company wants to achieve.

2.3.2. Marketing objective :

Target relating to strength to a company's overall performance. Market position and competitive situation.

The Objectives Of Sonic Corporation:

Financial Objectives

Sonics management wants each business unit to deliver a good financial performance.

The product manager sets the following financial objectives

- Earn an annual rate of return on investment over the next five years of 15 percent after taxes.
- Produce net profits of \$1.8 million in 2000.
- Produce a cash flow of \$2 million in 2000.(Appendix-B)

Marketing Objectives:

The financial objectives must be converted into marketing objectives. For example, if the company wants to earn \$1.8 million profit and its target profit margin is 10 percent on sales, then it must set a goal of \$18 million in sales revenue. If the company sets an average price of \$260, it must sell 69,230 units. If it expects total industry sales to reach 2.3 million units, it must gain a 3 percent market share to achieve its goals. To achieve

this market share, the company will have to set certain goals for consumer awareness, distribution coverage, and so on. Thus the marketing objectives might read:

- Achieve total sales revenue of \$18 million in 2000, which represents a 9 percent increase from last year. Therefore, achieve a unit sales volume of 69,230, which represents an expected market share of 3 percent.
- Expand consumer awareness of the Sonic brand from 15 percent to 30 percent over the planning period.
- Expand the number of dealers by 10 percent.
- Aim for an average price of \$260. (Appendix-B)

2.4. Financial summary:

2.4.1. Financial review

Here the sales, prices, contribution margins, and net profits are shown for several past years in table form. Row 1 in Table 3.4 shows the total industry sales in units growing at 5 percent annually until 1999, when demand declined slightly. Row 2 shows Sonic's market share hovering around 3 percent, although it reached 4 percent in 1998. Row 3 shows the average price of sonic stereos rising about 10 percent per year except the last year, when it rose 4 percent. Row 4 shows variable costs-materials, labor, energy-rising each year. Row 5 shows that the gross contribution margin per unit-the difference between price (row 3) and unit variable cost (row 4)-rose the first few years and remained at \$100 in the latest years. Rows 6 and 7 show sales units and in dollars, and row 8 shows the total gross contribution margin, which rose until the latest year, when it fell. Row 9 shows that overhead remained constant during 1996 and 1997 and increased to a high level during 1998 and 1999, owing to an increase in manufacturing capacity. Row 10 shows net contribution margin-that is, gross contribution margin less overhead. Rows 11, 12, and 13 show marketing expenditures advertising and promotion, sales force and distribution, and market research. Finally, row 14 shows net operating profit after marketing expenses. The picture is one of increasing profits until 1999, when they fell about one third of the 1998 level.

2.4.2. Financial Summary :

<u>Variable</u>	<u>Rows</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
1. Industry sales		2,000,000	2,100,000	2,205,000	2,200,000
in units					
2. Company market share		0.03	0.03	0.04	0.03
3. Average price per unit \$		200	220	240	250
4. Variable cost per unit \$		120	125	140	150
5. Gross contribution margin per unit (\$)	(3 - 4)	80	95	100	100
6. Sales volume in units	(12)	60,000	63,000	88,200	66,000
7. Sales revenue (\$)	(36)	12,000,000	13,860,000	21,168,000	16,500,000
8. Gross contribution margin (\$)	(56)	4,800,000	5,985,000	8,820,000	6,600,000
9. Overhead (\$)		2,000,000	2,000,000	3,500,000	3,500,000
10. Net contribution margin (\$)	(8 - 9)	2,800,000	3,985,000	5,320,000	3,100,000
11. Advertising and promotion (\$)		800,000	1,000,000	1,000,000	900,000
12. Sales force and distribution (\$)		700,000	1,000,000	1,100,000	1,000,000
13. Marketing research (\$)		100,000	120,000	150,000	100,000
14. Net operating profit (\$)	(10 - 11 - 12 - 13)	1,200,000	1,865,000	3,070,000	1,100,000

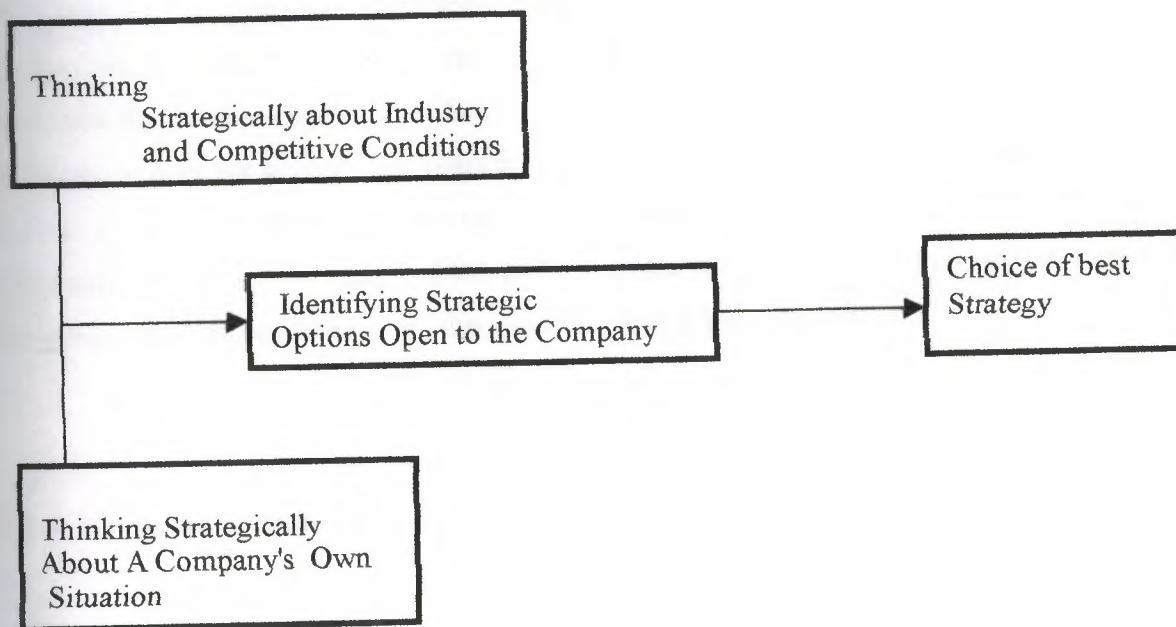
So we find that profit margin = $\frac{\text{Net income}}{\text{Sales}}$.

$$\begin{array}{llll}
 1996 = \frac{1200000}{2000000} & 1997 = \frac{1865000}{2100000} & 1998 = \frac{3070000}{2205000} & 1999 = \frac{1100000}{2200000} \\
 = 0.6 & = 0.89 & = 1.3 & = 0.5
 \end{array}$$

Comment: Everybody knows that the sonic corporation has got strong position in digital Media. And also From the analysis we can say that. The corporation position is good .

2.5. Situation Analysis:

Objective of Situation Analysis: Objective of situation analysis is to identify features in a firm's external and internal environment which. Frame its window of **STRATEGIC OPTIONS and OPPORTUNITIES** It **Focuses** on two considerations, **EXTERNAL** factors: Macro environment (industry and competitive conditions) and **INTERNAL** factors, **MICRO** environment (firm's internal situation and competitive position). Strategic thinking and analysis lead to **good choices** as show below?



2.5.1. External Factors(Microenvironment Situation)

This section describes broad microenvironment trends demographic, economic, technological, political-legal, social cultural that bear on the product line's future. About 70 percent of U.S. households now have stereo equipment. Consumers are spending more time watching

television and videos than listening to music. They are spending more of their discretionary income on computers, exercise equipment, and travel, leaving less to spend on stereos. The only bright spots are home theaters and speakers in every room. As the market approaches saturation, effort must be turned to convincing consumers to upgrade their stereo equipment.

2.5.2. Internal Factors (Microenvironment Situation):

2.5.2.1. Market Situation

The primary buyers are middle-income consumers, ages 20 to 40, who want to listen to good music but do not want to invest in expensive stereo component equipment. They want to buy a complete system produced by a name they can trust. They want a system with good sound and whose look fits the decor primarily of family rooms. The size and growth of market (in units or dollars) are shown for several past years and by market and geographical segments. Data on customer needs, perception, and buying-behavior trends are also present. The shelf stereo market accounts for approximately \$400 million, or 20 percent of the home stereo market. Sales are expected to be stable over the next few years. (Appendix-C)

2.5.2.2. Competitive Situation:

Here the major competitors are identified and described in terms of size goals, market share, product quality, marketing strategies, and other characteristics that are needed to understand their intentions and behavior. Sonic's major competitors in the shelf-stereo-system market are Aiwa, Panasonic, Sony, and Philips. Each competitor has a specific strategy and niche in the market. Aiwa, for example, offers four models covering the whole price range, sells primarily in department stores and discount stores, and is a heavy advertising spender. It plans to dominate the market through product proliferation and price discounting. (Appendix-C)

2.5.2.3. Distribution Situation

This section presents data on the size and importance of each distribution channel. Shelf stereo sets are sold through appliance stores, radio and TV stores, furniture stores, department stores, music stores, discount stores, audio specialty stores, and mail order. Sonic sells 37 percent of its sets through appliance stores, 23 percent through radio and TV stores, 10 percent through furniture stores, 3 percent through department stores, and the remainder through other channels. Sonic dominates in channels that are declining in importance, whereas it is a weak competitor in the faster-growing channels, such as discount stores. Sonic gives about a 30 percent margin to its dealers, which is similar to what other competitors give. (Appendix-C)

2.6. SWOT:

SWOT analysis is a tool for auditing an organization and its environment. It is the first stage of planning and helps marketers to focus on key issues. Once key issues have been identified, they feed into marketing objectives. It can be used in conjunction with other tools for audit and analysis such as PEST analysis and Porter's Five-Forces analysis. SWOT stands for strengths, weaknesses, opportunities, and threats. Strength and weaknesses are internal factors. For example, a strength could be your specialist A weakness could be the lack of a new product. Opportunities and threats external factors. For example, an opportunity could be looking market A threat could be a new competitor in your home market. A word of caution, Swot analysis can be very subjective. Do not rely on it too much. Two people rarely come-up with the same final version of SWOT

Opportunities And Threats Analysis:

Here the product manager identifies the main opportunities and threats facing the business. The main opportunities facing Sonic's line are as follows:

- Consumers are showing increased interest in more compact stereo systems.
- Two national department store chains are willing to carry the Sonic line if it will give them extra advertising support.
- A major mass-merchandise chain is willing to carry the Sonic line if it will offer a deeper discount.

The main threats facing Sonic's line are as follows:

- An increasing number of consumers are buying their sets in mass-merchandise and discount stores, in which Sonic has weak representation.
- Some competitors have introduced smaller speakers with excellent sound quality, and

consumers are favoring these smaller speakers.

- The federal government may pass a more stringent product safety law, which would entail product redesign work.

Strengths And Weaknesses Analysis:

The product manager needs to identify product strengths and weaknesses. Sonic's main strengths are as follows:

- Sonic's name has excellent brand awareness and a high-quality image.
- Dealers who sell the Sonic line are knowledgeable and well trained in selling.
- Sonic has an excellent service network, and consumers know they will get quick repair service.

The main weaknesses of Sonic's line are as follows:

- Sonic's sound quality is not demonstrably better than that of competing sets.
- Sonic is budgeting only 5 percent of its sales revenue for advertising and promotion, whereas some major competitors are spending twice that level.
- Sonic's line is not clearly positioned compared with Panasonic ("low price") and Sony ("innovation"). Sonic needs a unique selling proposition. The current advertising campaign is not particularly creative or exciting.
- Sonic's brand is priced higher than other brands, but this higher price is not supported by a real perceived difference in quality. The pricing strategy should be reevaluated.

2.7. PEST Analysis:

It is very important that an organization considers its environment before beginning the marketing process. In fact, Environmental analysis should be continuous and feed all aspects of planning. The organization's marketing managers get ideas up from:

1. The internal environment e.g. staff (or internal customers), technology, wages and finance, etc.
2. The micro-environment e.g. our external customers, agents and distributors, suppliers, our competitors, etc.
3. The macro-environment e.g. Political (and legal) forces, Economic forces, Sociocultural forces, and Technological forces. These are known as **PIEST** factors.

Political Factors:

The political arena has a huge influence of the regulation of businesses, and the spending power of consumers and other businesses. You must consider issues such as:

1. How stable is the political environment.
2. Will government policy influence laws that regulate or tax your business?
3. What is the government's position on ethics?
4. And that is the government's policy of the economically?
5. Does the government have a view on culture and religion?
6. Is the government involved in trade in? such as EU, NAFTA, ASEAN, or others'.

Economical Factor:

Marketers need to consider the state of a trading economy in the short and long-terms. This is especially true where planning for international marketing. You need to look at:

1 Interest rates

2 The level of inflation employment level per capital

3 Long-term prospects for the economy (Gross Domestic Product (GDP) per capital, and so on.

Sociocultural Factors

The social and cultural influences on business vary from country to country. It is very important that such factors are considered.

1 Does language impact upon the different of products into markets?

2 How much time do consumers have for leisure?

3 What are the roles of men and women within society?

4 How long are the population living? Are the older generations wealthy?

5 Do the population have a strong/weak opinion on green issues?

Technological Factors

Technology is vital for competitive advantage and is a major driver of globalization. Consider the following points:

1 Does technology allow for products and services to be made more cheaply and to a better standard of quality?

2 Do the technologies offer consumers and businesses more innovative products and services such as Internet banking, new generation mobile telephones etc?

3 How is distribution changed by new technologies e.g. books via the Internet, flight tickets, auctions, etc?

4 Does technology offer companies a new way to communicate with consumers e.g. banners,

Customer Relationship Management etc?

Political:

Marketing decision are strongly effected by development in the political and legal environment. This environment is composed of laws government agencies and pressure Groups that influence and limit various organization and inviduals.sometimes thses laws Also created new opportunities for business. On other hand ,the political situation of the USA is unique in the world .in short we can Say that they maintain total total political situation not only business but also

all other sector's a result the USA company could able to hold any other countries markets easily In case of sonic corporation the federal GVT.pass a more stringent product safty laws which would entail product design .So the product manager identifies the main opportunities for their business.

Economical:

Marketer requires parching power as well as people. The available purchasingpower in an economy depend on current income, price saving, debts and credits availabilities. Marketers must pay close attention to major trend income consumer Spending patterns. We also know

that USA economy is the best of one in the world and there are not great fluctuation like inflation interest rate in short consumer expenditure are effected by consumer savings, debt, and credit availability. The United State consumer save about 31 percent of other income. The result has been that The United States bank were able to loan money to USA companies at a much medium interest rate that other countries and also. Credits are available in The United State. Since 1980 The Wealthiest 5th of the USA population has been its income grow by 12 percent while wages for the bottom 60 percent have stagnated or even dipped. According to census bureau statisticians the 1990 century have seen a greater polarization of income in The United State. Then at any point since in the world war II. So The product of Sonic Corporation have a good market position in USA. But after terrorist attract in WTC every company is facing some problem. Not only USA company but also all multinational company²

Social: The United States is a multicultural and national market place in the world and socially they are educated and about 70% of US house holders now have a stereo equipments. Consumers are spending more time are watching television and video. The US population (267 million in 1997) is 73% white ,African and American other constitute another 13 % .Latin's another 10%. Each group has certain specific wants an buying habits but incase of entertaintment they are same. As a result the Sonic corporation marekt are not only for specific group.

² I collected this information form class lecture of principal marketing and also see Appendix-D

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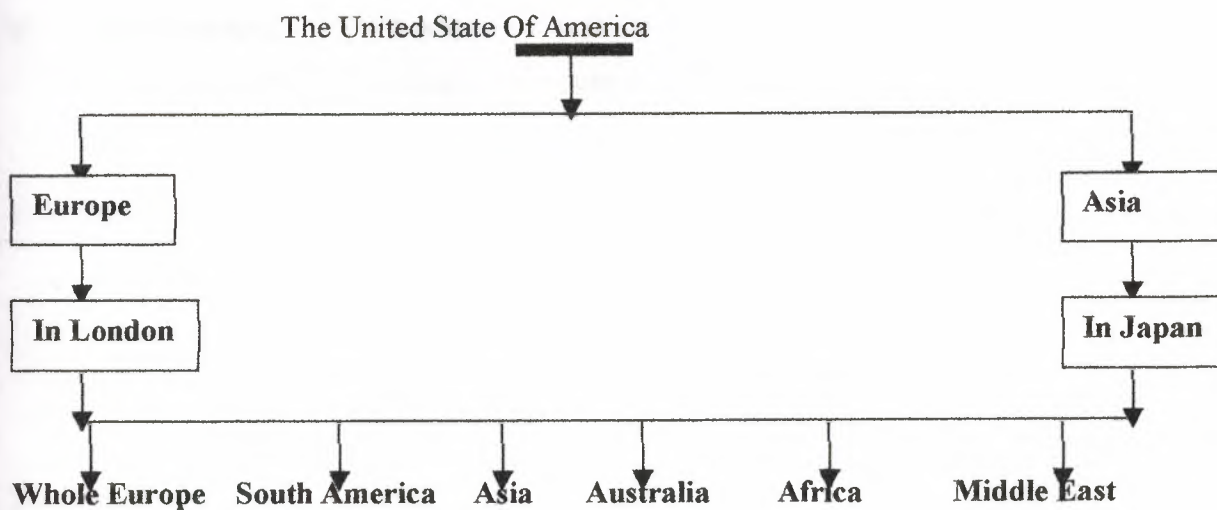
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2.4. Financial summary:

2.4.1. Financial review

Here the sales, prices, contribution margins, and net profits are shown for several past years in table form. Row 1 in Table 3.4 shows the total industry sales in units growing at 5 percent annually until 1999, when demand declined slightly. Row 2 shows Sonic's market share hovering around 3 percent, although it reached 4 percent in 1998. Row 3 shows the average price of sonic stereos rising about 10 percent per year except the last year, when it rose 4 percent. Row 4 shows variable costs-materials, labor, energy-rising each year. Row 5 shows that the gross contribution margin per unit-the difference between price (row 3) and unit variable cost (row 4)-rose the first few years and remained at \$100 in the latest years. Rows 6 and 7 show sales units and in dollars, and row 8 shows the total gross contribution margin, which rose until the latest year, when it fell. Row 9 shows that overhead remained constant during 1996 and 1997 and increased to a high level during 1998 and 1999, owing to an increase in manufacturing capacity. Row 10 shows net contribution margin-that is, gross contribution margin less overhead. Rows 11, 12, and 13 show marketing expenditures advertising and promotion, sales force and distribution, and market research. Finally, row 14 shows net operating profit after marketing expenses. The picture is one of increasing profits until 1999, when they fell about one third of the 1998 level.

2.4.2. Financial Summary :

<u>Variable</u>	<u>Rows</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
1. Industry sales		2,000,000	2,100,000	2,205,000	2,200,000
in units					
2. Company market share		0.03	0.03	0.04	0.03
3. Average price per unit \$		200	220	240	250
4. Variable cost per unit \$		120	125	140	150
5. Gross contribution margin per unit (\$)	(3 - 4)	80	95	100	100
6. Sales volume in units	(12)	60,000	63,000	88,200	66,000
7. Sales revenue (\$)	(36)	12,000,000	13,860,000	21,168,000	16,500,000
8. Gross contribution margin (\$)	(56)	4,800,000	5,985,000	8,820,000	6,600,000
9. Overhead (\$)		2,000,000	2,000,000	3,500,000	3,500,000
10. Net contribution margin (\$)	(8 - 9)	2,800,000	3,985,000	5,320,000	3,100,000
11. Advertising and promotion (\$)		800,000	1,000,000	1,000,000	900,000
12. Sales force and distribution (\$)		700,000	1,000,000	1,100,000	1,000,000
13. Marketing research (\$)		100,000	120,000	150,000	100,000
14. Net operating profit (\$)	(10 - 11 - 12 - 13)	1,200,000	1,865,000	3,070,000	1,100,000

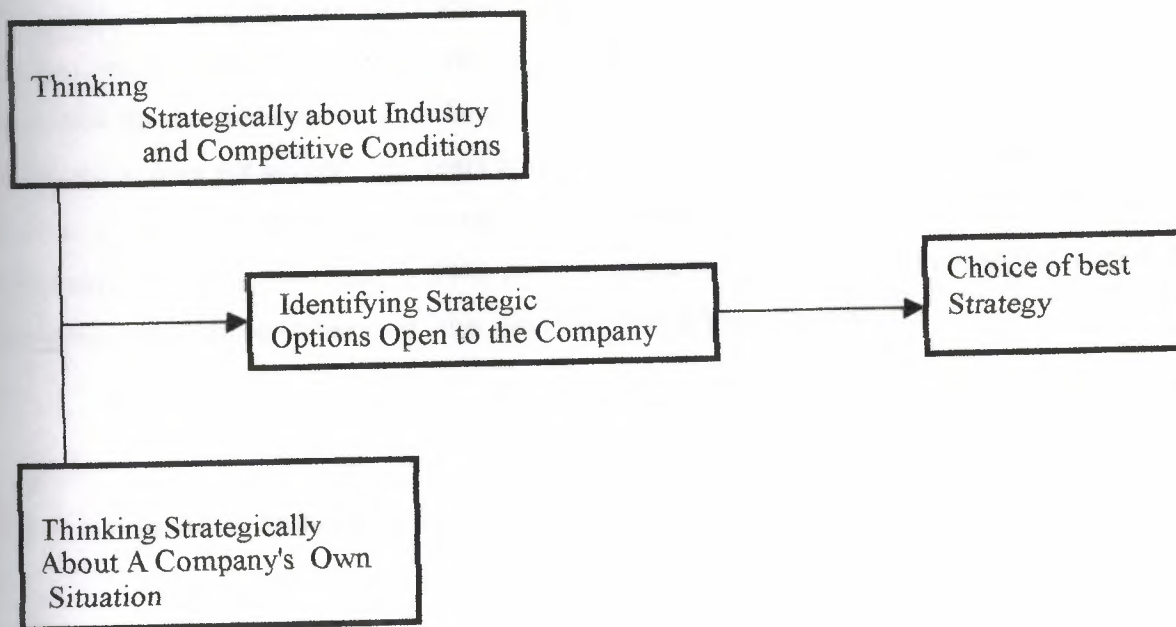
So we find that profit margin = $\frac{\text{Net income}}{\text{Sales}}$.

$$\begin{array}{llll}
 1996 = \frac{1200000}{2000000} & 1997 = \frac{1865000}{2100000} & 1998 = \frac{3070000}{2205000} & 1999 = \frac{1100000}{2200000} \\
 = 0.6 & = 0.89 & = 1.3 & = 0.5
 \end{array}$$

Comment: Everybody knows that the sonic corporation has got strong position in digital Media. And also From the analysis we can say that. The corporation position is good .

2.5. Situation Analysis:

Objective of Situation Analysis: Objective of situation analysis is to identify features in a firm's external and internal environment which. Frame its window of **STRATEGIC OPTIONS and OPPORTUNITIES** It **Focuses** on two considerations, **EXTERNAL** factors: Macro environment (industry and competitive conditions) and **INTERNAL** factors, **MICRO** environment (firm's internal situation and competitive position). Strategic thinking and analysis lead to **good choices** as show below?



2.5.1. External Factors(Microenvironment Situation)

This section describes broad microenvironment trends demographic, economic, technological, political-legal, social cultural that bear on the product line's future. About 70 percent of U.S. households now have stereo equipment. Consumers are spending more time watching

television and videos than listening to music. They are spending more of their discretionary income on computers, exercise equipment, and travel, leaving less to spend on stereos. The only bright spots are home theaters and speakers in every room. As the market approaches saturation, effort must be turned to convincing consumers to upgrade their stereo equipment.

2.5.2. Internal Factors (Microenvironment Situation):

2.5.2.1. Market Situation

The primary buyers are middle-income consumers, ages 20 to 40, who want to listen to good music but do not want to invest in expensive stereo component equipment. They want to buy a complete system produced by a name they can trust. They want a system with good sound and whose look fits the decor primarily of family rooms. The size and growth of market (in units or dollars) are shown for several past years and by market and geographical segments. Data on customer needs, perception, and buying-behavior trends are also present. The shelf stereo market accounts for approximately \$400 million, or 20 percent of the home stereo market. Sales are expected to be stable over the next few years. (Appendix-C)

2.5.2.2. Competitive Situation:

Here the major competitors are identified and described in terms of size goals, market share, product quality, marketing strategies, and other characteristics that are needed to understand their intentions and behavior. Sonic's major competitors in the shelf-stereo-system market are Aiwa, Panasonic, Sony, and Philips. Each competitor has a specific strategy and niche in the market. Aiwa, for example, offers four models covering the whole price range, sells primarily in department stores and discount stores, and is a heavy advertising spender. It plans to dominate the market through product proliferation and price discounting. (Appendix-C)

2.5.2.3. Distribution Situation

This section presents data on the size and importance of each distribution channel. Shelf stereo sets are sold through appliance stores, radio and TV stores, furniture stores, department stores, music stores, discount stores, audio specialty stores, and mail order. Sonic sells 37 percent of its sets through appliance stores, 23 percent through radio and TV stores, 10 percent through furniture stores, 3 percent through department stores, and the remainder through other channels. Sonic dominates in channels that are declining in importance, whereas it is a weak competitor in the faster-growing channels, such as discount stores. Sonic gives about a 30 percent margin to its dealers, which is similar to what other competitors give. (Appendix-C)

2.6. SWOT:

SWOT analysis is a tool for auditing an organization and its environment. It is the first stage of planning and helps marketers to focus on key issues. Once key issues have been identified, they feed into marketing objectives. It can be used in conjunction with other tools for audit and analysis such as PEST analysis and Porter's Five-Forces analysis. SWOT stands for strengths, weaknesses, opportunities, and threats. Strength and weaknesses are internal factors. For example, a strength could be your specialist A weakness could be the lack of a new product. Opportunities and threats external factors. For example, an opportunity could be looking market A threat could be a new competitor in your home market. A word of caution, Swot analysis can be very subjective. Do not rely on it too much. Two people rarely come-up with the same final version of SWOT

Opportunities And Threats Analysis:

Here the product manager identifies the main opportunities and threats facing the business. The main opportunities facing Sonic's line are as follows:

- Consumers are showing increased interest in more compact stereo systems.
- Two national department store chains are willing to carry the Sonic line if it will give them extra advertising support.
- A major mass-merchandise chain is willing to carry the Sonic line if it will offer a deeper discount.

The main threats facing Sonic's line are as follows:

- An increasing number of consumers are buying their sets in mass-merchandise and discount stores, in which Sonic has weak representation.
- Some competitors have introduced smaller speakers with excellent sound quality, and

consumers are favoring these smaller speakers.

- The federal government may pass a more stringent product safety law, which would entail product redesign work.

Strengths And Weaknesses Analysis:

The product manager needs to identify product strengths and weaknesses. Sonic's main strengths are as follows:

- Sonic's name has excellent brand awareness and a high-quality image.
- Dealers who sell the Sonic line are knowledgeable and well trained in selling.
- Sonic has an excellent service network, and consumers know they will get quick repair service.

The main weaknesses of Sonic's line are as follows:

- Sonic's sound quality is not demonstrably better than that of competing sets.
- Sonic is budgeting only 5 percent of its sales revenue for advertising and promotion, whereas some major competitors are spending twice that level.
- Sonic's line is not clearly positioned compared with Panasonic ("low price") and Sony ("innovation"). Sonic needs a unique selling proposition. The current advertising campaign is not particularly creative or exciting.
- Sonic's brand is priced higher than other brands, but this higher price is not supported by a real perceived difference in quality. The pricing strategy should be reevaluated.

2.7. PEST Analysis:

It is very important that an organization considers its environment before beginning the marketing process. In fact, Environmental analysis should be continuous and feed all aspects of planning. The organization's marketing managers get ideas up from:

1. The internal environment e.g. staff (or internal customers), technology, wages and finance, etc.
2. The micro-environment e.g. our external customers, agents and distributors, suppliers, our competitors, etc.
3. The macro-environment e.g. Political (and legal) forces, Economic forces, Sociocultural forces, and Technological forces. These are known as **PIEST** factors.

Political Factors:

The political arena has a huge influence of the regulation of businesses, and the spending power of consumers and other businesses. You must consider issues such as:

1. How stable is the political environment.
2. Will government policy influence laws that regulate or tax your business?
3. What is the government's position on ethics?
4. And that is the government's policy of the economically?
5. Does the government have a view on culture and religion?
6. Is the government involved in trade in? such as EU, NAFTA, ASEAN, or others'.

Economical Factor:

Marketers need to consider the state of a trading economy in the short and long-terms. This is especially true where planning for international marketing. You need to look at:

1 Interest rates

2 The level of inflation employment level per capital

3 Long-term prospects for the economy (Gross Domestic Product (GDP) per capital, and so on.

Sociocultural Factors

The social and cultural influences on business vary from country to country. It is very important that such factors are considered.

- 1 Does language impact upon the different of products into markets?
- 2 How much time do consumers have for leisure?
- 3 What are the roles of men and women within society?
- 4 How long are the population living? Are the older generations wealthy?
- 5 Do the population have a strong/weak opinion on green issues?

Technological Factors

Technology is vital for competitive advantage and is a major driver of globalization. Consider the following points:

- 1 Does technology allow for products and services to be made more cheaply and to a better standard of quality?
- 2 Do the technologies offer consumers and businesses more innovative products and services such as Internet banking, new generation mobile telephones etc?
- 3 How is distribution changed by new technologies e.g. books via the Internet, flight tickets, auctions, etc?
- 4 Does technology offer companies a new way to communicate with consumers e.g. banners,

Customer Relationship Management etc?

Political:

Marketing decision are strongly effected by development in the political and legal environment. This environment is composed of laws government agencies and pressure Groups that influence and limit various organization and inviduals.sometimes thses laws Also created new opportunities for business. On other hand ,the political situation of the USA is unique in the world .in short we can Say that they maintain total total political situation not only business but also

all other sector's a result the USA company could able to hold any other countries markets easily In case of sonic corporation the federal GVT.pass a more stringent product safty laws which would entail product design .So the product manager identifies the main opportunities for their business.

Economical:

Marketer requires parching power as well as people. The available purchasingpower in an economy depend on current income, price saving, debts and credits availabilities. Marketers must pay close attention to major trend income consumer Spending patterns. We also know

that USA economy is the best of one in the world and there are not great fluctuation like inflation interest rate in short consumer expenditure are effected by consumer savings, debt, and credit availability. The United State consumer save about 31 percent of other income. The result has been that The United States bank were able to loan money to USA companies at a much medium interest rate that other countries and also. Credits are available in The United State. Since 1980 The Wealthiest 5th of the USA population has been its income grow by 12 percent while wages for the bottom 60 percent have stagnated or even dipped. According to census bureau statisticians the 1990 century have seen a greater polarization of income in The United State. Then at any point since in the world war II. So The product of Sonic Corporation have a good market position in USA. But after terrorist attract in WTC every company is facing some problem. Not only USA company but also all multinational company²

Social: The United States is a multicultural and national market place in the world and socially they are educated and about 70% of US house holders now have a stereo equipments. Consumers are spending more time are watching television and video. The US population (267 million in 1997) is 73% white ,African and American other constitute another 13 % .Latin's another 10%. Each group has certain specific wants an buying habits but incase of entertaintment they are same. As a result the Sonic corporation marekt are not only for specific group.

² I collected this information form class lecture of principal marketing and also see Appendix-D

Technology:

In the technological arena, marketers should take account of that celebrating pace of technological change, opportunities for innovation varying R&D budget, and the increased governmental regulation brought about by technological change. The USA companies Always using latest technology in the world. The Gvt. Of USA always helps about technology and giving various types of subsidiary.

2.8. Competitive advantage:

Under the marketing concept, companies gain **competitive advantage by designing** offers that satisfy target-consumer needs better than. Competitors offer they might deliver more customer value by offering consumers lower prices than competitors for similar products and services or by providing more benefits that justify higher prices. Marketing strategies must consider the strategies of competitors as well as the needs of target consumers. The first step is **competitor** analysis, the process of identifying key competitors; assessing their objectives strengths and weaknesses, strategies and reaction patterns; and selecting which competitors to attack or avoid. The second step is developing **competitive** strategies that strongly position Tube Company against competitors and that give the company the strongest possible competitive advantage.

Competitive advantage of sonic corporation:

ADVANCED TRAINING PROGRAM IN COMPLEX SYSTEMS

We are pleased to announce an individualized Advanced Training Program with research projects in the study of Complex Systems at the New England Complex Systems Institute. This program is designed for those who would like to contributed to research or applications of complex systems concepts and methods. The program is designed for individuals with BA, Masters, or Ph.D. degrees (or equivalent experience) who would like to learn about and work projects in complex systems under faculty supervision. The program will run like a directed study, or graduate research program, with participation in research group meetings. The program can accommodate flexible in-house and remote study schedule. Research projects can be in a wide range of areas of quantitative or qualitative development and application of complex systems concepts to physical,

biological and social systems.³

CORPORATE SEMINARS

Educational seminars are available for corporations. These include 1/2 day and full day seminars introducing complex systems concepts and methods and describing their application in a wide range of contexts.

ONE-DAY COURSE: INTRODUCTION TO COMPLEX SYSTEMS

A one day course, Introduction to Complex Systems, will be offered on Sunday September 24, 2000. This course is appropriate for anyone who would like an introduction to the opportunities that complex systems provides in research and in applications. Several approaches to the study of complex systems and described, basic concepts will be introduced and implications for the study of biological, social and engineered systems will be discussed. The course will be given at MIT. Tuition: Students \$50, Faculty \$150, Corporate \$500, MIT community attends free. Registration required

³ This information collected from Web page of sonic corporation. www.competitiveadvantage.com

ADMINISTRATIVE POSITION AVAILABLE

We are interested in hiring an administrative assistant for half or full time work. The offices of NECSI are in Harvard Square. The position includes community development and program coordination, e-mail correspondence and calendar management. Highly effective human interaction and writing skills are essential. Competitive salary.⁴

⁴ This information collected from Web page of sonic corporation. www.competitiveadvantage.com

2.9. DEFINING CUSTOMER VALUE AND SATISFACTION:

More than thirty-five years ago, Peter Drucker observed that a company's first task is 'to create customers'. However, creating customers can be a difficult task. Today's customers face a vast array of product and brand choices, prices and suppliers. The company must answer a key question: How do customers make their choices? The answer is that customers choose the marketing offer that gives them the most value. Customers are value-maximizers, within the bounds of search costs and limited knowledge, mobility and income. They form expectations of value and act upon them. Then they compare the actual value they receive in consuming the product to the value expected and this affects their satisfaction and repurchase behavior. We will now examine the concepts of customer value and customer satisfaction more carefully.

Customer value

Consumers buy from the firm that they believe offers the highest **customer delivered value** - the difference between *total customer value* and *total customer cost*.

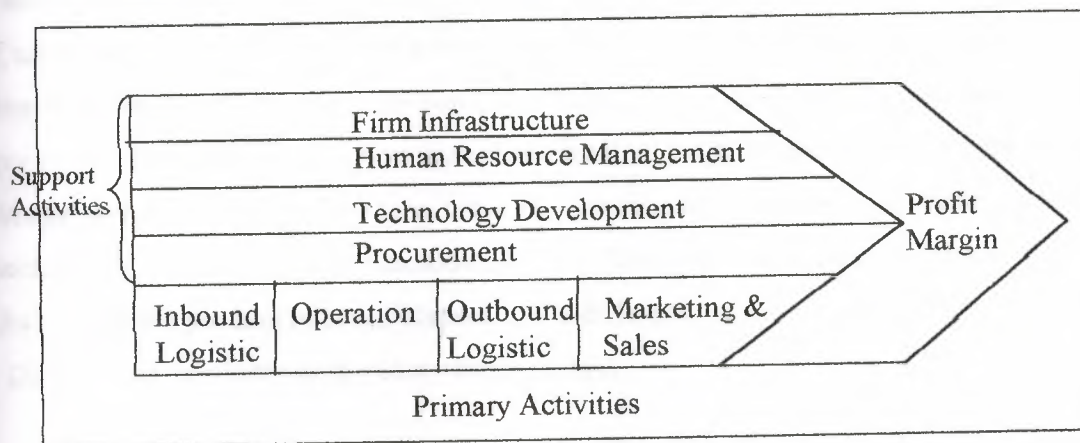
Customer satisfaction

Consumers form judgments about the value of marketing offers and make their buying decisions based upon these judgments. *Customer satisfaction* with a purchase depends upon the product's performance relative to a buyer's expectations. A customer might experience various degrees of satisfaction. If the product's performance falls short of expectations, the customer is dissatisfied. If performance matches expectations, the customer is satisfied. If performance exceeds expectations, the customer is highly satisfied or delighted. But how do buyers form their expectations? Expectations are based on the customer's past buying experiences, the opinions of friends and associates, and marketer and competitor information and promises. Marketers must be careful to set the

right level of expectations. If they set expectations too low, they may satisfy those who buy but fail to attract enough buyers. In contrast, if they raise expectations too high, buyers are likely to be disappointed.

2.9. Value chain:

The nine value-creating activities include five primary activities and four support activities. The primary activities involve the sequence of bringing materials into the business (inbound logistics), operating on them (operations), sending them out (outbound logistics), marketing them (marketing and sales) and servicing them (service). For a long time firms have focused on the product as the primary means of adding value but customer satisfaction also depends upon the other stages of the value chain. The support activities occur within each of these primary activities. For example, procurement involves obtaining the various inputs for each primary activity -only a fraction of procurement is done by the purchasing department. Technology development and human-resource management also occur in all departments.



The generic value chain. (Source: Michael E. Porter, *Competitive Advantage* (New York:Free Press, 1985), 37.)

firm's infrastructure covers the overhead of general management, planning, finance, accounting and government affairs borne by all the primary and support activities. legal Under the value-chain concept, the firm should examine its costs and performance in each value-creating activity to look for improvements. It should also estimate its competitor's costs and performances as benchmarks. To the extent that the firm can perform certain activities better than its competitors, it can achieve a competitive

advantage.

The firm's success depends not only on how well each department performs its work, but also on how well the activities of various departments are coordinated. Too often, individual departments maximize their own interests rather than those of the total company and the customer.

Product development process: All the activities involved in identifying, researching and developing new products with speed, high quality and reasonable cost.

Inventory management process: All the activities involved in developing and managing the right inventory levels of raw materials, semi-finished materials and finished goods so that adequate supplies are available while avoiding the costs of high overstocks.

Order-to-payment process: All the activities involved in receiving orders, approving them, shipping the goods on time and collecting payment.

Customer service process. All the activities involved in making it easy for customers to reach the right parties within the company to obtain service, answers and resolutions of problems. The sonic corporation name has excellent brand awareness and a high quality image and also excellent services network. Because the corporation is based on latest technology and core strengths include an in-depth knowledge of digital media format etc.

As a result the product of sonic corporation is differentiate so we can say that ,

Differentiate product= high value =Profit margin.

2.10. Company strategy and tactics:

A successful company needs to get both. its strategy and operations (tactics) working effectively. This matrix illustrates dramatically just how important it is for a company to 'get its act together'.

	Strategy	
	Ineffective	Effective
Effective	Die (Quickly) 3	Thrive 2
Ineffective	Die (Slowly) 4	Survive 1

Box 1 Good effective strategy, but inefficient tactics - a recoverable situation by moving vertically upwards.

Box 2 The best possible situation - an effective strategy combined with efficient operations.

Box 3 The wrong strategy, efficiently implemented! Surely the way to a quick death!

Box 4 The wrong strategy, inefficiently implemented - in this case a long, slow, lingering death!

According to Sonic corporation their position is in box 2 because their market situation is good more than its competitor .Although in 1999 their net profit was slow down then 1998 but there strategy like new innovation ,price policy (deeper discount), and also their marketing strategy.⁵

⁵This marketing matrix collected from "MARKETING MATRIX" by MCDONAL& J.W.LEPPARD pp.7

2.11.1. The Boston matrix :

The title of this matrix is derived from the Boston Consulting Group, who developed and used this approach with much success. It combines ideas, which have profound implications for an organization, especially in terms of cash flow. It requires users to plot their products' market share (relative to the biggest market leader's share) along the horizontal axis. On the vertical axis, the rate of growth of the market in which each product competes should be plotted.

		Relative market share	
		High	Low
Market growth	High	2	1
	Low	3	4

Box 1 Known by several names, such as 'problem child', 'question mark', 'wildcat', it could also be called the 'ulcer box!' All new products and services should start here (market share will be low by definition, and it would be risky to aim for markets with low growth).

Here we should selectively

- launch an attack on a narrow front not act like a leader, leadership is important
- co-ordinate all your efforts
- keep it simple

Guerilla tactics are called for here.

Box 2 If they are successful, products or services from box 1 will eventually make it to They are now market leaders in a growing market. This is popularly known as the 'star'

box, but could equally be called the 'glory' box. Here we should

- develop the product or service
- invest in R&D
- extend credit (if necessary)
- keep competitors off balance
- promote aggressively

Above all, aggression is the watchword. There are no medals for going to sea with the biggest fleet and losing the battle!

Box 3 All good things eventually come to an end and the star product or service is no exception. In time, the market for it starts to fall, even though the product maintains its high market share. This box is generally called the 'cash cow', but it would be equally appropriate to call it the 'banker'. Continuing the sea battle analogy, you have seen off the opposing forces. Furthermore, the relatively low market growth is not a sufficient prize to attract new battle fleets out of port. In such circumstances, We should

- prune the product/service range
- segment and target more appropriately
- reduce costs (but not unreasonably)
- tighten credit
- reduce accounts receivable
- increase inventory turnover

Don't milk products or services in this box, but do defend and maintain. Have a mobile defiance force.

Box4 Popularly called the 'dog' box, although 'lost cause' would be equally descriptive. Any investment into products or services in this box is likely to be a

case of throwing good money after bad. Tactical surprise is your only hope, especially where your larger competitors are complacent as to appear asleep. The Corporation's relative market shares are quite low. Such as 0.3'1996, 0.3'1997, 0.4'1998, 0.03'1999 but market growths are relatively high. So we can say that the corporation now is in box 1(question mark).⁶

Note: Because of limited information I could not worked out the portfolio position

⁶ the matrix has been founded from "marketing matrix" book by M. Mc Donald & J.W. Leppard pp.11-13.

2.12.2. Strategy and tactics time allocation

Matrix , looked at how strategy and tactics both needed to be effectively managed. This matrix goes on to examine the vexed issue of time management. Just how should managerial time be allocated to strategic and operational matters?

		Manager orientation	
		Strategy	Tactics
Level of seniority	Board	4	3
	Operations	1	2

Box 1 People in this box generally cause organizations to go bankrupt! They are operational people, yet their orientation towards tactics/operations is low. Such people rarely actually do anything. Instead, they spend most of their time saying how the company should be run.

Box 2 People here should obviously spend the majority of their time implementing policy- in other words, **doing things!** However, some of their time should be sought by their bosses to get their views on policy.

Box 3 Alas, the world is full of idiots like this! They are very senior managers, and yet spend most of their time running around with buckets of water putting out fires. Such people only survive in growth conditions, because then they never actually

have to **think deeply** about what they are doing. As soon as the going gets tough however, the 'headless chicken' syndrome sets in. They just rush around, faster and faster, until they eventually get found out as being the mental midgets they always were.

Box 4 People like this are generally real **directors**. They see their role in life as leaving the company in a healthier state than when they found it. They spend a lot of their time thinking about how the company can develop a **sustainable** competitive advantage. They are true strategists, at the same time as having an eye for detail. According to my knowledge from their limited information I think that In case of Sonic corporation manager orientation is a strategy on the other hand the level of seniority is board. So the position of corporation is now in box 4.⁷

⁷ This marketing matrix collected form "MARKETING MATRIX" by MCDONAL& J.W.LEPPARD pp.8

2.12.3. Competitive advantage (Porter):

This matrix looks at how an organization might gain a competitive advantage on the basis of its relative costs, and/or the degree to which it can differentiate its products/services from those of its competitors.

Degree of differentiation of product and service

		High	Low
Relative cost	High	3	2
	Low	4	1

Box I What you are selling is much like your competitor's products or services. However, you have the advantage of being the lowest cost producer and, while you can sustain that 'edge', you can be successful.

Box 2 This is the 'outstanding success' box. You enjoy both low costs and high differentiation.

Box 3 This is for the specialist who cannot possibly be a low cost producer, but who can offer products or services with significant differences from those of competitors.

Box 4 This is of course, the 'idiot box'. High costs and a commodity type of product are the ingredients for disaster. Organizations here might survive if they happen to be in growth markets.

The Sonic corporation is producing DVD mainly and the product is differentiate than other product because of high technology and their various strategies, as a result the cost is higher than others. So the position of corporation is now in box 3 because degree of differentiation of product/service are high but relative cost are high.

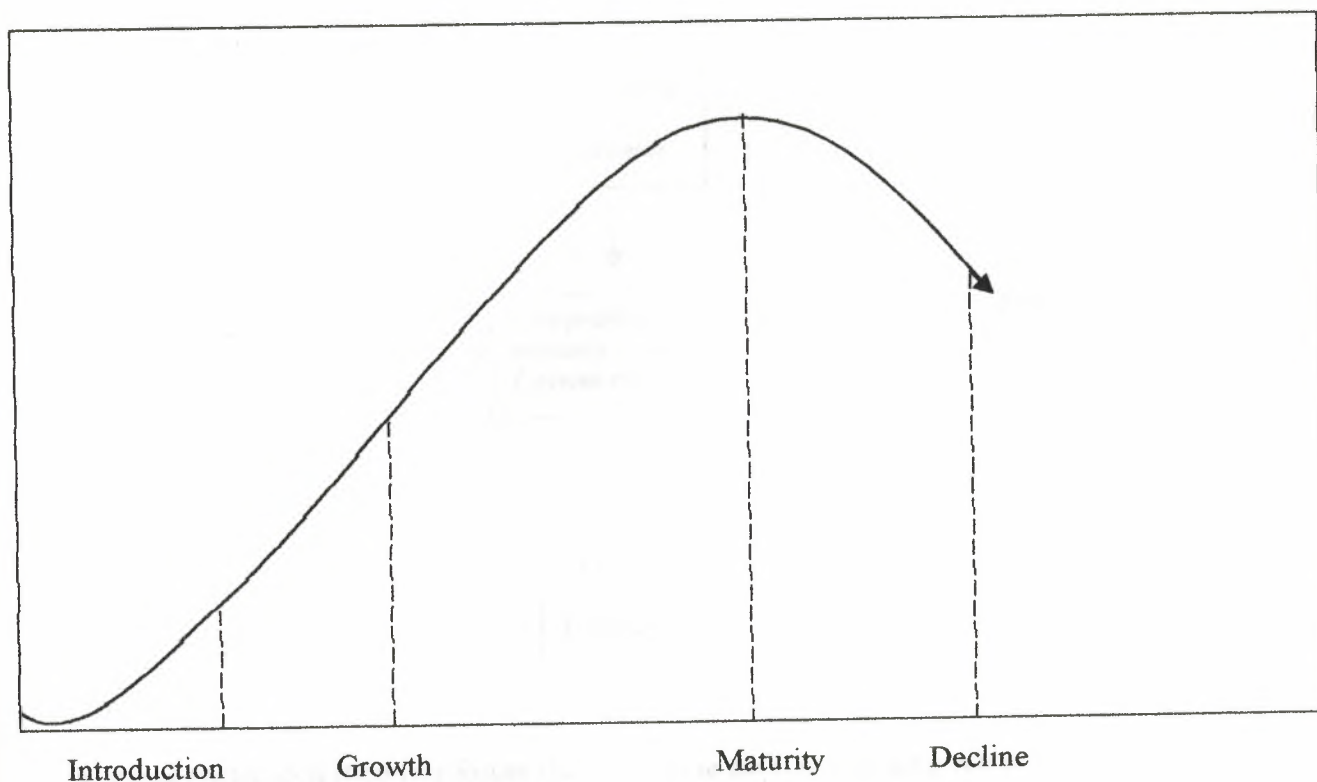
2.12.6 Life cycle - costs and market conditions

Market circumstances change over the life of a product, and so it follows that a company's strategies should also change accordingly. This matrix provides a set of 'snapshots' which describe cost and market conditions in relation to the life cycle phases.

Pricing, distribution and promotion all need to be reviewed against this matrix. For example, at the introduction phase, promotional efforts might need to concentrate on creating awareness for the product or service. Later in life, when awareness levels are high, it is likely that more effort will be required to position the product or service, by creating a particular image which differentiates it from the competition.

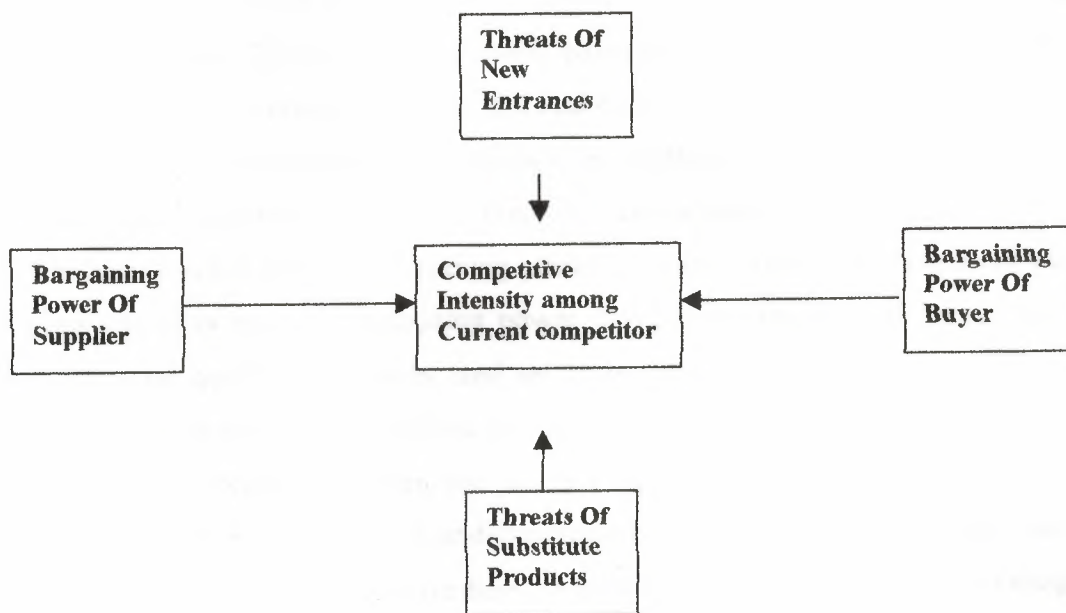
	Introduction	Growth	Maturity/saturation	Decline
Costs	Can be high, due to inexperience in supplying and the cost of promotion.	Increasing due to increased volume and fighting off competition. High growth requires funding.	Stabilizing and reducing as experience and reduced competition take effect.	Can be high if not managed due to diseconomies of scale e.g. only small runs.
Demand	Unpredictable. Forecasts can vary widely.	Upper limits might be forecast but volatile situation sensitive to prices and competition.	Fairly well defined.	Known and limited.
Competition	Largely unknown.	Many new entrants jump on 'bandwagon'. Competition fierce.	Marginal competitors leave. Remainder tend to specialize with particular segments.	New entrants are unlikely. Competition declines.
Customer loyalty	Trial usage, new relationship, little loyalty.	Some loyalty but to ensure supplies many customers might have more than one supplier.	Well-established buying patterns with high customer loyalty.	Extremely stable. Customers are not motivated to seek new suppliers.
Ease of entry	Relatively easy because market leaders have not yet emerged. Customers feeling their way.	More difficult as some suppliers begin to establish market share and benefit from economies of scale.	Difficult because of established buying patterns. New business has to be won.	Little incentive to enter.

The product life cycle for all digital media



I think that digital media always in growth position because innovation coming up one after another e.g. radio, TV, than co lour TV, VCR than VCD now DVD.

12.13. Five Competitive Forces Model:



Michael Porter identified five forces that determine the intrinsic long-run profit an activeness of a market or market segment: industry competitors. Potential entrants. Substitutes. Buyers. And suppliers his model is shown in figure the threats these force pose are as follows:

1. Threat of intense segment rivalry: A segment is unattractive if it already contain numerous strong or aggressive competitors. It is even more unattractive if these gents are stable or declining if plant capacity additions are done in large increments, if fixed costs are high, if exit barriers are high or if competitors have high stakes in staving in the segment. These conditions will lead to frequent price wars, advertising battles, and new-product introductions and will make it expensive to compete.

2. Threat of new entrants: A segment's attractiveness varies with the height of its en try

Faculty of Economics and Business Administration

Business Department

MAN-400

Graduation Project
On

SONIC CORPORATION

Submitted to : Asst. prof. Dr. ERDAL GURYAY

Chairman of Business Dept.

Submitted by : Tilak Barua

Student of Business Administration

Date : 25TH October 2001

Abstract

The sonic corporation is a most popular in USA. They are producing DVD & CD. There headquarter in California and another two important area are London & Tokyo. Although the corporation are receiving various rewards and also their targets Today more DVD titles are produced using sonic names .Sonic success is based in strong technology .But they have some weaknesses. If they are able to remove this weaknesses, They will be market leader. From this analysis we can say that the future of the corporation is good.

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1.1. Aim of Study

Aim is a goal to be reach throws a course of action. Our life is a continues concatenation of purpose action so it has an aim to achieve. Everyone has it and should have it because an aim less study or life is like a boat without a rudder. Right now My aim is to fulfill requirement of MAN400.

1.2. Objectives Of Study

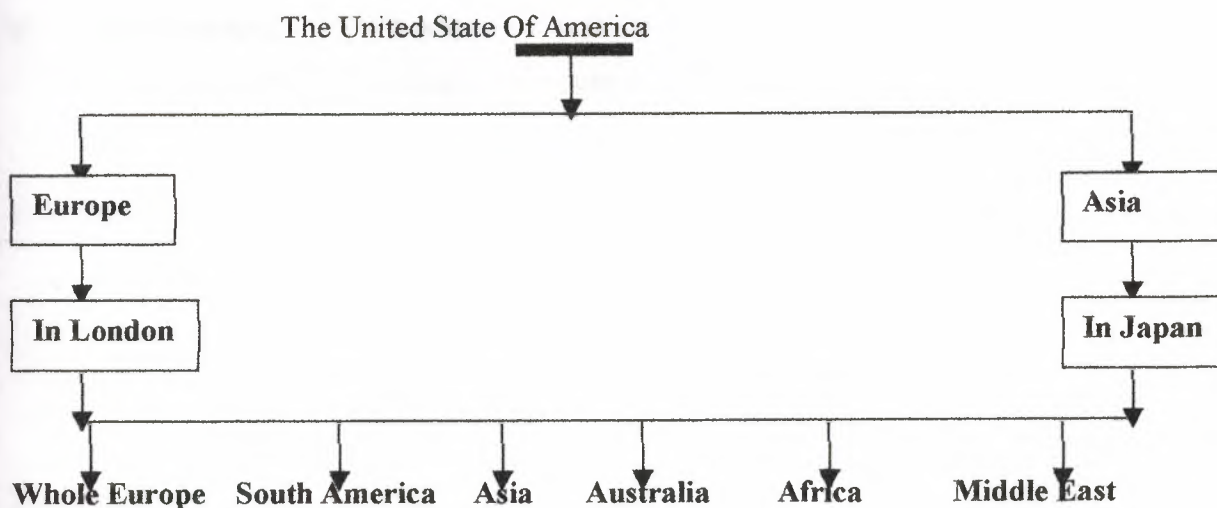
As a business student we know that today understand customer is not enough and also 21st century is the most important and complicated century than decade 1990 and flat 1970 in all sectors of business are facing problem by competitor, customer needs, and environment. My objective is to find a nice solution to survive and archiving goal in the complicated global market. Through PEST analysis for external environment and SWOT and various technique for sonic corporation so that The corporation could able to find out their designated target.

1.3. Limitation of Study:

My main limitations are overall information about the Sonic Corporation with short time in summer school. I collect all information's from corporation websites and some books. Though these information are sometime quite difficult to prepare a project. And also I have got little information about their marketing side and also internal situation, which include corporation strategy and targets.

1.4. Background:

The sonic corporation is a most popular in USA It established in 1986.They are producing mainly DVD and CD. The Sonic corporation is constantly lead producing system for digital media production. Like other companies such as Sony, Panasonic, etc. Today many companies are producing DVD by using Sonic name .The Sonic distribution and marketing channel sale their product are reaching more than 40 countries .They are distributing products by using geographical location.



There headquarters are located in California and another two important areas are Europe in London and Pacifica rim in Tokyo Japan. Sonic success is fully depended in strong Knowledge base technology and strong strategic management. Such as they set the standard for quality, productivity and creativity. As a result year after year Sonic receives rewards in the World complete market as leading publication in Video, Audio and television industries. Acctually Sonic is the name of new technology and applications for

digital media. The sonic has some milestones which are called "Sonic Milestones". Such as

1. 1988 Nonlinear Workstation.
2. 1989 Integrate a CD recorder.
3. 1991 Introduced 24-track editing and mixing workstation.
4. 1994 Introduced Medianet, the first true networked multi-user audio editing environment.
5. 1995 All-digital editing and mixing 48-track system
6. 1996 Introduced first commercial DVD producing system.
7. 1997 First all-in-one production system for DVD
8. 1998 First DVD-audio authoring system.
9. 1999 First DVD authoring application for video enthusiasts/procurers.
10. 2000 Introduced xDVD extensions to DVD format and introduced MyDVD, the first DVD authoring application for consumers.¹ (Appendix -a)

¹ This information collected from the sonic web side. [www.sonic corporation.com](http://www.soniccorporation.com)

1.5. Metrology:

I used verity types of method for analyzing company situation in the world competitive market likely;

The Michael Poter models.

The Boston matrix.

Situation analysis model.

Value chain model.

And also various models of marketing matrix.

SWOT analysis

PEST analysis

Now I am giving *special thanks* to my all teachers:

Asst. prof. Dr. HUSEYIN OZDESER, He taught me how to make project.

Without his guidance it was impossible for me to make a good project

Lec. HASAN SARICA, instructor of MAN –400. I learned from him various

Types of methods for analysis this project

Asst. Prof. Dr. ERDAL GURYAY, chairman of Bussiness dept. He helped me to prepared my project.

Asst. Prof .Dr .OKAN SAFAKLI .He also helped me

Lec. AHMET ERTUGAN ,instructor of MARK. He always advice me about

Various Types of marketing models for analyzing my project. I am really great full to

him .I am giving to my all teachers for their kind cooperation

2.1. Vision

I have developed vision of sonic corporation using my knowledge of marketing

Side ,sonic data library and internal resources.

Vision is to be the Global market share leader of digital media in the world.

2.2. Mission:

I have developed vision of sonic corporation using my knowledge of marketing

Side ,sonic data library and internal resources. We will learn the leadership position by providing our distributor we are intending to stay an Innovative and environmentally responsible product. That offers access to the world at the highest standard for customer. We will add value to this product by providing legendary Customer service. Through our uncompromising commitment to customer satisfaction.

2.3. Objectives:

Organization target for achievement for short term and long term both. There are two types of objectives.

2.3.1. Financial objective :

Financial target as a company wants to achieve.

2.3.2. Marketing objective :

Target relating to strength to a company's overall performance. Market position and competitive situation.

The Objectives Of Sonic Corporation:

Financial Objectives

Sonics management wants each business unit to deliver a good financial performance.

The product manager sets the following financial objectives

- Earn an annual rate of return on investment over the next five years of 15 percent after taxes.
- Produce net profits of \$1.8 million in 2000.
- Produce a cash flow of \$2 million in 2000.(Appendix-B)

Marketing Objectives:

The financial objectives must be converted into marketing objectives. For example, if the company wants to earn \$1.8 million profit and its target profit margin is 10 percent on sales, then it must set a goal of \$18 million in sales revenue. If the company sets an average price of \$260, it must sell 69,230 units. If it expects total industry sales to reach 2.3 million units, it must gain a 3 percent market share to achieve its goals. To achieve

this market share, the company will have to set certain goals for consumer awareness, distribution coverage, and so on. Thus the marketing objectives might read:

- Achieve total sales revenue of \$18 million in 2000, which represents a 9 percent increase from last year. Therefore, achieve a unit sales volume of 69,230, which represents an expected market share of 3 percent.
- Expand consumer awareness of the Sonic brand from 15 percent to 30 percent over the planning period.
- Expand the number of dealers by 10 percent.
- Aim for an average price of \$260. (Appendix-B)

2.4. Financial summary:

2.4.1. Financial review

Here the sales, prices, contribution margins, and net profits are shown for several past years in table form. Row 1 in Table 3.4 shows the total industry sales in units growing at 5 percent annually until 1999, when demand declined slightly. Row 2 shows Sonic's market share hovering around 3 percent, although it reached 4 percent in 1998. Row 3 shows the average price of sonic stereos rising about 10 percent per year except the last year, when it rose 4 percent. Row 4 shows variable costs-materials, labor, energy-rising each year. Row 5 shows that the gross contribution margin per unit-the difference between price (row 3) and unit variable cost (row 4)-rose the first few years and remained at \$100 in the latest years. Rows 6 and 7 show sales units and in dollars, and row 8 shows the total gross contribution margin, which rose until the latest year, when it fell. Row 9 shows that overhead remained constant during 1996 and 1997 and increased to a high level during 1998 and 1999, owing to an increase in manufacturing capacity. Row 10 shows net contribution margin-that is, gross contribution margin less overhead. Rows 11, 12, and 13 show marketing expenditures advertising and promotion, sales force and distribution, and market research. Finally, row 14 shows net operating profit after marketing expenses. The picture is one of increasing profits until 1999, when they fell about one third of the 1998 level.

2.4.2. Financial Summary :

<u>Variable</u>	<u>Rows</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
1. Industry sales		2,000,000	2,100,000	2,205,000	2,200,000
in units					
2. Company market share		0.03	0.03	0.04	0.03
3. Average price per unit \$		200	220	240	250
4. Variable cost per unit \$		120	125	140	150
5. Gross contribution margin per unit (\$)	(3 - 4)	80	95	100	100
6. Sales volume in units	(12)	60,000	63,000	88,200	66,000
7. Sales revenue (\$)	(36)	12,000,000	13,860,000	21,168,000	16,500,000
8. Gross contribution margin (\$)	(56)	4,800,000	5,985,000	8,820,000	6,600,000
9. Overhead (\$)		2,000,000	2,000,000	3,500,000	3,500,000
10. Net contribution margin (\$)	(8 - 9)	2,800,000	3,985,000	5,320,000	3,100,000
11. Advertising and promotion (\$)		800,000	1,000,000	1,000,000	900,000
12. Sales force and distribution (\$)		700,000	1,000,000	1,100,000	1,000,000
13. Marketing research (\$)		100,000	120,000	150,000	100,000
14. Net operating profit (\$)	(10 - 11 - 12 - 13)	1,200,000	1,865,000	3,070,000	1,100,000

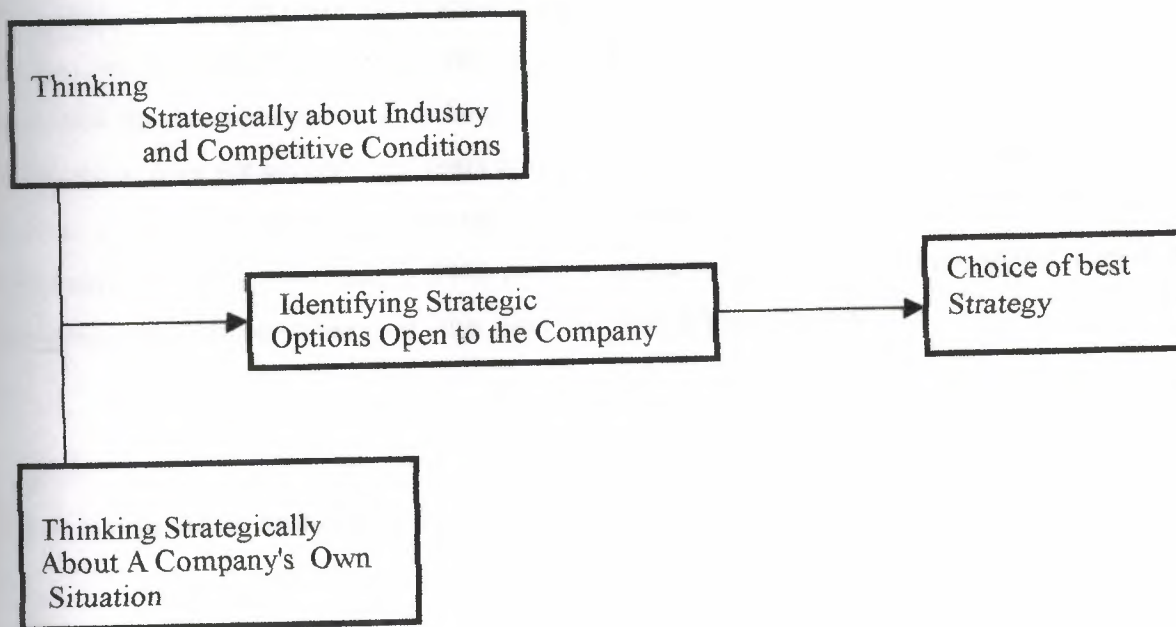
So we find that profit margin = $\frac{\text{Net income}}{\text{Sales}}$.

$$\begin{array}{llll}
 1996 = \frac{1200000}{2000000} & 1997 = \frac{1865000}{2100000} & 1998 = \frac{3070000}{2205000} & 1999 = \frac{1100000}{2200000} \\
 = 0.6 & = 0.89 & = 1.3 & = 0.5
 \end{array}$$

Comment: Everybody knows that the sonic corporation has got strong position in digital Media. And also From the analysis we can say that. The corporation position is good .

2.5. Situation Analysis:

Objective of Situation Analysis: Objective of situation analysis is to identify features in a firm's external and internal environment which. Frame its window of **STRATEGIC OPTIONS** and **OPPORTUNITIES** It **Focuses** on two considerations, **EXTERNAL** factors: Macro environment (industry and competitive conditions) and **INTERNAL** factors, **MICRO** environment (firm's internal situation and competitive position). Strategic thinking and analysis lead to **good choices** as show below?



2.5.1. External Factors(Microenvironment Situation)

This section describes broad microenvironment trends demographic, economic, technological, political-legal, social cultural that bear on the product line's future. About 70 percent of U.S. households now have stereo equipment. Consumers are spending more time watching

television and videos than listening to music. They are spending more of their discretionary income on computers, exercise equipment, and travel, leaving less to spend on stereos. The only bright spots are home theaters and speakers in every room. As the market approaches saturation, effort must be turned to convincing consumers to upgrade their stereo equipment.

2.5.2. Internal Factors (Microenvironment Situation):

2.5.2.1. Market Situation

The primary buyers are middle-income consumers, ages 20 to 40, who want to listen to good music but do not want to invest in expensive stereo component equipment. They want to buy a complete system produced by a name they can trust. They want a system with good sound and whose look fits the decor primarily of family rooms. The size and growth of market (in units or dollars) are shown for several past years and by market and geographical segments. Data on customer needs, perception, and buying-behavior trends are also present. The shelf stereo market accounts for approximately \$400 million, or 20 percent of the home stereo market. Sales are expected to be stable over the next few years. (Appendix-C)

2.5.2.2. Competitive Situation:

Here the major competitors are identified and described in terms of size goals, market share, product quality, marketing strategies, and other characteristics that are needed to understand their intentions and behavior. Sonic's major competitors in the shelf-stereo-system market are Aiwa, Panasonic, Sony, and Philips. Each competitor has a specific strategy and niche in the market. Aiwa, for example, offers four models covering the whole price range, sells primarily in department stores and discount stores, and is a heavy advertising spender. It plans to dominate the market through product proliferation and price discounting. (Appendix-C)

2.5.2.3. Distribution Situation

This section presents data on the size and importance of each distribution channel. Shelf stereo sets are sold through appliance stores, radio and TV stores, furniture stores, department stores, music stores, discount stores, audio specialty stores, and mail order. Sonic sells 37 percent of its sets through appliance stores, 23 percent through radio and TV stores, 10 percent through furniture stores, 3 percent through department stores, and the remainder through other channels. Sonic dominates in channels that are declining in importance, whereas it is a weak competitor in the faster-growing channels, such as discount stores. Sonic gives about a 30 percent margin to its dealers, which is similar to what other competitors give. (Appendix-C)

2.6. SWOT:

SWOT analysis is a tool for auditing an organization and its environment. It is the first stage of planning and helps marketers to focus on key issues. Once key issues have been identified, they feed into marketing objectives. It can be used in conjunction with other tools for audit and analysis such as PEST analysis and Porter's Five-Forces analysis. SWOT stands for strengths, weaknesses, opportunities, and threats. Strength and weaknesses are internal factors. For example, a strength could be your specialist A weakness could be the lack of a new product. Opportunities and threats external factors. For example, an opportunity could be looking market. A threat could be a new competitor in your home market. A word of caution, Swot analysis can be very subjective. Do not rely on it too much. Two people rarely come-up with the same final version of SWOT

Opportunities And Threats Analysis:

Here the product manager identifies the main opportunities and threats facing the business. The main opportunities facing Sonic's line are as follows:

- Consumers are showing increased interest in more compact stereo systems.
- Two national department store chains are willing to carry the Sonic line if it will give them extra advertising support.
- A major mass-merchandise chain is willing to carry the Sonic line if it will offer a deeper discount.

The main threats facing Sonic's line are as follows:

- An increasing number of consumers are buying their sets in mass-merchandise and discount stores, in which Sonic has weak representation.
- Some competitors have introduced smaller speakers with excellent sound quality, and

consumers are favoring these smaller speakers.

- The federal government may pass a more stringent product safety law, which would entail product redesign work.

Strengths And Weaknesses Analysis:

The product manager needs to identify product strengths and weaknesses. Sonic's main strengths are as follows:

- Sonic's name has excellent brand awareness and a high-quality image.
- Dealers who sell the Sonic line are knowledgeable and well trained in selling.
- Sonic has an excellent service network, and consumers know they will get quick repair service.

The main weaknesses of Sonic's line are as follows:

- Sonic's sound quality is not demonstrably better than that of competing sets.
- Sonic is budgeting only 5 percent of its sales revenue for advertising and promotion, whereas some major competitors are spending twice that level.
- Sonic's line is not clearly positioned compared with Panasonic ("low price") and Sony ("innovation"). Sonic needs a unique selling proposition. The current advertising campaign is not particularly creative or exciting.
- Sonic's brand is priced higher than other brands, but this higher price is not supported by a real perceived difference in quality. The pricing strategy should be reevaluated.

2.7. PEST Analysis:

It is very important that an organization considers its environment before beginning the marketing process. In fact, Environmental analysis should be continuous and feed all aspects of planning. The organization's marketing managers get ideas up from:

1. The internal environment e.g. staff (or internal customers), technology, wages and finance, etc.
2. The micro-environment e.g. our external customers, agents and distributors, suppliers, our competitors, etc.
3. The macro-environment e.g. Political (and legal) forces, Economic forces, Sociocultural forces, and Technological forces. These are known as **PIEST** factors.

Political Factors:

The political arena has a huge influence of the regulation of businesses, and the spending power of consumers and other businesses. You must consider issues such as:

1. How stable is the political environment.
2. Will government policy influence laws that regulate or tax your business?
3. What is the government's position on ethics?
4. And that is the government's policy of the economically?
5. Does the government have a view on culture and religion?
6. Is the government involved in trade in? such as EU, NAFTA, ASEAN, or others'.

Economical Factor:

Marketers need to consider the state of a trading economy in the short and long-terms. This is especially true where planning for international marketing. You need to look at:

1 Interest rates

2 The level of inflation employment level per capital

3 Long-term prospects for the economy (Gross Domestic Product (GDP) per capital, and so on.

Sociocultural Factors

The social and cultural influences on business vary from country to country. It is very important that such factors are considered.

1 Does language impact upon the different of products into markets?

2 How much time do consumers have for leisure?

3 What are the roles of men and women within society?

4 How long are the population living? Are the older generations wealthy?

5 Do the population have a strong/weak opinion on green issues?

Technological Factors

Technology is vital for competitive advantage and is a major driver of globalization. Consider the following points:

1 Does technology allow for products and services to be made more cheaply and to a better standard of quality?

2 Do the technologies offer consumers and businesses more innovative products and services such as Internet banking, new generation mobile telephones etc?

3 How is distribution changed by new technologies e.g. books via the Internet, flight tickets, auctions, etc?

4 Does technology offer companies a new way to communicate with consumers e.g. banners,

Customer Relationship Management etc?

Political:

Marketing decision are strongly effected by development in the political and legal environment. This environment is composed of laws government agencies and pressure Groups that influence and limit various organization and inviduals.sometimes thses laws Also created new opportunities for business. On other hand ,the political situation of the USA is unique in the world .in short we can Say that they maintain total total political situation not only business but also

all other sector's a result the USA company could able to hold any other countries markets easily In case of sonic corporation the federal GVT.pass a more stringent product safty laws which would entail product design .So the product manager identifies the main opportunities for their business.

Economical:

Marketer requires parching power as well as people. The available purchasingpower in an economy depend on current income, price saving, debts and credits availabilities. Marketers must pay close attention to major trend income consumer Spending patterns. We also know

that USA economy is the best of one in the world and there are not great fluctuation like inflation interest rate in short consumer expenditure are effected by consumer savings, debt, and credit availability. The United State consumer save about 31 percent of other income. The result has been that The United States bank were able to loan money to USA companies at a much medium interest rate that other countries and also. Credits are available in The United State. Since 1980 The Wealthiest 5th of the USA population has been its income grow by 12 percent while wages for the bottom 60 percent have stagnated or even dipped. According to census bureau statisticians the 1990 century have seen a greater polarization of income in The United State. Then at any point since in the world war II. So The product of Sonic Corporation have a good market position in USA. But after terrorist attract in WTC every company is facing some problem. Not only USA company but also all multinational company²

Social: The United States is a multicultural and national market place in the world and socially they are educated and about 70% of US house holders now have a stereo equipments. Consumers are spending more time are watching television and video. The US population (267 million in 1997) is 73% white ,African and American other constitute another 13 % .Latin's another 10%. Each group has certain specific wants an buying habits but incase of entertaintment they are same. As a result the Sonic corporation marekt are not only for specific group.

² I collected this information form class lecture of principal marketing and also see Appendix-D

Technology:

In the technological arena, marketers should take account of that celebrating pace of technological change, opportunities for innovation varying R&D budget, and the increased governmental regulation brought about by technological change. The USA companies Always using latest technology in the world. The Gvt. Of USA always helps about technology and giving various types of subsidiary.

2.8. Competitive advantage:

Under the marketing concept, companies gain **competitive advantage by designing** offers that satisfy target-consumer needs better than. Competitors offer they might deliver more customer value by offering consumers lower prices than competitors for similar products and services or by providing more benefits that justify higher prices. Marketing strategies must consider the strategies of competitors as well as the needs of target consumers. The first step is **competitor** analysis, the process of identifying key competitors; assessing their objectives strengths and weaknesses, strategies and reaction patterns; and selecting which competitors to attack or avoid. The second step is developing **competitive** strategies that strongly position Tube Company against competitors and that give the company the strongest possible competitive advantage.

Competitive advantage of sonic corporation:

ADVANCED TRAINING PROGRAM IN COMPLEX SYSTEMS

We are pleased to announce an individualized Advanced Training Program with research projects in the study of Complex Systems at the New England Complex Systems Institute. This program is designed for those who would like to contributed to research or applications of complex systems concepts and methods. The program is designed for individuals with BA, Masters, or Ph.D. degrees (or equivalent experience) who would like to learn about and work projects in complex systems under faculty supervision. The program will run like a directed study, or graduate research program, with participation in research group meetings. The program can accommodate flexible in-house and remote study schedule. Research projects can be in a wide range of areas of quantitative or qualitative development and application of complex systems concepts to physical,

biological and social systems.³

CORPORATE SEMINARS

Educational seminars are available for corporations. These include 1/2 day and full day seminars introducing complex systems concepts and methods and describing their application in a wide range of contexts.

ONE-DAY COURSE: INTRODUCTION TO COMPLEX SYSTEMS

A one day course, Introduction to Complex Systems, will be offered on Sunday September 24, 2000. This course is appropriate for anyone who would like an introduction to the opportunities that complex systems provides in research and in applications. Several approaches to the study of complex systems and described, basic concepts will be introduced and implications for the study of biological, social and engineered systems will be discussed. The course will be given at MIT. Tuition: Students \$50, Faculty \$150, Corporate \$500, MIT community attends free. Registration required

³ This information collected from Web page of sonic corporation. www.competitiveadvantage.com

ADMINISTRATIVE POSITION AVAILABLE

We are interested in hiring an administrative assistant for half or full time work. The offices of NECSI are in Harvard Square. The position includes community development and program coordination, e-mail correspondence and calendar management. Highly effective human interaction and writing skills are essential. Competitive salary.⁴

⁴ This information collected from Web page of sonic corporation. www.competitiveadvantage.com

2.9. DEFINING CUSTOMER VALUE AND SATISFACTION:

More than thirty-five years ago, Peter Drucker observed that a company's first task is 'to create customers'. However, creating customers can be a difficult task. Today's customers face a vast array of product and brand choices, prices and suppliers. The company must answer a key question: How do customers make their choices? The answer is that customers choose the marketing offer that gives them the most value. Customers are value-maximizers, within the bounds of search costs and limited knowledge, mobility and income. They form expectations of value and act upon them. Then they compare the actual value they receive in consuming the product to the value expected and this affects their satisfaction and repurchase behavior. We will now examine the concepts of customer value and customer satisfaction more carefully.

Customer value

Consumers buy from the firm that they believe offers the highest **customer delivered value** - the difference between *total customer value* and *total customer cost*.

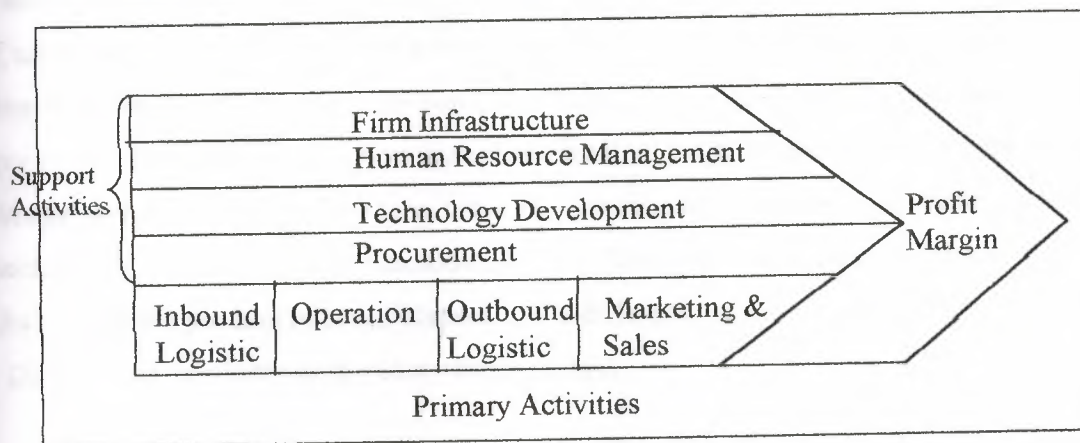
Customer satisfaction

Consumers form judgments about the value of marketing offers and make their buying decisions based upon these judgments. *Customer satisfaction* with a purchase depends upon the product's performance relative to a buyer's expectations. A customer might experience various degrees of satisfaction. If the product's performance falls short of expectations, the customer is dissatisfied. If performance matches expectations, the customer is satisfied. If performance exceeds expectations, the customer is highly satisfied or delighted. But how do buyers form their expectations? Expectations are based on the customer's past buying experiences, the opinions of friends and associates, and marketer and competitor information and promises. Marketers must be careful to set the

right level of expectations. If they set expectations too low, they may satisfy those who buy but fail to attract enough buyers. In contrast, if they raise expectations too high, buyers are likely to be disappointed.

2.9. Value chain:

The nine value-creating activities include five primary activities and four support activities. The primary activities involve the sequence of bringing materials into the business (inbound logistics), operating on them (operations), sending them out (outbound logistics), marketing them (marketing and sales) and servicing them (service). For a long time firms have focused on the product as the primary means of adding value but customer satisfaction also depends upon the other stages of the value chain. The support activities occur within each of these primary activities. For example, procurement involves obtaining the various inputs for each primary activity -only a fraction of procurement is done by the purchasing department. Technology development and human-resource management also occur in all departments.



The generic value chain. (Source: Michael E. Porter, *Competitive Advantage* (New York:Free Press, 1985), 37.)

firm's infrastructure covers the overhead of general management, planning, finance, accounting and government affairs borne by all the primary and support activities. legal Under the value-chain concept, the firm should examine its costs and performance in each value-creating activity to look for improvements. It should also estimate its competitor's costs and performances as benchmarks. To the extent that the firm can perform certain activities better than its competitors, it can achieve a competitive

advantage.

The firm's success depends not only on how well each department performs its work, but also on how well the activities of various departments are coordinated. Too often, individual departments maximize their own interests rather than those of the total company and the customer.

Product development process: All the activities involved in identifying, researching and developing new products with speed, high quality and reasonable cost.

Inventory management process: All the activities involved in developing and managing the right inventory levels of raw materials, semi-finished materials and finished goods so that adequate supplies are available while avoiding the costs of high overstocks.

Order-to-payment process: All the activities involved in receiving orders, approving them, shipping the goods on time and collecting payment.

Customer service process. All the activities involved in making it easy for customers to reach the right parties within the company to obtain service, answers and resolutions of problems. The sonic corporation name has excellent brand awareness and a high quality image and also excellent services network. Because the corporation is based on latest technology and core strengths include an in-depth knowledge of digital media format etc.

As a result the product of sonic corporation is differentiate so we can say that ,

Differentiate product= high value =Profit margin.

2.10. Company strategy and tactics:

A successful company needs to get both. its strategy and operations (tactics) working effectively. This matrix illustrates dramatically just how important it is for a company to 'get its act together'.

	Strategy	
	Ineffective	Effective
Effective	Die (Quickly) 3	Thrive 2
Ineffective	Die (Slowly) 4	Survive 1

Box I Good effective strategy, but inefficient tactics - a recoverable situation by moving vertically upwards.

Box 2 The best possible situation - an effective strategy combined with efficient operations.

Box3 The wrong strategy, efficiently implemented! Surely the way to a quick death!

Box4 The wrong strategy, inefficiently implemented - in this case a long, slow, lingering death!

According to Sonic corporation there position is in box 2 because their market situation is good more than its competitor .Although in 1999 their net profit was slow down then 1998 but there strategy like new innovation ,price policy (deeper discount), and also their marketing strategy.⁵

⁵This marketing matrix collected form "MARKETING MATRIX" by MCDONAL& J.W.LEPPARD pp.7

2.11.1. The Boston matrix :

The title of this matrix is derived from the Boston Consulting Group, who developed and used this approach with much success. It combines ideas, which have profound implications for an organization, especially in terms of cash flow. It requires users to plot their products' market share (relative to the biggest market leader's share) along the horizontal axis. On the vertical axis, the rate of growth of the market in which each product competes should be plotted.

		Relative market share	
		High	Low
Market growth	High	2	1
	Low	3	4

Box 1 Known by several names, such as 'problem child', 'question mark', 'wildcat', it could also be called the 'ulcer box!' All new products and services should start here (market share will be low by definition, and it would be risky to aim for markets with low growth).

Here we should selectively

- launch an attack on a narrow front not act like a leader, leadership is important
- co-ordinate all your efforts
- keep it simple

Guerilla tactics are called for here.

Box 2 If they are successful, products or services from box 1 will eventually make it to They are now market leaders in a growing market. This is popularly known as the 'star'

box, but could equally be called the 'glory' box. Here we should

- develop the product or service
- invest in R&D
- extend credit (if necessary)
- keep competitors off balance
- promote aggressively

Above all, aggression is the watchword. There are no medals for going to sea with the biggest fleet and losing the battle!

Box 3 All good things eventually come to an end and the star product or service is no exception. In time, the market for it starts to fall, even though the product maintains its high market share. This box is generally called the 'cash cow', but it would be equally appropriate to call it the 'banker'. Continuing the sea battle analogy, you have seen off the opposing forces. Furthermore, the relatively low market growth is not a sufficient prize to attract new battle fleets out of port. In such circumstances, We should

- prune the product/service range
- segment and target more appropriately
- reduce costs (but not unreasonably)
- tighten credit
- reduce accounts receivable
- increase inventory turnover

Don't milk products or services in this box, but do defend and maintain. Have a mobile defiance force.

Box4 Popularly called the 'dog' box, although 'lost cause' would be equally descriptive. Any investment into products or services in this box is likely to be a

case of throwing good money after bad. Tactical surprise is your only hope, especially where your larger competitors are complacent as to appear asleep. The Corporation's relative market shares are quite low. Such as 0.3'1996, 0.3'1997, 0.4'1998, 0.03'1999 but market growths are relatively high. So we can say that the corporation now is in box 1(question mark).⁶

Note: Because of limited information I could not worked out the portfolio position

⁶ the matrix has been founded from "marketing matrix" book by M. Mc Donald & J.W. Leppard pp.11-13.

2.12.2. Strategy and tactics time allocation

Matrix , looked at how strategy and tactics both needed to be effectively managed. This matrix goes on to examine the vexed issue of time management. Just how should managerial time be allocated to strategic and operational matters?

		Manager orientation	
		Strategy	Tactics
Level of seniority	Board	4	3
	Operations	1	2

Box 1 People in this box generally cause organizations to go bankrupt! They are operational people, yet their orientation towards tactics/operations is low. Such people rarely actually do anything. Instead, they spend most of their time saying how the company should be run.

Box 2 People here should obviously spend the majority of their time implementing policy- in other words, **doing things!** However, some of their time should be sought by their bosses to get their views on policy.

Box 3 Alas, the world is full of idiots like this! They are very senior managers, and yet spend most of their time running around with buckets of water putting out fires. Such people only survive in growth conditions, because then they never actually

have to **think deeply** about what they are doing. As soon as the going gets tough however, the 'headless chicken' syndrome sets in. They just rush around, faster and faster, until they eventually get found out as being the mental midgets they always were.

Box 4 People like this are generally real **directors**. They see their role in life as leaving the company in a healthier state than when they found it. They spend a lot of their time thinking about how the company can develop a **sustainable** competitive advantage. They are true strategists, at the same time as having an eye for detail. According to my knowledge from their limited information I think that In case of Sonic corporation manager orientation is a strategy on the other hand the level of seniority is board. So the position of corporation is now in box 4.⁷

⁷ This marketing matrix collected form "MARKETING MATRIX" by MCDONAL& J.W.LEPPARD pp.8

2.12.3. Competitive advantage (Porter):

This matrix looks at how an organization might gain a competitive advantage on the basis of its relative costs, and/or the degree to which it can differentiate its products/services from those of its competitors.

Degree of differentiation of product and service

		High	Low
Relative cost	High	3	2
	Low	4	1

Box I What you are selling is much like your competitor's products or services. However, you have the advantage of being the lowest cost producer and, while you can sustain that 'edge', you can be successful.

Box 2 This is the 'outstanding success' box. You enjoy both low costs and high differentiation.

Box 3 This is for the specialist who cannot possibly be a low cost producer, but who can offer products or services with significant differences from those of competitors.

Box 4 This is of course, the 'idiot box'. High costs and a commodity type of product are the ingredients for disaster. Organizations here might survive if they happen to be in growth markets.

The Sonic corporation is producing DVD mainly and the product is differentiate than other product because of high technology and their various strategies, as a result the cost is higher than others. So the position of corporation is now in box 3 because degree of differentiation of product/service are high but relative cost are high.

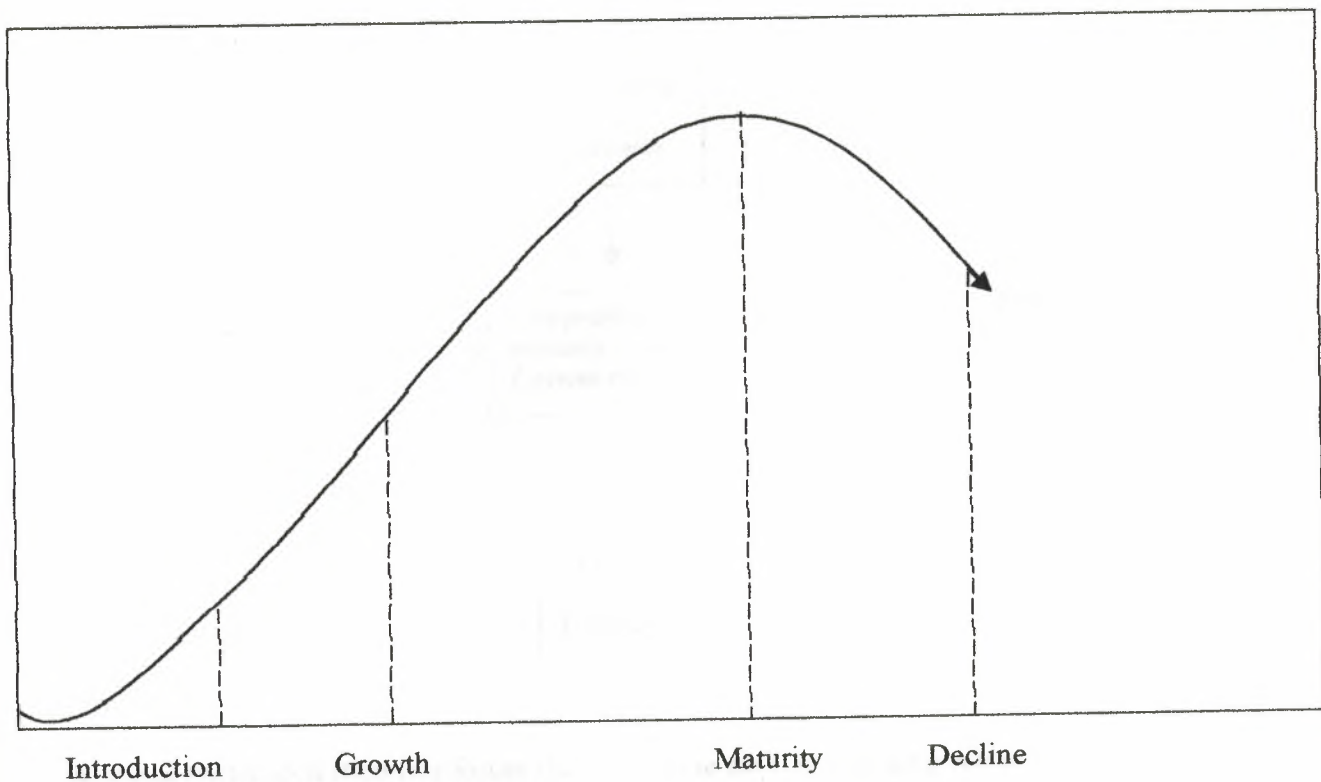
2.12.6 Life cycle - costs and market conditions

Market circumstances change over the life of a product, and so it follows that a company's strategies should also change accordingly. This matrix provides a set of 'snapshots' which describe cost and market conditions in relation to the life cycle phases.

Pricing, distribution and promotion all need to be reviewed against this matrix. For example, at the introduction phase, promotional efforts might need to concentrate on creating awareness for the product or service. Later in life, when awareness levels are high, it is likely that more effort will be required to position the product or service, by creating a particular image which differentiates it from the competition.

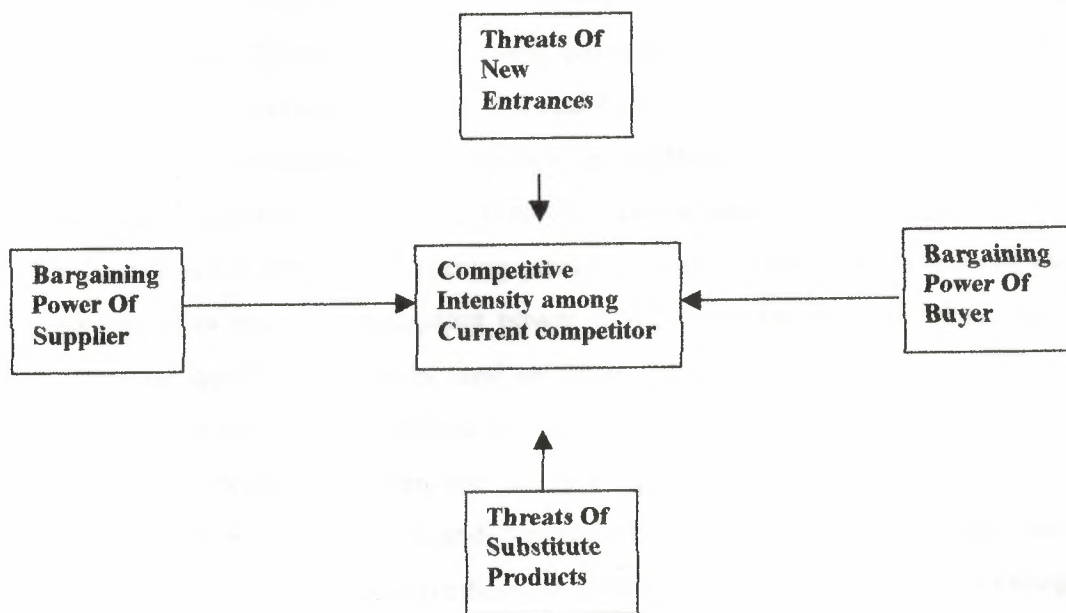
	Introduction	Growth	Maturity/saturation	Decline
Costs	Can be high, due to inexperience in supplying and the cost of promotion.	Increasing due to increased volume and fighting off competition. High growth requires funding.	Stabilizing and reducing as experience and reduced competition take effect.	Can be high if not managed due to diseconomies of scale e.g. only small runs.
Demand	Unpredictable. Forecasts can vary widely.	Upper limits might be forecast but volatile situation sensitive to prices and competition.	Fairly well defined.	Known and limited.
Competition	Largely unknown.	Many new entrants jump on 'bandwagon'. Competition fierce.	Marginal competitors leave. Remainder tend to specialize with particular segments.	New entrants are unlikely. Competition declines.
Customer loyalty	Trial usage, new relationship, little loyalty.	Some loyalty but to ensure supplies many customers might have more than one supplier.	Well-established buying patterns with high customer loyalty.	Extremely stable. Customers are not motivated to seek new suppliers.
Ease of entry	Relatively easy because market leaders have not yet emerged. Customers feeling their way.	More difficult as some suppliers begin to establish market share and benefit from economies of scale.	Difficult because of established buying patterns. New business has to be won.	Little incentive to enter.

The product life cycle for all digital media



I think that digital media always in growth position because innovation coming up one after another e.g. radio, TV, than co lour TV, VCR than VCD now DVD.

12.13. Five Competitive Forces Model:



Michael Porter identified five forces that determine the intrinsic long-run profit an activeness of a market or market segment: industry competitors. Potential entrants. Substitutes. Buyers. And suppliers his model is shown in figure the threats these force pose are as follows:

1. Threat of intense segment rivalry: A segment is unattractive if it already contain numerous strong or aggressive competitors. It is even more unattractive if these gents are stable or declining if plant capacity additions are done in large increments, if fixed costs are high, if exit barriers are high or if competitors have high stakes in staving in the segment. These conditions will lead to frequent price wars, advertising battles, and new-product introductions and will make it expensive to compete.

2. Threat of new entrants: A segment's attractiveness varies with the height of its en try

and exit barriers. The most attractive segment is one in which entry barriers are high and exit barriers are low. Few new firms can enter the industry, and poor-performing firms can easily exit. When both entry and exit barrier are high, profit potential is high. But firms face more risk because poorer-performing firms stay in and fight it out, When entry and exit barriers are both low, firms easily enter and leave the industry. And the returns are stable are low. The worst case is when entry barriers are low and exit barriers are high: He firms enter during good times but find it hard to leave during bad times.

3 Threat of substitute products: A segment is unattractive when there are actual or potential substitutes for the product. Substitutes place a limit on prices and so on

4. Threat of buyer's growing bargaining power: A segment is unattractive if the buyers possess strong or growing bargaining power. Buyers will try, to force prices down's, demand more quality or services, and set competitors against each other, all at the expense of seller profitability. Buyers' bargaining power grows when they become more concentrated or organized, when the product represents a significant fraction of the buyers' costs, when the product is undifferentiated, when the buyers' switching costs are low, when buyers are price sensitive because of low profits, or when buyers can integrate upstream.

5. Threat of suppliers' growing bargaining power: A segment is unattractive if the Company's suppliers are able to raise prices or reduce quantity supplied. Suppliers tend to be Powerful when they are concentrated or organized.

According to Michel Porter, The Corporation is now operating as a threat of new entrants because they are producing DVD and CD mainly. And also DVD is the main product of Sonic Corporation. And also the segment is attractive because it is a latest & technology based side. The barriers of entry high and exit are low. There are some opportunities to enter in this business. Does not matter what about performance, as a result poor performing can exit easily.⁸

⁸ The five competitive force model has been collected from the book of Phillippe kotlar Marketing management.

III. Conclusion

Beginning 1986 Sonic set the standard for quality productivity and creativity for digital Audio workstations and CD mastering. The new world is more complicated than 90's, 80's and 70's. now the world is more completed than others. every firms are effected by competitor. Although the corporation are receiving various rewards and also their targets. Today more DVD titles are produced using sonic names. Sonic success is based in strong technology. But they have some weaknesses. If they are able to remove this weaknesses, They will be market leader. From this analysis we can say that the future of the corporation is good.

IV. Recommendation:

The corporation achieved expected objectives sometimes and some times

Failure. In last I find that:

1. The corporation have some problem in marketing channel .e.g. weak representative so They have to change some strategy in marketing side and strong representative in mass merchandise and discount store
2. The corporation has a few technological lacking e.g. Competitors has introduces smaller speaker with excellent sound and entire sound Quality. So this types of technological factor they have to conceder.
3. Advertising expenditure, the corporation have to increase it .
4. The brand price is relatively higher than competitors, such as Panasonic etc. And we know that one of major factors for consumer is price, so recommend that for reducing price. So my opinion only understands the customer is not enough in competitive World.

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Introducing Sonic

Sonic is the world's leading supplier of authoring systems for digital media production. Beginning in 1986, Sonic set the standard for quality, productivity and creativity for digital audio workstations, and in 1996 lead the way into DVD with the introduction of the first commercial systems for DVD production.



Sonic continues its technology and market leadership role today with a full line of DVD authoring systems -- from professional workgroups designed for Hollywood studios to desktop applications that bring DVD to the home market for the first time. Sonic is the DVD solution of choice, and today more DVDs worldwide are authored on Sonic than on all competing products combined.

SONIC BACKGROUND

Sonic is the world's leading supplier of authoring systems for digital media – DVD and CD – production. Beginning in 1986, Sonic set the standard for quality, productivity and creativity for digital audio workstations and CD premastering. It built upon this success with the introduction of the first commercial systems for DVD production in 1996.

Sonic's core strengths include an in-depth knowledge of digital media formats, including CD and the many variations of DVD media, and the formats used for audio and video information including MPEG. In addition, the company has built considerable expertise in the presentation of friendly, yet powerful, authoring and editing environments to facilitate the rapid, yet creative, production of titles. Sonic's success through the years, in fact, has come from this ability to leverage format and presentation knowledge into powerful and practical products that enable non-technical creative people to author award winning titles.

Sonic Leadership

Industry leadership - Sonic has consistently lead the audio and video digital media industry, achieving numerous product and technical and winning many through the years.

Market leadership - Today more DVD titles are produced using Sonic , and than on all competing systems combined. And continues to be the system of choice for producing professional audio CDs.

Technical leadership - Sonic's success is based in strong technology know-how. Since the introduction of the award winning **SONIC 1000**, to powerful extensions to DVD for web support (**SONIC 2000**), DVD format on CD-R discs (**SONIC 3000**), and more, Sonic continues the drive toward better digital media solutions.

Company details

Sonic's headquarters are located in Marin County, California. The company's international sales and distribution network spans more than 40 countries, with headquarters for Europe in London, England and Pacific Rim in Tokyo, Japan. Independent distributors provide sales and support throughout Europe, South America, Asia, Australia, Africa and the Middle East. The company has over 100 employees worldwide and is traded on NASDAQ under the symbol SNIC.

Employment Opportunities at Sonic

Come join Sonic Solutions, the industry leader of professional digital media tools for audio and DVD production. We have immediate openings for outstanding individuals who are ready to let their creative spirit soar:

- **TECHNICAL SUPPORT SPECIALIST - PART-TIME/INTERN POSITION**
- **TECHNICAL SUPPORT - NEW YORK, NY**
- **ANALYST - IMAGE DEVELOPMENT**
- **SOFTWARE DEVELOPER - API**
- **SENIOR SOFTWARE DEVELOPER - VIDEO**
- **VIDEO SALES REPRESENTATIVE**

If you want to join a fast-growing market leader where you and your good work can make the difference, contact us by sending, faxing or emailing your resumes, specifying job code, to:

Sonic Solutions,
101 Rowland Way
Novato, CA 94945
Fax: 415-893-8008
Email: sonic@sonic.com

No phone calls please. Sonic is an equal opportunity employer.

TITLE: TECHNICAL SUPPORT SPECIALIST - PART-TIME/INTERN POSITION

JOB CODE: TSS-PT

SUMMARY: The Technical Support Specialist will be the first point of contact for ensuring customer satisfaction.

JOB PROFILE: The Tech Support Specialist will handle set-up/usage questions and problems about Sonic Solutions DVD and Audio products via telephone / correspondence while making sound decisions within the empowerment guidelines. He / she will handle questions and problems that usually focus on a specific product segment, addressing both hardware and software issues. In addition, He / she will handle general

administrative tasks associated with the Tech Support Department, and provide assistance to full-time Support Specialists.

EDUCATION: Normally requires an Associates or Bachelors degree or 1-2 yrs work experience with professional digital audio and/or digital video workstations.

SKILLS / EXPERIENCE: Responsible for reporting / escalating issues and problems through appropriate channels. Requires strong organizational skills, also strong written and verbal communication skills. May require non-standard business hours and minimal travel. Macintosh and Windows NT experience preferred.

TITLE: SENIOR SOFTWARE DEVELOPER - UI

JOB CODE: SSUI

JOB DESCRIPTION: The Senior Software UI Developer will be a key member of a collaborative team which will design, develop, enhance and maintain the next generation DVD publishing tools. This position primarily involves technical software design and implementation. Interact and collaborate with product marketing and UI technical lead to clarify product specifications and implementation designs. Use technical creativity to design, code and debug MFC-based, object-oriented UI for consumer and professional Windows DVD products. Integrate UI code with cross-platform DVD core architecture.

Education: BSEE, BSCS

JOB REQUIREMENTS:

- 3+ years commercial software development experience
- MFC UI development experience required
- C++ experience required
- Strong object-oriented programming skills required
- Visual C++ IDE experience required
- Strong communication skills both oral and written, multi-tasking required
- Windows 98/2K/XP APIs experience
- DVD, digital video, digital audio, or multimedia development experience preferred
- DirectShow, QuickTime, LeadTools experience preferred

TITLE: SENIOR SOFTWARE DEVELOPER -- WINDOWS

JOB CODE: SSDW

SUMMARY: The Senior Software Developer will be a key member of a collaborative team which will design, develop and maintain the next generation DVD and multimedia publishing tools.

JOB PROFILE: The Senior Software Developer will be responsible for clarifying application design specifications and application user interface design to standard

Windows 95, 98 & NT APIs; also responsible for designing, coding and debugging the Windows application and user interface implementation.

EDUCATION: MSEE, MSCE, or MSCS

SKILLS/EXPERIENCE: 1.5 yrs exp.

C++, RS UI framework, multimedia software, MPEG-2 video & MPEG audio codecs.

TITLE: SENIOR SOFTWARE DEVELOPER -- DVD

JOB CODE: SSDVD

JOB DESCRIPTION: The Software Developer will be a key member of a collaborative team which will design, develop and maintain the system-level core code for advanced DVD software tools for the consumer and professional markets. <p> The developer will work with product marketing and engineering to clarify the design specifications, the UI team for integration, and other senior developers to ensure extensibility and re-use. Areas of focus may include DirectShow, OpenGL, project file I/O, UI APIs, image compositing, file processing, media conversion, and other general application features.

EDUCATION: MSEE, MSCE, or MSCS

JOB REQUIREMENTS:

- 5 years or more commercial software development experience
- Windows experience required.
- C++ experience required
- Strong object-oriented programming skills required
- Strong communication skills both oral and written, multi-tasking required
- Visual C++ IDE experience required
- DVD, digital video, digital audio, or multimedia development experience preferred
- Object-oriented database experience preferred
- DirectShow, OpenGL, QuickTime, LeadTools experience preferred

TITLE: SOFTWARE DEVELOPER -- API

JOB CODE: SDAPI

SUMMARY: The Software Developer will be a key member of a collaborative team which will design, develop and maintain the next generation DVD and multimedia publishing tools.

JOB PROFILE: The Software Developer will be responsible for designing, implementing, and maintaining a cross platform applications programming interface for a DVD publishing software library. The developer will work with business development to clarify the design specifications, provide OEM customers with technical advice, and work with senior developers to ensure extensibility and re-use.

EDUCATION: MSEE, MSCE, or MSCS

SKILLS/EXPERIENCE: 3 years or more commercial development experience C++ CodeWarrior, Visual C++ required. DVD, digital video, digital audio preferred.



TITLE: TECHNICAL SUPPORT SPECIALIST

SUMMARY: The Technical Support Specialist will be the first point of contact for ensuring customer satisfaction.

JOB PROFILE: The Tech Support Specialist will handle set-up/usage questions and problems about Sonic Solutions DVD and Audio products via telephone and correspondence while making sound decisions within the empowerment guidelines. The candidate will handle questions and problems that usually focus on a specific product segment, addressing both hardware and software issues.

EDUCATION: Associates or Bachelors degree preferred or 1-2 yrs work experience with DAWs (Digital Audio Workstations) or other professional multimedia applications.

SKILLS / EXPERIENCE: Responsible for reporting / escalating issues and problems through appropriate channels. Requires strong organizational skills and strong written and verbal communication skills. May require non-standard business hours and minimal travel. Macintosh and Windows experience preferred.

Sonic Milestones

Sonic has consistently pioneered new technologies and applications for digital media production. Beginning in 1986 with NoNOISE®, the first commercial system for removing noise from recordings as they were transferred to the new CD medium, through the latest extensions to the DVD standard, Sonic has put the most current and most powerful tools in the hands of digital media producers everywhere.

- ★ **1987** Introduction of NoNOISE, which quickly became established as the industry's choice for professional noise reduction.
- ★ **1988** Introduction of *SonicAudio*, the first professional non-linear workstation for music editing and CD Preparation.
- ★ **1989** First company to integrate a CD recorder with a digital audio workstation.
- ★ **1991** First company to deliver a 24-track editing and mixing digital workstation.
- ★ **1994** Introduced MediaNet, the first true networked multiuser audio editing environment
- ★ **1995** First all-digital editing and mixing 48-track system.

- ☆ **1996** Introduced first commercial DVD production system.
- ☆ **1997** First all-in-one production system for DVD
First 96kHz High-Density Audio Premastering System
- ☆ **1998** First DVD-Audio Authoring System
- ☆ **1999** First DVD authoring application for video enthusiasts/prosumers, **DVDR**
- ☆ **2000** Introduced xDVD extensions to DVD format, **web interactivity (iDVD)**,
and **multi-uses on disc (iDVD)**.

Introduced MyDVD, the first DVD authoring application for consumers

Directions to Sonic Headquarters

Directions to Sonic from San Francisco Airport:

- As you exit the airport, take Highway 101 North towards San Francisco
- Immediately connect to Highway 380, which connects to Highway 280 towards San Francisco
- Note the following at this point: The roadway will take you through the city of SF, along 19th Avenue. As you're on 19th Ave., you'll pass San Francisco State University and Stonestown Shopping Center. 19th Ave. will go through Golden Gate Park and the road will change to Park Presidio. Stay on this road to get on the Golden Gate Bridge
- Once you've passed Golden Gate Bridge, the roadway becomes Highway 101 North, continue for 30 minutes
- Exit at Rowland Boulevard and stay in the right lane, making a right at the exit onto Rowland Blvd. and immediately go to the far left lane
- Make a left at the stoplight onto Rowland Way (Chevron gas station on corner)
- Continue down Rowland Way past State Farm Insurance (on left)
- Sonic is after the State Farm building on left after the bridge
- The address is 101 Rowland Way. If you have trouble finding us, call (415) 893-8000

To see a map of the area, or to plot driving directions from any other destination, [click here](#).

Awards

Year after year, Sonic receives awards and acclaim from influential professional organizations and leading publications in the video, audio, and television industries.

Videomaker

Best Product of the Year 2000



An exciting development in the world of digital video editing is the ability to create DVD videos directly from a home computer. Providing one of the first industry-standard software solutions for CD/DVD creation, DVDIt! comes bundled with a number of turnkey DVD-creation workstations. Its combination of ease of use and powerful labor-saving tools make it a winner in our CD/DVD authoring software category.

PC Magazine

First Looks Top Rating (five out of five)



_____ was given top rating by PC Magazine in the November 7th issue. Stating that DVDIt! "warrants strong consideration for anyone seeking to publish MPEG movies on CD-R or DVD, author Jan Ozer concludes by saying "Polished and complete, DVDIt! is suitable for simple to sophisticated projects and presents a very high bar for other products in this class."

Millimeter Magazine

Tommy Award



DVDIt! won the prestigious Tommy Award, as the "Most Innovative Product" for professional post production. Presented by Millimeter, the industry's leading film and post-production trade publication acknowledge achievement in new product and technology development. Sonic _____ was awarded a Tommy because its simplicity heralds [the] future trend.



Television Broadcast Magazine's

Editor's Pick of Show



Sonic _____ was selected Editor's Pick of Show for NAB 2000 by the editors of Television Broadcast Magazine....To be a Pick of Show winner, the [26] editors must unanimously agree on the product or technology selected.



Video Systems Magazine's

Most Innovative Product of the Year



DVDIt! was named the "Most Innovative Product of the Year" by the editors of Video Systems magazine. "In our opinion...Sonic ~~XXXXXX~~ stood out from the crowd for its high quality and low cost," said Stephen Porter, editor of Video Systems. "It is no surprise that DVDIt! is rapidly gaining support from such vendors as Avid, Matrox, Media 100 and NEC, all of whom have chosen to bundle their own products with this powerful DVD tool."

Film & Video Magazine

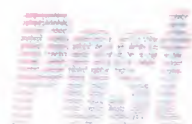
Most Important Purchase of 1999 and Top Products

Sonic received the Users' Choice Award from Film & Video magazine in two categories: "Most Important Purchase of 1999" for the Top Manufacturer, and "Top Products" for SonicStudio HD. "Our readers have decided which products are the best the industry has to offer, and for DVD authoring and audio systems, their choice was clear in their vote for ~~Sonic DVD Creator~~ and ~~SonicStudio HD~~," said Peter Caranicas, Publisher and Editor-in-Chief of Film & Video.



Post Magazine Readers

Best DVD Authoring System



DVD Creator was named the "Best DVD Authoring System" by the readers of Post Magazine, one of the leading publications for professional post and multimedia professionals. "For the second consecutive year, the readers of Post magazine have selected Sonic ~~DVD Creator~~ as the 'Best New or Newly-upgraded System'," said Randi Altman, Editor-in-Chief of Post Magazine.



NewMedia Magazine's Hyper Award

Best of the Best



Sonic ~~DVD Creator~~ won the New Media Award for Best DVD Authoring System. The criteria for selection include innovation, features, performance, user interface, and price, all relative to the competition. Hyper Award winners represent the highest achievements in innovation and technical excellence.



National Academy of Television Arts and Sciences Emmy Award Outstanding Technical Achievement



Recognized for its use in restoring tens of thousands of recordings, movie and TV sound tracks around the world, ~~technology~~ by Sonic Solutions was honored with an Emmy Award for outstanding technical achievement at the annual ceremony held by The National Academy of Television Arts and Sciences.



Sonic Products

Sonic offers a broad range of products for DVD and CD production, including ~~Sonic~~ *Scenarist*, *DVD Creator*, *DVD Fusion*, *DVDIt™* and *SonicStudio® HD*.

For Studios and Post Houses

~~Sonic Scenarist~~

Sonic Scenarist is the de-facto standard DVD production system for commercial titles in Hollywood and top post production houses worldwide.



If you need a comprehensive DVD production system with the deepest DVD-Video feature support, combined with integrated encoding and proofing, Sonic Scenarist has everything you are looking for, and more.

~~DVD Creator~~



Sonic ~~DVD Creator~~ is the system of choice for DVD professionals worldwide. In fact, more DVDs are produced on Sonic than on any other system. For video post production houses and studios who accept no compromise when it comes to video quality, performance and flexibility, DVD Creator is the clear choice.

For Production Professionals

Sonic ~~DVD Fusion~~ for ~~high-end~~ and ~~professional~~ is for video post production houses who want to add DVD production to their list of services. It is the professional's choice for the ideal blend of high quality, creative capabilities, and value. Based on the same ~~technology~~ technology as DVD Creator, Fusion combines high-end features with tight integration to NLE systems, making it the perfect solution for publishing video on DVD.



For Video Publishers, Event Videographers, & Video Enthusiasts



Sonic makes the DVD format easy and accessible to everyone. Publish your videos on DVD! Make DVDs on your CD-R! Link your video content to the Web! All this and much more is possible with Sonic's award-winning DVDIt! software. Forget tapes, and deliver your videos instead on professional-quality DVD and video discs.

For Audio Professionals

SonicStudio HD is simply the most powerful digital audio workstation available. With installations in all major audio mastering and Hollywood studios around the world, SonicStudio HD continues to set the standard for professional audio, with integrated support for DVD-Audio and multi-channel, 24-bit, 96kHz High-Density Audio.



Technical Information

Technologies

☐
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Other Information

☐
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Sonic achieves leadership in digital media authoring through ongoing technological innovation. Today, Sonic is developing new ways to further leverage the DVD format into new applications, to link DVD with the Internet, and to extend DVD's capabilities in new directions that make digital media even more compelling. In this section you can find a number of white papers and technical documents to help you better understand these technologies, as well as useful links to other audio- and DVD-related websites.

Some of the innovative Sonic technologies include:

MPEG Encoders - Sonic is known worldwide for top quality MPEG video encoding solutions. Sonic takes advantage of the latest developments in MPEG compression and video processing technology, using the most advanced MPEG encoding chip technology with an array of programmable logic and video processing hardware to deliver visibly superior results.

AuthorScript™ - Take advantage of the technology within Sonic's DVD authoring applications with the AuthorScript API. Available to qualified developers, these C++ libraries handle all of the low-level processes for converting video, audio, graphics and interactivity into a DVD-Video disc.

cDVD™ - Now it's possible to publish interactive DVD titles on CD-R using Sonic's cDVD extension to the DVD format. Sonic cDVD is a cost-effective solution to video distribution that's available today.

eDVD™ - Connect your DVD titles to the Web using the Hollywood standard for delivering integrated DVD/Internet content. Based on Sonic and Interactual technologies, eDVD provides seamless, integrated authoring from any Sonic DVD application and playback on the widest range of Internet browsers and set-top players.

NoNOISE™ - Originally developed to facilitate the launch of the CD format in the 1980s, NoNOISE is now the standard by which audio professionals master accurate and pure transfers of top recordings. Today, NoNOISE is used for a wide range of audio enhancement activities, and has received both the Oscar® and Emmy® awards for technical contribution.

DVD Audio™ - Since 1999, Sonic has provided DVD-Audio support as options to our SonicStudio HD and DVD Creator product lines. Sonic is the only manufacturer today with products for authoring and audio premastering of DVD-Audio titles.

duction, physical distribution, and marketing, broken down into finer categories. The difference between revenues and sales is projected profit. Once approved, the budget is the basis for developing plans and schedules for material procurement, production scheduling, employee recruitment, and marketing operations.

- **Controls:** The last section of the marketing plan outlines the controls for monitoring the plan. Typically the goals and budget are spelled out for each month or quarter. Senior management can review the results each period. Some control sections include contingency plans. A contingency plan outlines the steps management would take in response to specific adverse developments, such as price wars or strikes.

SONIC'S SHELF STEREOS: AN EXAMPLE

Jane Melody is the product manager of Sonic's line of shelf stereo systems. Each system consists of an AM-FM tuner/amplifier, CD player, tape deck, and separate speakers. Sonic offers several different models that sell in the \$150 to \$400 range. Sonic's main goal is to increase its market share and profitability in the shelf-stereo-system market. As product manager, Jane Melody has to prepare a marketing plan to improve the line's performance.

The 2000 Sonic marketing plan seeks to generate a significant increase in company sales and profits over the preceding year. The profit target is \$1.8 million. The sales-revenue target is \$18 million, which represents a planned 9 percent sales gain over last year. This increase is seen as attainable through improved pricing, advertising, and distribution. The required marketing budget will be \$2,290,000, a 14 percent increase over last year. . . . (More details would follow.)

Market Situation

Here data are presented on the target market. The size and growth of the market (in units or dollars) are shown for several past years and by market and geographical segments. Data on customer needs, perceptions, and buying-behavior trends are also presented.

The shelf stereo market accounts for approximately \$400 million, or 20 percent of the home stereo market. Sales are expected to be stable over the next few years. The primary buyers are middle-income consumers, ages 20 to 40, who want to listen to good music but do not want to invest in expensive stereo component equipment. They want to buy a complete system produced by a name they can trust. They want a system with good sound and whose look fits the decor primarily of family rooms.

Product Situation

Here the sales, prices, contribution margins, and net profits are shown for several past years in table form.

Row 1 in Table 3.4 shows the total industry sales in units growing at 5 percent annually until 1999, when demand declined slightly. Row 2 shows Sonic's market share hovering around 3 percent, although it reached 4 percent in 1998. Row 3 shows the average price for Sonic's stereos rising about 10 percent per year except the last year, when it rose 4 percent. Row 4 shows variable costs—materials, labor, energy—rising each year. Row 5 shows that the gross contribution margin per unit—the difference between price (row 3) and unit variable cost (row 4)—rose the first few years and remained at \$100 in the latest years. Rows 6 and 7 show sales volume in units and in dollars, and row 8 shows the total gross contribution margin, which rose until the latest year, when it fell. Row 9 shows that overhead remained constant during 1996 and 1997 and increased to a high level during 1998 and 1999, owing to an increase in manufacturing capacity. Row 10 shows net contribution margin—that is, gross contribution margin less overhead. Rows 11, 12, and 13 show marketing expenditures on advertising and promotion, sales force and distribution, and marketing research. Finally, row 14 shows net operating profit after marketing expenses. The picture is one of increasing profits until 1999, when they fell to about one third of the

New York's Consolidated Edison will be known as the Official Energy Company.

Variable	Rows	1996	1997	1998	1999
1. Industry sales in units		2,000,000	2,100,000	2,205,000	2,200,000
2. Company market share		0.03	0.03	0.04	0.03
3. Average price per unit \$		200	220	240	250
4. Variable cost per unit \$		120	125	140	150
5. Gross contribution margin per unit (\$)	(3 - 4)	80	95	100	100
6. Sales volume in units	(12)	60,000	63,000	88,200	66,000
7. Sales revenue (\$)	(36)	12,000,000	13,860,000	21,168,000	16,500,000
8. Gross contribution margin (\$)	(56)	4,800,000	5,985,000	8,820,000	6,600,000
9. Overhead (\$)		2,000,000	2,000,000	3,500,000	3,500,000
10. Net contribution margin (\$)	(8 - 9)	2,800,000	3,985,000	5,320,000	3,100,000
11. Advertising and promotion (\$)		800,000	1,000,000	1,000,000	900,000
12. Sales force and distribution (\$)		700,000	1,000,000	1,100,000	1,000,000
13. Marketing research (\$)		100,000	120,000	150,000	100,000
14. Net operating profit (\$)	(10 - 11 - 12 - 13)	1,200,000	1,865,000	3,070,000	1,100,000

T A B L E

Historical Product Data

1998 level. Clearly Sonic needs to find a strategy for 2000 that will restore healthy growth in sales and profits to the product line.

Competitive Situation

Here the major competitors are identified and described in terms of size, goals, market share, product quality, marketing strategies, and other characteristics that are needed to understand their intentions and behavior.

Sonic's major competitors in the shelf-stereo-system market are Aiwa, Panasonic, Sony, and Philips. Each competitor has a specific strategy and niche in the market. Aiwa, for example, offers four models covering the whole price range, sells primarily in department stores and discount stores, and is a heavy advertising spender. It plans to dominate the market through product proliferation and price discounting. (Similar descriptions would be prepared for the other competitors.)

Distribution Situation

This section presents data on the size and importance of each distribution channel. Shelf stereo sets are sold through appliance stores, radio and TV stores, furniture stores, department stores, music stores, discount stores, audio specialty stores, and mail order. Sonic sells 37 percent of its sets through appliance stores, 23 percent through radio and TV stores, 10 percent through furniture stores, 3 percent through department stores, and the remainder through other channels. Sonic dominates in channels that are declining in importance, whereas it is a weak competitor in the faster-growing channels, such as discount stores. Sonic gives about a 30 percent margin to its dealers, which is similar to what other competitors give.

Macroenvironment Situation

This section describes broad macroenvironment trends—demographic, economic, technological, political-legal, social-cultural—that bear on the product line's future.

About 70 percent of U.S. households now have stereo equipment. Consumers are spending more time watching television and videos than listening to music. They are spending more of their discretionary income on computers, exercise equipment, and travel, leaving less to spend on stereos. The only bright spots are home theaters and speakers in every room. As the market approaches saturation, effort must be turned to convincing consumers to upgrade their stereo equipment.

Opportunities/Threats Analysis

Here the product manager identifies the main opportunities and threats facing the business. The main opportunities facing Sonic's line are as follows:

- Consumers are showing increased interest in more compact stereo systems.
- Two national department store chains are willing to carry the Sonic line if it will give them extra advertising support.
- A major mass-merchandise chain is willing to carry the Sonic line if it will offer a deeper discount.

The main threats facing Sonic's line are as follows:

- An increasing number of consumers are buying their sets in mass-merchandise and discount stores, in which Sonic has weak representation.
- Some competitors have introduced smaller speakers with excellent sound quality, and consumers are favoring these smaller speakers.
- The federal government may pass a more stringent product safety law, which would entail product redesign work.

Strengths/Weaknesses Analysis

The product manager needs to identify product strengths and weaknesses. Sonic's main strengths are as follows:

- Sonic's name has excellent brand awareness and a high-quality image.
- Dealers who sell the Sonic line are knowledgeable and well trained in selling.
- Sonic has an excellent service network, and consumers know they will get quick repair service.

The main weaknesses of Sonic's line are as follows:

- Sonic's sound quality is not demonstrably better than that of competing sets.
- Sonic is budgeting only 5 percent of its sales revenue for advertising and promotion, whereas some major competitors are spending twice that level.
- Sonic's line is not clearly positioned compared with Panasonic ("low price") and Sony ("innovation"). Sonic needs a unique selling proposition. The current advertising campaign is not particularly creative or exciting.
- Sonic's brand is priced higher than other brands, but this higher price is not supported by a real perceived difference in quality. The pricing strategy should be reevaluated.

Issues Analysis

In this section of the marketing plan, the product manager uses the strengths/weaknesses analysis to define the main issues that the plan must address. Sonic must consider the following basic issues:

- Should Sonic stay in the stereo-equipment business? Can it compete effectively? Or should it divest this product line?

- If Sonic stays in the business, should it continue with its present products, distribution channels, and price and promotion policies?
- Should Sonic switch to high-growth channels (such as discount stores)? Can it do this and yet retain the loyalty of its current channel partners?
- Should Sonic increase its advertising and promotion expenditures to match competitors' expenditures?
- Should Sonic pour money into R&D to develop advanced features, sound, and styling?

Financial Objectives

Sonic's management wants each business unit to deliver a good financial performance. The product manager sets the following financial objectives:

- Earn an annual rate of return on investment over the next five years of 15 percent after taxes.
- Produce net profits of \$1.8 million in 2000.
- Produce a cash flow of \$2 million in 2000.

Marketing Objectives

The financial objectives must be converted into marketing objectives. For example, if the company wants to earn \$1.8 million profit and its target profit margin is 10 percent on sales, then it must set a goal of \$18 million in sales revenue. If the company sets an average price of \$260, it must sell 69,230 units. If it expects total industry sales to reach 2.3 million units, it must gain a 3 percent market share to achieve its goals. To achieve this market share, the company will have to set certain goals for consumer awareness, distribution coverage, and so on. Thus the marketing objectives might read:

- Achieve total sales revenue of \$18 million in 2000, which represents a 9 percent increase from last year. Therefore, achieve a unit sales volume of 69,230, which represents an expected market share of 3 percent.
- Expand consumer awareness of the Sonic brand from 15 percent to 30 percent over the planning period.
- Expand the number of dealers by 10 percent.
- Aim for an average price of \$260.

Marketing Strategy

Here is Sonic's game plan:

- Target market:** Upscale households, with particular emphasis on female buyers.
- Positioning:** The best-sounding and most reliable shelf stereo system.
- Product line:** Add one lower-priced model and two higher-priced models.
- Price:** Price somewhat above competitive brands.
- Distribution outlets:** Heavy in radio and TV stores and electronic appliance stores; increased efforts to penetrate discount stores.
- Sales force:** Expand by 10 percent and introduce a national account-management system.
- Service:** Quick and widely available service.
- Sales promotion:** Develop a new advertising campaign that supports the positioning strategy; emphasize higher-price units in the ads; increase the advertising budget by 20 percent.

Amstel Light Beer will ease consumers into the Y2K with its motto: "The Light at the End of the Tunnel." A Light Beer for a Heavy World.

a point-of-purchase display and to participate to a greater extent in dealer trade shows.

Increase expenditures by 25 percent to develop better styling.

Increase expenditures by 10 percent to improve knowledge of consumer-decision process and to monitor competitor moves.

Research and development:

Marketing research:

Action Programs

Here is how Sonic will carry out its marketing strategy:

- **February:** Sonic will advertise in the newspapers that a free Barbra Streisand CD will be given to everyone buying a Sonic stereo system this month. Ann Morris, consumer promotion director, will handle this project at a planned cost of \$5,000.
- **April:** Sonic will participate in the Consumer Electronics Trade Show in Chicago. Robert Jones, dealer promotion director, will make the arrangements. The expected cost is \$14,000.
- **August:** A sales contest will be conducted, which will award three Hawaiian vacations to the three dealers producing the greatest percentage increase in Sonic sales. The contest will be handled by Mary Tyler at a planned cost of \$13,000.
- **September:** A newspaper advertisement will announce that consumers who attend a Sonic store demonstration in the second week of September will have their names entered in a sweepstakes. Ten lucky winners will receive free Sonics. Ann Morris will handle this project at a planned cost of \$6,000.



MARKETING PLANNING FOR THE TWENTY-FIRST CENTURY

Business plans are becoming more customer- and competitor-oriented and better reasoned and more realistic than in the past. The plans draw more inputs from all the functions and are team-developed. Marketing executives increasingly see themselves as professional managers first, and specialists second. Planning is becoming a continuous process to respond to rapidly changing market conditions. The trends we've discussed so far are in full force in the world of marketing!

At the same time, marketing planning procedures and content vary considerably among companies. The plan is variously called a "business plan," a "marketing plan," and sometimes a "battle plan." Most marketing plans cover one year. The plans vary in length from under 5 pages to over 50 pages. Some companies take their plans very seriously, whereas others see them as only a rough guide to action. The most frequently cited shortcomings of current marketing plans, according to marketing executives, are lack of realism, insufficient competitive analysis, and a short-run focus.

1. Market-oriented strategic planning is the managerial process of developing and maintaining a viable fit between the organization's objectives, skills, and resources and its changing market opportunities. The aim of strategic planning is to shape the company's businesses and products so that they yield target profits and growth. Strategic planning takes place at four levels: corporate, division, business unit, and product.
2. Corporate headquarters is responsible for setting into motion the strategic-planning process. The corporate strategy establishes the framework within which the divisions and business units prepare their strategic plans. Setting a corporate strategy entails four activities: defining the corporate mission; establishing strategic business

business strength; and planning new businesses and downsizing older businesses.

3. Strategic planning for individual businesses entails the following activities: defining the business mission, analyzing external opportunities and threats, analyzing internal strengths and weaknesses, formulating goals, formulating strategy, formulating supporting programs, implementing the programs, and gathering feedback and exercising control.
4. The marketing process consists of four steps: analyzing market opportunities; developing marketing strategies; planning marketing programs; and organizing, implementing, and controlling the marketing effort.
5. Each product level within a business unit must develop a marketing plan for achieving its goals. The marketing plan is one of the most important outputs of the marketing process, and it should contain the following elements: an executive summary and table of contents; an overview of the current marketing situation; an analysis of the opportunities and issues facing the product; a summary of the plan's financial and marketing objectives; an overview of the marketing strategy to be used to achieve the plan's objectives; a description of the action programs to be implemented to achieve the plan's objectives; a projected profit-and-loss statement; and a summary of the controls to be used in monitoring the plan's progress.

CHAPTER 3

1. What competitive advantages have each of the following companies achieved in the marketplace? How has each company's marketing strategy communicated these competitive advantages to the marketplace? (a) Wal-Mart, (b) Snap-on Tools, (c) J. P. Morgan Investment Bankers, (d) Citicorp, (e) Kodak.

2. As a member of a management consulting group, you have been retained by a business-to-business office equipment manufacturer. The company's product line consists of the five strategic business units (SBUs) shown in Table 1. Use the Boston Consulting Group portfolio analysis (as illustrated in Figure 3.2) to determine each SBU's relative market share and whether the company as a whole is healthy. Make recommendations as to future strategies.

3. "With more than 80 percent of the market already in its grasp, Campbell Soup Company really doesn't need to increase its share of the \$1.2 billion of condensed soup sold annually in food stores. What the company does need is to make folks hungrier for soup." What intensive growth strategy is being pursued here, and how might the company accomplish its objective?

MARKETING AND ADVERTISING

1. The Kelly Services ad shown in Figure 1 names the company's seven main strategic business units. Kelly Temporary Services is the oldest of the firm's SBUs. Overall, the company's 750,000 employees work on temporary assignments for more than 200,000 customers, mainly businesses. Do the newer SBUs represent concentric diversification, horizontal diversification, or conglomerate diversification? How might Kelly Temporary Services define its business mission? What opportunities and threats would this SBU be likely to confront in the U.S. market for temporary services?
2. United Parcel Service delivers packages and documents to customers in more than 200 countries every day, as this ad indicates. Overall, the company's global volume

.8 Competitive advantage of sonic corporation:

ADVANCED TRAINING PROGRAM IN COMPLEX SYSTEMS

We are pleased to announce an individualized Advanced Training Program with research projects in the study of Complex Systems at the New England Complex Systems Institute. This program is designed for those who would like to contribute to research or applications of complex systems concepts and methods. The program is designed for individuals with BA, Masters, or Ph.D. degrees (or equivalent experience) who would like to learn about and work on projects in complex systems under faculty supervision. The program will run like a directed study, or graduate research program, with participation in research group meetings. The program can accommodate flexible in-house and remote study schedule. Research projects can be in a wide range of areas of quantitative or qualitative development and application of complex systems concepts to physical, biological and social systems.

CORPORATE SEMINARS

Educational seminars are available for corporations. These include 1/2 day and full day seminars introducing complex systems concepts and methods and describing their application in a wide range of contexts.

ONE-DAY COURSE: INTRODUCTION TO COMPLEX SYSTEMS

A one day course, Introduction to Complex Systems, will be offered on Sunday September 24, 2000. This course is appropriate for anyone who would like an introduction to the opportunities that complex systems provides in research and in applications. Several approaches to the study of complex systems will be described, basic concepts will be introduced and implications for the study of biological, social and engineered systems will be discussed. The course will be given at MIT. Tuition: Students \$50, Faculty \$150, Corporate \$500, MIT community attends free. Registration required.

ADMINISTRATIVE POSITION AVAILABLE

We are interested in hiring an administrative assistant for half or full time work. The offices of NECSI are in Harvard Square. The position includes

community development and program coordination, e-mail correspondence and calendar management. Highly effective human interaction and writing skills are essential. Competitive salary.