The Center for Naval
Warfare Studies

APPLYING MODERN MARKETING CONCEPTS
TO MILITARY RECRUITING
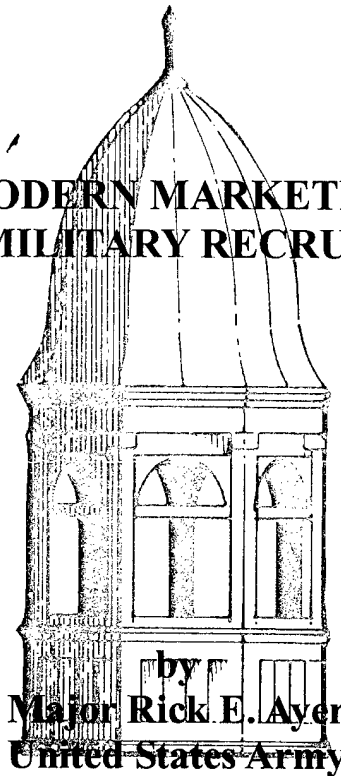
by
Major Rick E. Ayer
United States Army

**Advanced Research Project
Winter 2000 - #1**

U.S. Naval War College

20001113 051

REPORT DOCUMENTATION PAGE

1. Report Security Classification: UNCLASSIFIED	

2. Security Classification Authority: N/A

3. Declassification/Downgrading Schedule: N/A

4. Distribution/Availability of Report: UNLIMITED

5. Name of Performing Organization:
Advanced Research Department

6. Office Symbol: 35	**7. Address:** NAVAL WAR COLLEGE 686 CUSHING ROAD NEWPORT, RI 02841-1207

8. Title (Include Security Classification):
Applying Modern Marketing Concepts to Military Recruiting (4)

9. Personal Authors: Major Rick E. Ayer

10. Type of Report: FINAL	**11. Date of Report:** 03 March 2000

12. Page Count: 124

13. Supplementary Notation:

14. Ten key words that relate to your paper: Strategy -Planning-Communications-Army Recruiting-Marketing-Accessories-Manpower-Business-Concepts-Research.

15. Abstract: The purpose of this paper is to explain how the Army should apply modern marketing concepts to military recruiting. The concepts described are either new to military recruiting or are an updated version of currently used concepts. The concepts and systems include social marketing, marketing research, market planning and product development, pricing and management. New simulated application including a strategic planning war game and a simulated test market are discussed. The marketing system described is not a complete replacement for the military recruiting system, but a "bolt-in" product that will revolutionize the focus and execution of Army recruiting.

16. Distribution / Availability of Abstract: A	Unclassified X	Same As Rpt X	DTIC Users

18. Abstract Security Classification: UNCLASSIFIED

19. Name of Responsible Individual: Professor John B. Hattendorf,

Director, Advanced Research Department

19. Telephone: 841-6020	**20. Office Symbol:** 35

United States Naval War College

Applying Modern Marketing

Concepts to Military Recruiting

A Paper Submitted To the Faculty

Of the College of Naval Command and Staff

In Fulfillment Of the Requirements Of

the Advanced Research Program

by
Major Rick E. Ayer
United States Army

Professor Ken Watman, NSDM
Faculty Advisor

Newport, Rhode Island 02840

March 3, 2000

The very basis of our system is that every citizen who enjoys the
protection of a free Government, owes not only a portion of his property,
but even of his personal services to the defense of it.

George Washington, 1783

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ILLUSTRATIONS

Chapter 1 – Introduction to Marketing the Army

In the early 1980's the United States Army devised a dual-market strategy for recruiting based on its research of young men and women in America. This strategy included splitting young men and women into two segments, developing enlistment alternatives that met their needs, positioning the recruiting force to provide greater access to youth, and communicating to the market through a positioning and communications strategy, "Be All You Can Be." To this day, the Army's application of this marketing strategy is recognized as one of the first and finest examples of marketing application in the public and non-profit sectors of our country.

What the Army failed to realize was that the most important aspect of its success was not the strategy itself, but the system of research, analysis, planning, and execution that enabled it to devise and implement the strategy. Since 1980, the Army has focused on providing additional resources to the original strategy instead of maintaining and updating the system that enabled the development of the strategy. Subsequently as the recruiting environment changed and the original strategy failed, the Army now finds itself without a proven system for developing, let alone executing, a successful, new strategy.

The purpose of this paper is to describe a method for applying modern marketing concepts to military recruiting. The concepts described are either new to military recruiting or are an updated version of currently used concepts. The system described is not a complete replacement for the military recruiting system, but a "bolt-in" product that will revolutionize the focus and execution of recruiting in the U.S. Army.

The All-Volunteer Force and Failures in Recruiting

In 1975 the United States government chose to change the makeup of its military from a mixed force of volunteers and conscripted soldiers to a purely voluntary force. To ensure an adequate supply of human resources, each military service dramatically increased the size of its recruiting force. However, from 1975 to 1980, the services suffered an ever-decreasing ability to enlist enough youth of sufficient quality to meet the needs of the military.

The United States Army, with the highest personnel requirements of the services, undertook dramatic actions to correct the recruiting problem. General Maxwell Thurman, who commanded the U.S. Army Recruiting Command (USAREC) during that period, led a complete overhaul of the recruiting system. General Thurman instituted new systems and processes based in research and mirroring the best practices of the marketing industry in the early 1980's. USAREC developed a plan with, "three broad categories-quality, national policy, and recruiting specifics."[1]

The first category covered specific standards for enlisting quality personnel into the Army. Qualifications for enlistment, based on aptitude and completion of a high school degree, were determined and enforced. These quality standards were supported by significant research that was reviewed and refined periodically. Additional quality standards were set within each military occupational specialty (MOS).

The second category of the plan was national policy. Included in this category were significant increases in resources to include incentive dollars, increases in pay and benefits for the entire force, and increased budgets for recruiting. Also in this category were policy changes allowing shorter terms of service and educational benefits. These

changes allowed the Army to target high quality youth in what it had determined was a "dual-market"-work oriented youth and those youth bound for college.[2]

The third category of the plan focused on the policies and practices of USAREC. Several policies were instituted including:

- recruiting with integrity,
- ensuring no recruiter had an unfair mission,
- attracting quality soldiers to work in recruiting command,
- an advertising positioning concept of challenge, and
- considerable internal research on how to improve recruiting efforts.[3]

Even taking into account the positive recruiting environment during the 80's –higher unemployment, expanded defense budgets, and an increased sense of national pride- the plan was quite successful. The quality of Army personnel increased significantly, and recruiting was able to accomplish its mission with ever-increasing efficiency. Much of the success of Desert Storm is often contributed to the success in recruiting quality personnel during the 1980's.

Today, recruiting once again faces significant difficulties. In 1998 the Army missed its 72,000 active recruiting goal by 900 personnel. In 1999 the Army missed its 74,500 goal by 6,300 personnel. The current forecasts for 2000 are that the Army will again miss its goal of 80,000 by roughly 7,000 personnel. What is significant about this recruiting failure is that the lessons learned from the recruiting crisis of the 1980's have not been forgotten. The Army has continued to use the same strategies and has reinforced them during this crisis period. Quality standards, though reduced slightly, still exceed the standards set during any year of the 1980's. The same resources that the Army increased in the 1980's, pay and incentives, education dollars, and the recruiting

budget, are being increased now. Additionally, the standard of recruiting with integrity and assigning fair missions is still enforced. The Army has continued its practices in advertising, research, and attaining quality personnel for USAREC. Advertising and research budgets decreased during the early 1990's, but have seen significant increases during the past three years. Yet, despite this reliance on a tested recruiting strategy, recruiting has continued to fall below requirements. Why?

The major difficulties facing recruiting are changes in the recruiting environment. A booming economy has led to significant growth in civilian jobs, record low unemployment, and increased competition for youth. Changes in the socio-cultural environment have increased the percentage of youth continuing to college to the highest rate in history, while the desire to join the Army has reached its lowest point since 1979. These environmental changes do not mean that the Army recruiting mission is impossible, but do suggest an explanation as to why the strategies of the early 1980's are not sufficient to overcome the difficulties today. While the recruiting environment was changing at a dramatic pace, Army recruiting was focused internally, on downsizing and the post-Cold War era, and it failed to make the necessary changes to its own organization and recruiting system to ensure continued success. The strategy failed because the system meant to monitor the recruiting environment and make necessary strategic, operational, and tactical changes failed.

Organizations must anticipate and plan for changes in their environment, or at the very least, react to changes in their environment. To accomplish this task, successful organizations develop a system of proven processes that cover the functions of research, planning, execution, and control. It was just such a system that USAREC used to

develop and implement their "dual-market" strategy. The Army strategy for resolving today's recruiting difficulties, and the manner in which it was developed, reveals shortcomings in the current recruiting system.

Current Strategy To "Fix" Army Recruiting

In response to current significant failure, the Army has scurried to employ both short-term fixes and some long-term strategies to bolster recruiting efforts. During the 1999 recruiting year, the Army instituted a number of resource and policy shifts to include:

-$46 Million increase in "quick-ship" bonuses,

-$11 Million increase in advertising expenditures, and

-an increase in the number of jobs available under a two-year enlistment option.

In addition to these specific recruiting measures, the U.S. Government approved significant increases in pay and benefits and made positive changes to the retirement system. Even with these additional resources and policy changes, the Army failed to meet its recruiting goal by 8 percent in 1999. Note that the changes made are simply continuation of the same basic strategies used by the Army in the early 80's with the addition of major resource increases. Thus far, the Army plans to continue in this vein with even more resources in 2000.

During the first quarter of FY00, the Secretary and Chief of Staff of the Army formed a series of task forces to look at a variety of Army problems, including recruiting. Additionally, the Secretary of the Army hired a consulting firm to review the Army's marketing system. The purpose of the recruiting working group was to develop a new recruiting grand strategy to solve the recruiting difficulties. Secretary of the Army Caldera had already published an initial strategy for recruiting initiatives in August 1999.

The work of the task force built upon this and other work to develop a new strategy. Though the working group has not published its complete findings, the basic strategy, combined with other improvements driven by USAREC, is outlined below.

1) Reposition the Army as a place where "you can earn your degree while you serve your country, and while learning life long valuable skills."[4]

2) Establish recruiting as the number one priority for all soldiers.[5]

3) Complete restructure of the Army's media mix to execute the strategy (the Army did not renew the advertising agency's contract and placed the $100 million plus contract out for competitive bid on a performance-based contract.)

4) Upgrade of the recruiting "sales" force to include:

   -automation enhancements,
   -better recruiter selection and training, and
   -better geographic positioning.

5) Additional recruiter support to include Corporal Recruiters, to more effectively reach a younger market, increased use of the Hometown Recruiter Assistance Program (HRAP), and increased assistance from the Total Army Involvement In Recruiting (TAIR) which integrates local military units in the recruiting effort.

6) An increase in maximum enlistment bonuses to $20,000 from $12,000 plus an increase in the maximum Army College Fund (ACF) from $40,000 to $50,000.

7) The ability to tie bonuses and the ACF together in a single package instead of only being able to offer one or the other to an applicant.

8) A GED + program to increase the number of qualified GED holders and determine the viability of increasing the number of GED holders USAREC is allowed to recruit, currently set at 10% or lower.

9) A College-First program to allow enlistees to attend a two year college or vocational program first, on the Army's bill, and then fulfill their military commitment.

10) An industry partnership program, termed Partnership for Youth Success (PaYS) that offers post-service employment with reputable, quality, national businesses.

11) A massive marketing effort targeted at Hispanic youth who are highly inclined to join the Army but actually do so at a considerably lower rate than their percentage of the population.

12) The establishment of a marketing division at the Department of the Army level.

The process used to develop this latest recruiting strategy demonstrates that the Army has failed to maintain the successful system it had developed in the 1980's. First, this strategy was not the outcome of a periodic review of the environment, against which the Army's goals and objectives were balanced, but a reaction to a recruiting crisis that developed over a number of years. Second, the strategy includes separate initiatives developed by USAREC, the Army staff, the working group, and even the consulting firm in relative isolation. While there was coordination at some levels, a thorough, permanent system for creating a comprehensive, coordinated plan was never developed. The process of problem solving never began with a clear definition of what the problems were and a coordinated plan of attack that identified solutions, Army wide. Third, few if any of the strategies were the result of a systematic, analytical process based on research of the youth the Army desired to recruit, but were the reapplication of strategies used historically. Finally, the implementation of the strategy will continue to be hampered by the need to gain approval from two separate higher headquarters, the Deputy Chief of

Staff for Personnel (DCSPER) and the Training and Doctrine Command (TRADOC), and then from Army, DOD, and congressional leadership. The mere fact that the Army has published multiple strategies for solving the recruiting crisis, the leading ones of which were developed by organizations previously uninvolved in recruiting, the *ad hoc* working group and the private consulting firm, shows that the recruiting system itself has failed and needs repair.

The Director of Program Analysis and Evaluation at USAREC, Colonel Greg Parlier, has stated that though it appears there are some positive movements in enlistment rates from the changes made so far, USAREC is still forecasting a shortfall of up to 7,000 recruits in 2000. Additionally, Colonel Parlier believes the "short-term fixes" that the current plan represents will not create a long-term solution.[6]

Retention Problems Compound Recruiting Problems

The retention of soldiers is closely related to the recruiting of soldiers. In fact, the Army uses a single school to train both its recruiting and retention non-commissioned officers (NCO's). Retention difficulties can signal a problem in the Army's quality of life, unit morale and cohesion, or even leadership problems. In the same way a business is concerned with its "repeat" customers to indicate the satisfaction with the product, the Army is concerned with retention. In the same way that satisfied customers in the business world translate to positive word-of-mouth advertising and increased sales, satisfied soldiers are positive influencers for Army recruiting. If the soldiers are not satisfied, then the Army must make changes to ensure it has a viable "product." So, are soldiers in the Army currently satisfied?

One possible answer to this question is proposed by the Secretary of the Army, Louis Caldera. In a recent article, Secretary Caldera, referring to the 1999 record year for reenlistment, stated, "That tells me we've got a good product, but we need to get more people to come through that door."[7] This statement was based solely on the Army exceeding its retention goals for 1999. While retention is an important indicator of soldier satisfaction, other indicators, such as recommendations of service to youth by soldiers and youth changes in propensity, are also important to consider. When considering these other indicators it appears that there are significant problems with the Army "product."

The Army has suffered form lagging retention rates for a number of years. In 1999, the Army made a concerted effort, complete with significantly increased leadership attention at all levels and considerable increases in reenlistment bonuses, to repair its retention woes. These measures succeeded in 1999.[8] However, this level of monetary and leadership effort is not sustainable on a routine basis. It serves as a stopgap measure. Eventually leaders must always shift their focus to the new priority and no monetary increase is infinitely sustainable in balanced budgets. Additionally, 1999 saw many promises from Congress and Army leadership to fix pay, retirement benefits, and medical benefits. Many of these promises are coming true, and this has a positive effect on retention, if only for a few years. Obviously, the changes in 1999 explain the difference in retention rates. They do not, however, mean the Army has a "quality" product.

Since at least 1995, less than 50% of the enlisted members of the Army would advise a young man to join the Army. Only about one-third would encourage a young woman to join. Their advice in either case is to join another service or not join the military at all.[9]

This information covering a period of more than four years is an indicator that the Secretary is possibly wrong about the quality of the Army product, since the currently serving members of the Army will not provide it a recommendation.

Additional evidence of a problem with the Army "product" is provided by the Center for Strategic & International Studies (CSIS). Their study indicates that an increasing majority of service members, in all services, are not satisfied with the quality of life or the increase in workload they find themselves required to complete.[10] Interestingly, the Army's own center for research into problems of this nature, the Army Research Institute, has produced a study that rebuts the Secretary's statement that the Army has a "good product." The study was released at approximately the same time as the CSIS study and indicates that the Army is losing "some of its best future leadership" due to dissatisfaction with Army service.[11]

Final supporting evidence that the Army has a product problem is the desire of youth to purchase the Army product. Since 1976, the number of youth stating they definitely will not serve in the Armed Forces has risen from 39% to nearly 63%. This indicates that there is not only a problem with the Army product, but that the problem is growing. The direct relationship between recruiting and retention becomes clear as the Army reaches a personnel steady state – for every person the Army retains, that is one less it must recruit.

Making A Recruiting Strategy That Works

In the preliminary paper to this one, "Building the Case for Applying Modern Marketing Concepts to Military Recruiting," the point was made that the changes proposed by the Army as solutions were not sufficient to overcome the long-term

problem. In fact, "they will fail to improve recruiting significantly or enduringly unless

equally far-reaching changes are made operationally and tactically by the recruiting

community in the way it implements the new recruiting strategy."[12] The statement of the

Assistant Secretary of the Army for Manpower and Reserve Affairs, Patrick T. Henry,

sums up the difficulty inherent in the Army's efforts to solve the recruiting problem.

> The impetus behind this ... is that the old methods of attracting young
> people to the force are simply not working anymore .... We're using the
> tried-and-true methods as best we can now and still not meeting with the
> success we'd like.[13]

In order to solve the intractable problems of recruiting in a more durable fashion,

recruiting must look beyond its historical solutions to other organizations that have

experienced success. In the preliminary paper it was suggested that there was a "body of

knowledge that is not being used, which can assist the nation in meeting its military

accession needs."[14] This body of knowledge consists of certain business practices

described under the general heading of "marketing" with most of the practices fitting in

the area known as "marketing management."

The application of marketing, or, as it is termed in the public and non-profit sectors,

"social marketing", to the Army system for recruiting is the focus of this paper. While

the Army has practiced many of the basic principles and procedures of marketing since

the 1980's, it has allowed many of these practices to grow out-dated and has failed to

maintain its recruiting system, specifically the processes that are the heart of the system.

Furthermore, the Army, and Army recruiting in particular, has failed to embrace or

understand the marketing concept as a philosophy for how it conducts the mission of

recruiting young people into its ranks. The objective of this paper is a direction for the Army to follow in the creation of an objective Army Marketing System (see figure 1).

Figure 1
Objective Army Marketing System

| Army Marketing & Recruiting System | Current Civilian Marketing Practices |

What works?
What doesn't work?
How do we do to fix it?

What works?
What could work?
How do we apply it?

Objective Army Marketing & Recruiting System

What does it look like and how does it work?
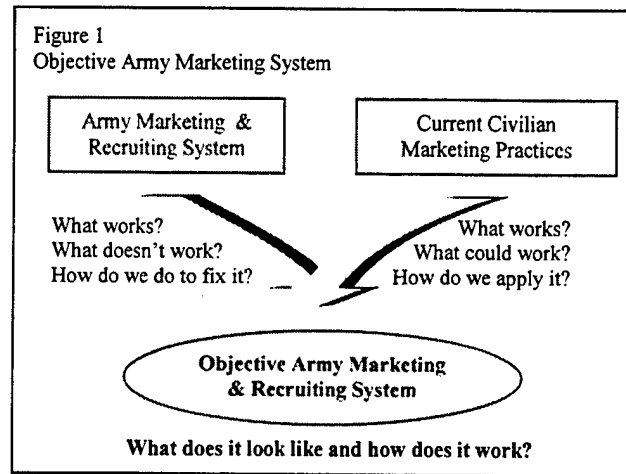
Applying the Social Marketing/Marketing Concept In General

The marketing concept has evolved as the primary method for how businesses operate in the United States and many foreign countries. The focus of the marketing concept is the customer rather than the product or service being offered for sale. This is to be contrasted with a sales-oriented approach in which a product or service is developed with relatively little assessment of the customers' needs and wants, and sales tactics are used to persuade the customer to buy. By focusing on the customer, businesses are able to create products and services that meet the needs and wants of the customer in an exchange that is satisfactory to both parties. As noted by one author, the marketing concept is, "the recognition on the part of management that all business decisions of an organization must be made in the light of customer needs and wants."

At the heart of the marketing system is the development of dynamic processes that monitor the environment, analyze needs and wants, define and produce products for the consumer. The system must evaluate the strengths and weaknesses of the current products to better serve the consumer. The system must also ensure that the customer actually receives the value that he anticipates when he buys the product or service.[15]

Philip Kotler, a prominent academic in marketing, describes a marketing management process that includes five basic steps (see figure 2). [16]

The process begins with research on the marketplace. The purpose of the research is to identify who the customers are, gain a thorough understanding of their needs and wants, their perceptions, and their preferences. Since the entire process begins with the research

Figure 2
Marketing Management Process

"resulting experience" subject to the "value delivery system"

Understand needs, perceptions, and [preferences]

Research (Market Research)

Position and value proposition

Audit Evaluate Correct

Control

Brand Value = Customer Value

Segmentation, Targeting, and Positioning

Product man[agement] Field Sales Customer [Service]

Implementation

Marketing Mix

Four P's and tactical marketing

Source: Adapted from P. Kotler, *Kotler On Marketing: How to Create, Win, and Dominate Markets*, The Free Press, p. 30-31.

step, it is vital to ensure that the research is credible, relevant, timely, and actionable. The vast amount of data that technology has given us the capability to gather, analyze, and turn into information, is overwhelming to most decision-makers. To manage this problem, most organizations either develop a marketing information system, a decision support system, or both, depending on the desires and capabilities of the decision-makers.

Kotler describes the second step in the process as STP, or, segmentation, targeting, and positioning. In this step the market is segmented into groups with similar attitudes or behaviors. Then the different groups can be targeted and individual group strategies devised based on the priority of each segment. The final action in the second step is to identify the benefits of the product that are most important to the segments that are targeted. This is known as positioning the product. The comprehensive set of benefits and services that a consumer receives is known as the *value proposition*.[17]

The third step in the marketing management process is the marketing mix, commonly referred to as the 4 P's; price, product, promotion, and placement. At this point in the process, the tactical decisions concerning marketing are made. How much is to be charged for the product, which products are to be offered, how are the benefits of the product to be communicated, and where are the products to be offered, are all actions in this step. This is the step that involves the most planning to ensure an executable plan is developed.

The fourth step is implementing the marketing plan. For the typical business, this includes managing the products to ensure their quality, selling the product to consumers, and ensuring the consumer is satisfied with the product. This critical step will show whether the plan developed in step three is executable.

The final step in the process is control. During this step the business monitors the purchase and use of its products. An analytical evaluation of the process for each product reveals its positive benefits and its shortcomings. By correcting the shortcomings and maximizing the positive benefits of the product and the system for delivery and service, the business can ensure that the consumers "resulting experience" is what they expected. This is described as aligning the brand value, the experience that is claimed to be a benefit of the product, with the customer value, what the customer actually experiences.

Applying The Social Marketing/Marketing Concept To The Army

Applying the concepts of marketing to Army recruiting requires major cultural changes in the Army, its leadership, and its recruiting corps that will equal or exceed the original requirements of moving to an all-volunteer force. The Army must change the focus of its effort from the accession and retention needs of the Army to the needs of the

young men and women it desires to enlist and those of the young men and women already serving. Focusing on and meeting their needs will let the Army set the foundation for its own success by establishing itself as a premier, first-choice institution in America, not the second choice or the desperate alternative.

The current focus in the Army personnel world is on how many and what type of people it needs to enlist and retain to meet its requirements. This is an internal focus that tends to direct the Army to study itself more than the ever-shifting environment it operates within. By beginning the personnel process with an external focus, on the needs of the people it requires to function, the Army will be able to see or even anticipate changes in the environment and act accordingly.

In economic terms, the Army has always focused on its "demand" for personnel and assumed that the "supply" of personnel would be sufficient. By design, a demand-focused system limits the availability of personnel to only those meeting the predetermined requirements of the Army. Compare this to a supply side system with the purpose of providing the greatest supply "pool" of personnel possible. From this pool the Army can then access the best quality possible to meet its needs, based on what is available. The marketing concept provides the means, a proven system, for ensuring the greatest supply of personnel possible.

Marketing for private companies is about understanding needs, developing and delivering products that meet those needs, ensuring both parties involved in the transaction are satisfied with the results, and completing all of this within the scope of what the given company is all about. Army marketing is about understanding the needs of its future members and its current members, developing the enlistment/retention

options and quality of life programs that meet those needs, ensuring the period of service met or exceeded the individuals expectations, all within the mission of meeting the Army's readiness requirements.

Structure of This Paper

This paper describes additional systems and processes, or improvements to current systems and processes, that the Army should institute to more fully adopt modern marketing practices. It offers an overall structure for marketing and gives considerable attention to three marketing systems: market research, market planning, and product development, pricing, and management. This paper also defines some improvements to the Army's marketing communication systems. Additionally it makes the case for the Army to give increased attention to the satisfaction of its active service members through a comprehensive, serving-member satisfaction system.

Chapter 2 describes the Army problem from the viewpoint of marketing. The second chapter lists the major, systemic problems that are causing the Army's recruiting shortfall and how these problems are addressed by a modern marketing system.

The purpose of the third chapter is to present a framework that encompasses the marketing system, to describe the marketing management functions, and to delineate the "who" of the marketing system. Chapter 3 describes the roles and responsibilities for the Army marketing system including the organizations involved in Army marketing and their marketing focus. The effects of serving-member satisfaction and a system for monitoring and improvement are defined. Finally, the third chapter describes some of the barriers to implementing the marketing concept in the Army.

Chapter 4 concerns marketing communications, at the levels of the individual recruiter and the national-strategic manager. It offers some modifications to improve on the Army's current system.

The fifth chapter is devoted to the market research system, the starting point for all market activities. The importance of market research and the current military market research system is described. Then, changes and additions to the Army market research system are suggested. Finally, the requirements of a market information system and decision support system for the Army is described.

Chapter 6 provides detail on planning. The importance of a strategic planning process is described. Additionally, areas of responsibility for planning are discussed with a suggested framework for market planning in the Army. Finally, a strategic level "wargame" is offered as a tool in institutionalizing and refining the planning process.

Chapter 7 concerns the product development, pricing, and management system. A specific system for developing new products is described. Pricing considerations are also discussed. A discussion of how the Army should monitor and manage it's products as well as a discussion of institutional and cultural changes concludes the chapter.

There are many terms used in the business world that are not a familiar part of the Army culture. Many, such as markets or customer satisfaction, are familiar as words, but not when applied to the military in general. Using these terms to describe a military activity can create an unfamiliar and often uneasy feeling in the mind of the military reader. Wherever possible this paper uses terms that are more military in nature, but there are some terms for which the Army currently has no equivalent. In that case, the

business terms are used. Additionally, some terms that can describe certain aspects of

military recruiting and the business equivalent are defined in the text.

Chapter 2 – How Marketing Can Provide Solutions

> Marketing is so basic that it cannot be considered a separate function.... It
> is the whole business seen from the point of view of its final results, that
> is, from the customer's point of view. Concern and responsibility for
> marketing must therefore permeate all areas of the enterprise.
>
> Peter Drucker, *The Practice Of Management*

The Problem – From A Marketing Perspective

The problem Army recruiting currently faces, simply stated, is that not enough young

men and women are agreeing to volunteer. In the first chapter, and in "Building the Case

for Applying Modern Marketing Concepts to Military Recruiting,"[18] the causes of the

recruiting problem are described from the recruiting viewpoint. What are the results of

an evaluation of the recruiting problems and the failures of the recruiting system from a

marketing perspective?

In my opinion, an evaluation of Army recruiting from a marketing standpoint would

yield the following results.

1) The Army has not given any priority to integrated marketing beyond assigning

   primary responsibility for marketing to USAREC and monitoring the actions of

   the contracted advertising agency. No person or organization at the Army

   headquarters level, and higher, has taken responsibility for marketing the service.

   This precludes the ability for marketing to "permeate" the Army. Additionally,

   the Army does not possess true marketing professionals to conduct Army

   marketing but has depended on "lay" marketers and the advertising agency, often

not understanding that advertising is only one piece of the bigger marketing picture.

2) Army recruiting has failed to monitor vigilantly and react to changes in the recruiting environment that would cause significant changes in recruiting strategy.

3) Army recruiting has not defined the spectrum of recruiting variables it can control, which of these recruiting variables should be adjusted in given situations, and which critical information indicators signal the time for adjusting the recruiting variables. Therefore, recruiting leaders neither understand nor are trained to know which decisions must be made, when it is necessary to make them, and what the decision should be.

4) Army recruiting has not segmented the market in a manner that allows persons with similar needs, desires, and expected benefits to be targeted.

5) The Army has failed to position itself broadly with America, and specifically with the segments of the youth market it most wants to enlist. This results in either a "single flavor" position that is supposed to appeal to youth, the serving members, and the public simultaneously, or it sends mixed signals as to how the Army is distinctly different from other services.

6) Army leadership has failed to maintain the satisfaction of the serving men and women causing a perception of lower value in an enlistment.

7) Army leadership has failed to conduct integrated strategic, operational, and tactical market planning via a deliberate system. This has resulted in an uncoordinated effort that often appears more desperate than effective. It also results in gaps in key factors that are not accounted for in planning.

8) The Army has not developed a system for developing, pricing and managing products that are most beneficial to targeted segments resulting in a large number of products that are either ineffective or overpriced and a void in desirable products. This also results in reactionary and rapid product development that increases risk.

9) Army recruiting has focused on the needs of the Army, getting enough youth to raise their hands, as opposed to focusing on the needs, desires, and benefits of young men and women. This causes youth to believe the Army is only concerned with its needs and that it will not do what is best for the youth.

A Complete Marketing Structure

How would an Army marketing system solve, and in the future, prevent these problems? First, the Army must establish a *complete* marketing system, consisting of strategic, operational, and tactical levels. USAREC is not in a position to handle all Army marketing. The United States Military Academy (USMA), the Cadet Command (ROTC), the United States Army Reserve (USAR), and the Army National Guard (ARNG) all have marketing requirements. USAR marketing is integrated with USAREC while each of the other organizations completes their own marketing. No primary marketing office, at Army level, leads the Army marketing effort. This results in a disjointed effort. Only in the last few months has the Army realized this mistake and decided to establish a small marketing office at DA level consisting of four, yet to be found, civilian marketing experts. This is definitely a step in the right direction, but it is insufficient. Additionally the Army plans to hire outside contractors to conduct market research and assist in planning. It is important that this effort is coordinated with the

excellent work already occurring in each of the accession organizations and that the focus of the effort is to set strategic objectives and direction, allowing the organizations to continue to conduct their tactical efforts.

Another change that would assist is to ensure the major organizations responsible for marketing the Army to young men and women, USAREC, USMA, Cadet Command, and ARNG recruiting, are aligned, under a single entity, at least in terms of support. The Department of the Army, at secretariat and DA staff level, is responsible for strategic planning including long-term objectives and national marketing. At the tactical level, USAREC, USMA, Cadet Command, and ARNG recruiting are responsible for execution. Between these levels there is a need for an operational level command that gathers, monitors, and distributes the necessary resources to ensure the tactical implementation and execution of the strategic plan. I believe the Army has three options for this problem. They can place the organizations under the operational control of the Training and Doctrine Command (TRADOC), the Deputy Chief of Staff for Personnel or stand up an Army Accessions Command. That debate is not a marketing subject as much as a force structure question. The reality is that there are efficiencies gained when these different accession units are organized under a single structure. The Army needs to address this concern.

Monitoring the Environment and Reacting to Change

The Army must monitor the recruiting environment and change or adapt its strategy, based on the information it gathers, in a timely manner. The marketing method for completing this function is quite similar to the basic method the Army uses to gather battlefield intelligence and then execute, change, and adapt its wartime strategies.

Marketing texts often cite the Army battlefield intelligence gathering systems and methodologies as a primary example of how information gathering is properly done. The Army, therefore, should have more than enough expertise to devise such a system for marketing. The Army and the Department of Defense have devised various systems over the years for monitoring the recruiting environment. Several studies have identified the major environmental variables that require monitoring.[19] The difficulty has been identifying when action is required. In the past few years, USAREC has monitored the recruiting environment variables, such as unemployment and propensity, and warned of shifts in the environment. However, no system was in place to determine when the marketing strategy required a change, based on some predetermined level of change in the environment. The Army waited until it started to actually fail before it took action commensurate with the level of failure. A detailed system is needed that assists decision-makers by quantifying the magnitude of environmental change that forces a reaction.

Once the Army has determined a strategy change is necessary, it must understand which variables it *can* adjust, which variables it *should* adjust for any given situation, and the *magnitude* of adjustment necessary to meet the requirements imposed by the new environment. The Army knows that with congressional agreement it can adjust variables such as term of service, bonus and enlistment incentives, and even base pay. However, the Army does not have a basic strategy for changing the variables. Nor does it know which situations are appropriate occasions for changing them or the magnitude of change necessary for a desired outcome. The result is a trial and error method of adjusting these variables. Instead, the Army needs to develop a computer simulation that assists in conducting the trial and error situations prior to actual implementation. By conducting

what-if scenario analysis, linked to real world data and even to the youth market directly, the Army can determine courses of actions with less risk.

The Army also needs to explore which other variables it can change. This will take some original thought and research on its part. The Army must allow this research to be unfettered by cultural and political constraints. While those constraints may be required later, they only confine the ability of the research in the early stages. For example, research into the process for indoctrinating a new recruit, the first week or two in the Army, could provide significant information on recruit satisfaction. However, some of the changes this research might suggest could include giving these new recruits free time or off-post access during down time. If the research was filtered by cultural constraints, the determination that recruits needed more liberty in their first weeks would not be discovered. While the solution might be to offer more on-post activities or other such events, at least the problem is discovered and cultural constraints can be applied to the solutions.

Once the Army has determined what recruiting environment changes call for action and the possible and desirable range of actions available, it can train its leaders in the making of those decisions. At every level of recruiting, leaders have decisions to make. These decisions are often marketing management types of decisions. Most Army leaders are not trained in marketing or marketing decision-making and will require additional training to understand what is necessary. The Army must include this training in its battalion and brigade commander's courses and in training for the USAREC staff. Additionally, there is a real need for specialized executive-level training for the Army

marketing leadership to include the newly organized marketing office, the ASA-M&RA, the DCSPER, and the commander and deputy-commanders at USAREC.

Segmenting, Targeting and Positioning

The Army has done a poor job of segmenting the young men and women in America. When the Army segmented the youth market, it basically used an *a priori* method that was based on the knowledge of the marketing research division at USAREC. There was no segmentation study, *per se*, that led recruiting to determine its segments. It is a positive step for USAREC that it recognized and implemented market segmentation. While the segmentation was not incorrect, it was not as appropriate as is possible.

The segments determined in this initial segmentation were based on what information requests the marketing research staff most often received. This led to the development of two basic categories of segments – education and race/gender. The current segments are high school seniors, high school diploma graduates, and persons with college for the education segments, and Hispanic, African-American, and Female for the race/gender segments. An additional segment, prior service personnel, is also included. There are several problems with this segmentation. First, the segments have considerable overlap that causes difficulty in distinguishing separate targets and appropriate strategies. Second, the segments do not account for the entire population from which USAREC recruits. Finally, the segments are formed based not on a market focus, such as behavior of the segments, but on the informational needs of leaders who, as previously discussed, are not even sure of what information they require to make decisions. Volunteering for the Army is a "life" decision, known in marketing vernacular as a "high-involvement purchase." This means it is a very important decision, involving a personal level of

commitment not normally found when making other purchase decisions, that is determined on a very individualized basis. It is likely that, with a decision as important as joining the Army, segments based on behavior, not some demographic or geographic identifier, are more likely indicators of enlistment.

The Army has also done poorly at developing a positioning strategy. A positioning strategy is where the Army "positions" itself in the minds of the customer. The Army historically positioned itself through the message of "Be All You Can Be." Over the last few years, however, this positioning has shifted. While "Be All You Can Be" is highly recognized, the Army is not sure if it is still relevant to the youth market. The requirement for a positioning strategy is that it differentiates the Army from the other competitors in the minds of youth, as well as in the minds of serving members, veterans, communities and society. Once it determines this positioning strategy, the Army must defend it and remind the public what position the Army holds. If other messages are pushed by the Army, or through some other means become more closely associated with the Army in the minds of the public, then the position is lost. This could be the fate of "Be All You Can Be." While the Army has continued to use the slogan, there has been considerably more effort put into advertising educational benefits and incentive dollars. This places the Army in direct competition with colleges and universities for education and civilian jobs for money. Not only does this fail to differentiate the Army, but also places the Army in a battle against overwhelming odds where it can not compete.

Beyond the broad positioning strategy, the Army must develop specific positioning strategies based on its segments. By developing a thorough understanding of the market segments, the Army can then determine the specific needs, wants and benefits for that

segment and position itself accordingly. The Army must determine the best way to segment its market, which markets it wants to target, and where to position itself in the minds of individuals.

Maintaining Perceived Value – Satisfying Serving Soldiers

The Army has to ensure that every contact it has with young men and women is a positive one. Recruiters spend considerable time and effort managing their Delayed Entry Program (DEP) and reassuring the youth who have made a commitment to the Army. DEP personnel are those youth who have enlisted in the Army but are waiting to report until they complete high school or their training seat becomes available. USAREC has seen some improvement in ensuring those who "sign on the dotted line" feel they made the right decision, though the rates of individuals leaving the DEP still exceed 19%.[20] Additionally, roughly 35% of the youth who enter their first term of service never complete their term.[21] This means that one out of three of the youth that commit to the Army find that the "resulting experience" was not the experience they expected and leave, or, fail to meet Army requirements and are discharged.

A civilian business would define this as a "customer satisfaction" problem. We will define it as a serving member satisfaction problem. The satisfaction of our currently serving soldiers is critical to the Army's success. Beside the obvious effects that satisfied soldiers provide (i.e. work efficiently and effectively), a satisfied soldier is also more loyal. They are more likely to espouse the benefits of serving in the Army, recommending it as a viable alternative and first step after high school, as opposed to not recommending the Army at all. If the Army leadership and personnel system focused its retention efforts on understanding what service members needs and expectations were,

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they could better meet those needs and expectations. When an individual joins the Army, he or she believes they have signed up for a certain experience. When the resulting experience does not live up to the original expectation, then they become dissatisfied. This dissatisfaction leads to a feeling of betrayal and results in service members who feel less loyalty to the chain of command and the Army. This effect can spread through the force rapidly if the problems that caused the dissatisfaction are not corrected. Additionally, it begins to affect other areas of the personnel system besides retention, such as recruiting.

Effective management of serving member satisfaction is vital to the success of the Army. By understanding the expectations and needs of Army service members, leaders can provide the conditions that meet or exceed the service members expectations. This will result in service members who are loyal and reenlist because they are receiving a great value. They will also become advocates for the Army. Thinking of the advice you have received from others, when about half of the people you talk to recommend a certain product or experience and the other half do not recommend it, you are left without a clear perception of what that experience might be like. However, when everyone you talk to recommends the experience, you are considerably more likely to try the experience than you were before. The same logic applies when it comes to the satisfaction of the serving members of the Army.

The Army has a system of monitoring service member satisfaction, through the DOD Sample Survey of Military Personnel (SSMP), the Army Research Institutes (ARI) Command Climate Surveys, and the ever present chain-of-command. The Army needs to complete more in-depth research when dissatisfaction rises, as is currently the case. The

purpose of the research is not to identify if there is a problem, but to identify what the specific problems are and to explore solutions. Turning to the tried and true solutions of the past – pay and benefits – may not prove the answer to the problems of the future. One of the primary concepts of success in a modern marketing system is to monitor, analyze, and improve customer satisfaction. The Army must adhere to this concept.

Planning for Success

The Army must conduct more effective market planning if it desires success. The starting place for Army market planning is the strategic marketing plan for the Army. Market planning at the Army level does not currently occur. As mentioned earlier, the Army has only recently decided that it needs to stand up a marketing office at the Army headquarters level. Planning for marketing has been restricted primarily to USAREC and the Army's advertising agency. The Army has not set strategic objectives for marketing and recruiting with the exception of quantity and quality requirements of enlistees. USAREC, for its part, has not conducted market planning in a coordinated fashion. Separate divisions or contractors normally devise the strategies for products, prices, promotion, and placement. While recent events have prompted greater coordination among the organizations at USAREC and DA, there is still not a deliberate planning system with the necessary detailed processes.

Marketing requires a deliberate planning system, very similar to the planning system the Army uses to conduct operations planning in training and war. As discussed in Chapter 6, the Army can couple the experience it already possesses in marketing and recruiting with the experience it has in conducting planning for war, to develop a highly efficient strategic, operational, and tactical planning system.

The Army Product

An Army enlistment, in marketing terms, is thought of as a product. There are a variety of products offered by the Army depending on whether you desire to be an Army Ranger for six years with the added incentive of a $10,000 signing bonus, or you want to play an oboe in an Army band. By developing new incentives, benefits, or programs, the Army changes its products. The Army has done a poor job of developing new products through a deliberate system, of determining what level of incentive or term of service is viable for any given product, and in deciding when a product has outlived its usefulness and should be discontinued. A marketing system calls for a deliberate product development process that is based in research and allows the Army to target the products towards its segments.

An Army marketing system can solve the product problems by determining where the product gaps are and finding ways to fill those gaps. A deliberate process where new product ideas are generated, screened and evaluated, analyzed, and tested, is important to the product process. Specific research and analytical methods are then useful in determining what youth are willing to "pay" in terms of years of service, and how much of an incentive is necessary before it is deemed an equitable tradeoff. Additionally, the Army needs to have "product" managers who monitor the effectiveness of the programs and policies in place. When a decline in the effectiveness or the efficiency of a program or policy is seen, determinations about whether to continue, change, or delete it can be made.

Focusing On Youth Needs

The marketing concept stresses that focusing on the needs of the "customer" is what breeds success. The Army currently focuses on its needs and fails to focus first on the needs of the youth. Yankelovich Partners, the leading research company on generational marketing in America, conducts extensive surveys and focus groups on youth. They have learned that the generation of youth the Army is currently recruiting is the most market "savvy" of any generation in history.[22] The exposure this generation has received to thousands of commercials and sales gimmicks and the information they have available through their primary medium, the Internet, provides them a natural ability to spot when someone is trying to promote an equitable exchange or sell them the proverbial "bill of goods."

A marketing approach places the needs of the youth first. The ability for the Army to adopt this approach starts with the Army emphasizing that providing young men and women with a highly valuable experience is the first priority. As stated by General Eric Shinseki, the Army Chief of Staff:

> We will work to connect to America in such a manner that the youth of
> this country find service in the Army important, meaningful, satisfying,
> rewarding, and productive.[23]

The Army must continue to set quantitative objectives and measure performance against those objectives. However, the numbers are not what will encourage the youth to enlist. Only filling the needs of youth and communicating the benefits of Army service will encourage them to enlist. There are several methods that companies have used to develop a customer-centered culture. At least one author suggests that there are six primary questions that a company answers to achieve a customer-centered culture.[24]

- *What* do we do?
- *Who* do we do it for?
- What do they *want*?
- What do they want and *why*? How can we improve their *satisfaction*?
- How can we improve *our performance*?
- How can we achieve cultural transformation?

To answer these questions, a six-step process is suggested. First the Army needs to define Army service as a group of tangible products. Then the Army must identify its customers in differentiated segments. Once the segments are defined, the prioritized expectations of each segment are identified in answer to the question of what do they want. Prioritizing the expectations allows the Army to measure to what degree the Army product is achieving customer expectations. To improve its performance in meeting customer expectations, the Army must understand and measure the productivity of its products and the process used to create products. Once the Army understands its processes and what is required to achieve customer satisfaction, it must transform its own culture to meeting and supporting the customer satisfaction process.[25]

The Ability to Market

Marketing, alone, will not solve the Army's recruiting problems. The lessons learned during the early years of the All-Volunteer Army still apply. Recruiting leaders must continue to enforce key values such as recruiting with integrity. Army leadership must continue to provide the recruiting force with outstanding officers and non-commissioned officers who are highly capable and able to adapt to the recruiting environment. What marketing provides is a common framework and a system that focuses Army recruiting on **how** to achieve objectives, not on the numbers that quantify the objective.

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Chapter 3 – The Army Marketing System

Army Marketing System-A system of systems approach

The Army marketing system can be properly described as a "system of systems." Within the Army marketing system are several sub-systems that contribute to overall effectiveness, each of which have marketing management functions. Each of these systems has processes, and additional sub-systems, that are components of the overall system (see figure 3).

Figure 3	Army Marketing Systems				
Marketing Management Functions	Market Research	Market Planning	Market Communications	Product D-P-M*	Recruiting Operations
Research & Analysis	-Research Review -Research Requirements Determination -Research Plan Development	-Strategic Market Analysis -Mission & Objectives Determination	-Targeting & Positioning Research -Supporting Research Analysis	-Product Assessment -Product Cycle - Product Research	-Leads Review -Recruiting Market Estimate
Planning	-Collection Contracting	Strategy & Tactical Planning Process -Strategic Wargame	-Positioning Strategy -Distribution Planning	-Product Planning -Incentive Level Strategy	-Recruiting Market Plan -Station Location Plan
Execution & Control	-Information Distribution -Quality Control -Contract Management	-Quality Control -Plan Evaluation -Mission Negotiation	-Advertising Placement -Advertising Effectiveness -Contract Management	-Product Development & Testing -Product Approval	-Assessment & Evaluation -DEP Management -Mission Assessment

The Army marketing system is defined by several subsystems. Each system covers several functions which managers must complete. Within in each subsystem is any number of processes which are critical to recruiting. The processes listed are just some of the examples.

*Product D-P-M-Product development, pricing, and management

The Army marketing management functions are an adaptation of the marketing management process described by Kotler previously. The functions include: 1) research and analysis, 2) planning, and 3) execution and control.

The marketing management functions represent a cycle that begins with research, and analysis. Research is the business equivalent of the Army's intelligence gathering. Army

marketing must gather data, analyze that data to provide information, and from that information design a plan. Once the plan is designed, it must be executed under controls. Control consists of auditing and evaluating the results and making corrections. These corrections lead back to changing the plans, or even changing the data collection to provide some piece of information missed earlier in the cycle. Each of the Army's marketing systems must perform these functions during the course of their operation.

For example, in the market research system, it is necessary to determine what information is available and analyze the needs of the market research system. A plan for what data to gather and how it is to be analyzed is also necessary. The execution of market research is where the actual data collection, analysis, and distribution takes place. Surveys are conducted, statistical testing and modeling is completed, and reports and presentations are distributed. Finally, an assessment of what mistakes were made in conducting the research, what gaps in the information were discovered, and whether research contracts were properly completed provides an evaluation of the market research system. From this evaluation, the cycle begins again, making changes and improvements with each iteration.

Recruiting operations offers another example of how a system must perform the marketing management functions. The Army needs to develop a recruiting operations system that begins with recruiting stations, companies, and battalions researching their recruiting area of responsibility. They gather information from the marketing research system, as well as compiling information they have access to locally. An analysis of this information allows them to develop a plan for how they will recruit in their area of operations. Once the plan is complete, they execute the plan and begin the process of

recruiting. Control is also critical for the recruiting operations system as numerous objectives and regulatory requirements have to be evaluated, and where discrepancies are found, corrected. The cycle begins again with the lessons learned from the execution and control function.

A unique aspect of the marketing management functions is the manner in which they span all of the marketing systems. The research and analysis function of marketing research provides critical information to the planning, communications, product development, and recruiting operations systems. The execution and control function of the market planning system provides guidance to the communications and recruiting operations function. The results of recruiting operations provide information on objective achievement to the other systems to help them determine deficiencies in their systems. These interdependencies make it critical that the systems perform all of the marketing management functions. The failure of any one of the systems, at any function, has serious implications for the other systems.

Attaining Focus and Understanding Roles-The Army Marketing Framework

Adopting the marketing concept calls for considerable effort on the part of every leader, civilian and military, in the Army. It calls for considerable planning of the roles and the missions that each level of recruiting and its leadership must accomplish. It also calls for careful deliberation of who the Army must market to, the "customers." Army marketing calls for an understanding of the environment in which recruiting operates and a definition of who is the competition. A marketing "framework" is necessary to understand these considerations and better implement modern marketing.

The primary target of the Army marketing effort is the young men and women of America. Our research, planning, communication, product development, and recruiting systems are focused on this primary target. While this seems intuitive, there are other targets for Army marketing that are less so. On one side of the Army's marketing framework are the multiple targets the Army must consider. The next target for Army marketing beyond young men and women, is the influencers. The influencers are those persons who most affect the youth's decision to enlist. This includes parents, teachers, peers, clergymen, and guidance counselors. The Army must market itself to these groups to ensure they have a positive impact on the youth in their decision-making process. Additionally, these individuals are taxpayers and among the ultimate recipients of the Army's primary mission, national defense. It is important that they feel positive about "their" Army. Beyond the influencers is another group the Army must market itself to, the communities. In each community are local organizations, churches, businesses, and schools that directly, or indirectly, have an influence on the youth and on the influencers. By establishing a positive relationship with these communities, the Army builds a positive reputation and image. Finally, the Army must market itself to society. There are numerous organizations and sectors of our society which influence the Army's success from two directions. First, they influence the local communities and, through them, the influencers and youth. Second, they have an influence with the military's civilian leadership and legislators, who determine the missions, direction, and funding for the military. These society-level organizations, labor unions, religious organizations, and industrial and business conglomerates are important to the Army as well.

Each of these "targets" for Army marketing receives a different degree of focus. The most attention and focus is on the youth. With each level of society after youth, influencers, communities, and society in general, less attention and focus is necessary or directly effective for recruiting. The successive levels of society represent broader targets where Army marketing can appeal to promote positive influences on the youth decision process.

On the opposite side of the marketing framework from the organizations that Army marketing must target, are the organizations involved in conducting Army marketing. These organizations begin with the U.S. Army Recruiting Command. USAREC is the organization primarily responsible for marketing the Army to American youth. USAREC's recruiting force is in closest proximity to the youth, influencers, and communities that represent the prime marketing target. No other organization in the Army has as its primary mission, the marketing of the Army.

Beyond USAREC is the U.S. Army itself, which has overall responsibility for Army marketing. Some of the Army organizations and departments, such as the Deputy Chief of Staff for Personnel (DCSPER) and the Assistant Secretary of the Army for Manpower and Reserve Affairs (ASA, M&RA), play a larger role than other organizations and departments. However, every organization, department, and member of the Army plays some role in Army marketing. Army posts have a marketing responsibility in the communities where they are situated. Army research centers and agencies play a role in supporting Army marketing. Even the individual members of the Army have a marketing role to play as personal representatives of the organization. It was this realization that led

the Chief of Staff of the Army, General Eric K. Shinseki, to state that "all of us who wear the uniform are recruiters."[26]

The Department of Defense also has a role in marketing the Army. Just as it must with each military service, the Department of Defense plays a role in supporting the marketing efforts of the Army and participating in those efforts where it can. While the level of effort DOD must expend on Army marketing is not as intense or sharply defined, it is critical in that if it is not performed, the Army, along with other services, are likely to fail. DOD must take an active role in marketing each of the military services to ensure the overall success of the Defense Department itself.

Finally, rounding out the organizations responsible for marketing the Army is the U.S. Government itself, represented by the Executive branch as well as by the legislators. The elected and appointed public officials and the offices they administer must support the efforts of the military services in marketing to the public. Public perception and support is greatly affected by the opinions and comments of public officials. One of the foundations of the government is the defense of the country, and the executive and legislative branches play a role and responsibility in ensuring the viability of our military forces.

This basic marketing framework, with the executors of marketing on one side and the targets of marketing on the other, is set against a dynamic background determined by the interaction of all these organizations. The environment is often described in marketing as consisting of technological, legal-political, economic, social-cultural, and ecological considerations. The actions, opinions, and behaviors of any of the organizations on either side of the marketing framework can have considerable influence on the environmental

considerations. These environmental considerations are important to understanding the possible results of marketing actions.

Another aspect of the marketing framework is competition. The Army has two types of competitors in its marketing framework, internal and external. Internal competitors are primarily the other uniformed services that are in the Department of Defense. The Marine Corps, Navy, Air Force, Coast Guard, and their respective National Guard and Reserve forces all present significant competition for that critical youth target. External competition for youth consists, not only of other government agencies outside DOD, but includes the biggest competitors, colleges and universities, and civilian industry. These competitors must be considered when developing a marketing framework.

A critical task of the marketing framework is to describe which organizations on the execution side of the Army marketing framework have primary responsibility for which task. Tactical marketing, which has the primary goals of bringing about "discrete transactions" or enlistments, is the responsibility of USAREC. Only USAREC has the organization, resources, and mission of actually enlisting young men and women into the Army. This does not mean that Department of the Army Staff and other higher headquarters have no role in tactical marketing, but that their role is confined to oversight, auditing, and assisting in the correction of USAREC's execution. Tactical marketing is aimed primarily at the youth and influencer targets. Strategic marketing is the primary responsibility of the Army itself, led by the DCSPER and ASA, M&RA staffs. The departments in these Army organizations have primary responsibility for determining the strategic plan aimed at the influencer, community, and society targets. These plans are Army specific and are supported by assistance from DOD and a heavy

assist from USAREC. In fact, the level of coordination between USAREC and the DA marketing staff is critical to ensure a well-coordinated and synergistic effort between the two levels of planning. This ensures that the strategic objectives of the Army's marketing plan are attainable through USAREC's tactical execution plan. It also ensures that USAREC's plan falls within the parameters set by the strategic plan and is fully supported by the strategic effort.

Another critical marketing function that is necessary in the framework of marketing is internal marketing. This is the marketing effort that the Army must make within its own organization. Internal marketing consists of different levels of the organization using marketing to conduct mutually beneficial transactions. An example is the marketing effort that USAREC must conduct with the DA Staff to gain more resources or new programs in order to provide more recruits. The Army must also market itself to its serving members to better understand the individuals needs and how the Army can better meet those needs, so that each service member performs better and is more satisfied with his or her enlistment. Often, the Army must market itself with DOD and civilian leaders so that it gains the resources or policies it needs in order to meet its mission.

The final piece of the marketing framework is a national strategic marketing effort. National strategic marketing is vital to the long term success of military recruiting. The DOD, with support from the executive and legislative branches and the assistance of each of the military services, must determine a comprehensive, national, strategic plan for marketing aimed at the communities across America and at society in general. Unless the U.S. Government, at all levels, explains the necessity of public service for the common good and demonstrates its resolve that public service (and especially military service) is

critically important, the general desire to volunteer will continue to decline. People will

naturally move to fulfill their individual dreams and desires when not reminded of their

civic responsibilities. Figure 4 provides a graphical representation of the marketing

framework. On the right side of the figure are the targets of the marketing effort, while

on the left side is the organizations responsible for conducting Army marketing.

Figure 4
Marketing Framework
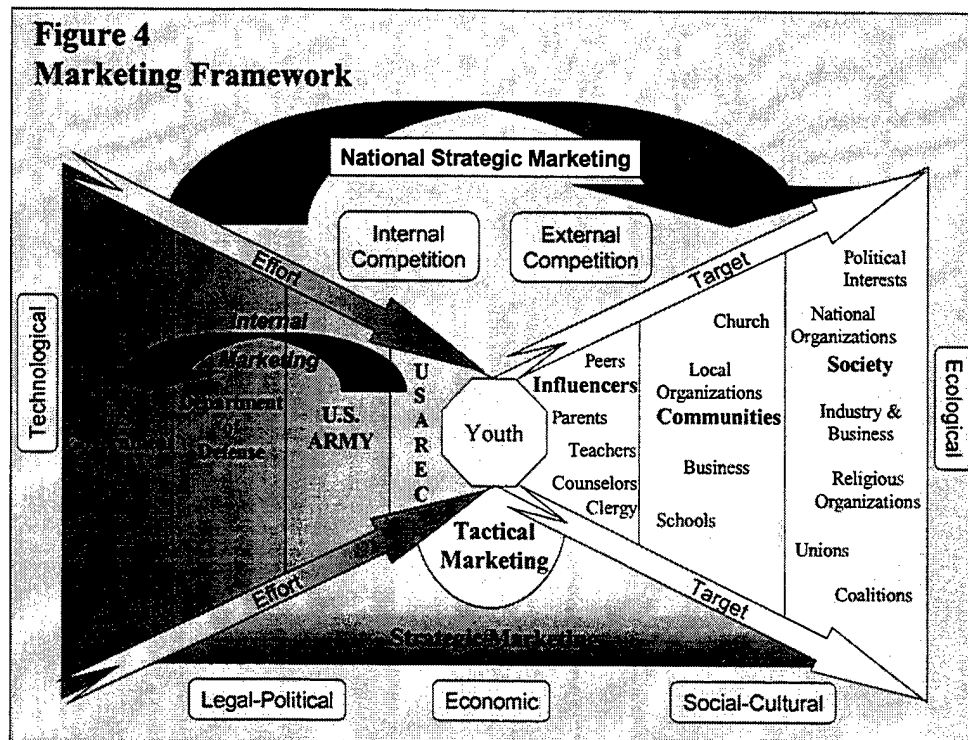
Barriers to Improving Army Marketing

Marketing, as a broad concept, has been around for over 30 years. While there are

still pockets of resistance in the business world, for the most part marketing has replaced

selling as a philosophy for conducting business. Though the benefits of marketing are

substantial, there are still some significant and legitimate concerns when shifting an

organization from the selling concept to the marketing concept. Some early studies of

businesses that shifted from the selling to the marketing concept provide insight into the

barriers and difficulties that the Army will find as it fully embraces the marketing philosophy[27].

One of the major barriers involved with shifting from a selling to a marketing philosophy is changing the sales mindset. The sales mindset is pervasive in Army recruiting. Beginning with Army leadership, the focus is on the number of contracts necessary to meet the Army mission. This focus is found at every level of leadership down to the individual recruiter. Focusing on the young men and women is only done in light of how many are required to "meet mission." Since the leaders are focusing on specific numbers, less attention is given to the quality of the relationship and experience that the recruit enjoys. The sales mindset has been in recruiting command since the "mission box" was designed in the early 1980's. While this is and has been an effective management tool, it is not, of itself, an effective recruiting tool. Under the marketing concept, the focus of the recruiter is on satisfying the needs of the individual youth the Army is trying to recruit. The objective is to collaborate with the youth in solving his needs or problems with the Army "product." There are times where the Army product might not be what that youth actually needs. If it is obviously not the best product, then the recruiter cannot ethically push that youth into an enlistment. In fact, if another course of action is more beneficial, the recruiter should encourage the youth to follow the alternate course. While this may seem short-term suicide for the Army, the long-term benefits in credibility and respect are significant. However, as long as the Army's first and primary focus is on making "mission," it will not overcome the sales mindset.

Another difficulty inherent in the marketing concept is its threat to what are seen as traditional areas of responsibility. As the Army drives towards embracing a marketing

concept, responsibilities will shift. Where national advertising strategies have historically been designed at USAREC and then approved at DA, the future may see the national strategy planned and decided at DA with USAREC only providing input. USAREC would find itself concentrating on the local implementation of the strategies. This could threaten individual and group roles. The Army may find that the necessity of having USAREC assigned as a subordinate command to the Training and Doctrine Command (TRADOC) has a negative effect on the coordination of market strategies or on the implementation between the DA staff and USAREC. In this case, it would be necessary to remove USAREC from TRADOC and place it back under the DCSPER. This certainly would threaten what TRADOC sees as one of its areas of responsibility.

Another of the difficulties that businesses have found when implementing the marketing concept is the requirement to increase internal communication in the organization. Marketing requires a synergy between each level of the organization. Marketing requires what is described as a "unity of purpose and coordination of efforts." [28] It is necessary in marketing to ensure every contact with the Army "brand" is a positive one. This means the Army, from the Secretary of the Army to the individual recruiter, should communicate the same values, benefits, philosophies and programs to the public. If a youth sees a story on the Internet that the Secretary of the Army announced a major educational benefit for enlisting that day, then the recruiter must be able to discuss that program when the youth walks through the door of the recruiting station or the chat room. If the Army decides its objective is to focus on GED youth in the first quarter, then USAREC must know this and plan for it, and the recruiters in touch with those youth

must act on it. Only a thorough and immediate internal communication system makes that possible.

The current recruiting problems point out the difficulty in finding enough people to fill positions. Under the marketing concept, certain recruiting specific positions will become even more difficult to fill. For example, the Army has already decided to hire a civilian "Chief of Marketing" to work on the DA Staff. The requirements for an individual to fill this position are not found in any normal career track for DA civilians. The requisite skills are found only in the top levels of marketing management in the private sector, where salaries and benefits for these individuals run considerably higher than the military can offer. Filling these strategic level positions is difficult. At the tactical level, the individual recruiter, the problem is no less complicated. The Army has always filled the ranks of recruiters with hand-selected soldiers who have a successful record. However, extensive training in sales is necessary to turn these soldiers into salespersons. It is no less difficult, perhaps more, to turn these soldiers into individual marketing experts. The necessary skills to sit down with a young man or woman, draw them into a collaborative discussion that identifies their personal needs and options for meeting them, and then perhaps to persuade their parents that it is the best solution, are not found in the average soldier. At each level of the Army marketing system, are positions that the Army will find difficult to fill.

The ability of the Army to know, understand, and even anticipate the needs and desires of youth is certainly a barrier to implementing marketing. The level of monitoring and understanding the Army must attain to implement the marketing concept is certainly beyond its current capabilities. While the Army does have some systems for

gaining information on its target audiences, they do not provide the level of resolution necessary to achieve marketing success. As is discussed in the chapter on marketing research, the system for monitoring and understanding the Army audience requires a significant expansion that is likely to be expensive.

Another aspect of the marketing concept that provides difficulty in implementation is the requirement for flexibility and rapid action. Since the attitudes and behaviors of youth can change rapidly, the Army must posses the ability to adapt quickly. An example is the use of the Internet for communicating with youth. The Internet is the primary communication means for many youth in America, and certainly for the type of youth the Army likes to enlist. However, the Army's use of the Internet did not really begin to flourish until the last half of 1999. An updated web site and chat room was finally established and is now a part of the market communications. Unfortunately, the type of flexibility and rapid action that the Army is capable of in combat is not inherent in the Army recruiting system. Approval for policy changes, or new programs, takes months and often years to implement. Often, they require congressional approval. The Army must develop a system to allow it to react more rapidly to changes in the recruiting environment.

The final barrier is the idea that marketing must permeate the Army to ensure that every contact is a positive one. Obviously every soldier in the Army does not understand or even has negative images of marketing. Marketing is seen by many in our society as being little more than slick salesmanship or glitzy advertising. The Army will face significant barriers in implementing the marketing concept among those who are suspicious of its intentions. However, the Army must succeed in making the marketing

philosophy a guiding concept for its interaction with the American public. Each citizen of the United States, whether too old or too young to serve, enjoys the benefit of the Army product. The marketing concept means that each leader and soldier must keep in mind that the public is the "customer" and we have a responsibility to satisfy its needs, both individually and collectively.

Chapter 4 – Some Changes to Market Communications

Shifting to a Collaborative Selling Process

The sales process is what is most commonly thought of when hearing the word recruiting. Currently the Army depends on a recruiting force, for both active and reserve recruiting, of nearly 8,000. The actions of these recruiters in the communities of our society are a powerful means of market communication. However, almost the entire recruiting field force is dedicated to the actual conduct of the individual transaction. Each recruiter has the dual mission of both selling the Army (market communications) and enlisting soldiers (discrete transactions). The recruiters given this mission are chosen from among the best soldiers in their career fields. This does not necessarily mean they are good salespersons, but that they are definitely good soldiers.

The focus of the Army when monitoring the success of a recruiter is on how many recruits they produce, not necessarily the sales methods they use to produce them. With great detail the Army quantifies the production efficiency of each individual recruiter, each station, company, battalion and brigade. While this type of measure has its use, it tends to drive every recruiter to meeting his individual mission first and focus on the needs of youth second. If recruiters focused first on the needs of the youth, the collaborative selling method, then the achievement of the individual recruiting mission would naturally follow.

Interestingly, the Army has observed that the most successful recruiters already practice this collaborative selling method. Major Myra Peterson, the Chief of Advertising Research at USAREC and a trained focus-group moderator, has observed and conducted numerous focus groups during her three years at recruiting command. The

groups she has observed lead her to believe that youth are able to perceive whether recruiters are pushing them because they have a quota to meet or they are actually interested in the youth's needs. Obviously this is key for a young person in their decision process of determining if the Army is right for them. Supporting the observation made of youth are the focus groups USAREC has conducted with its own recruiting force. The best recruiters in USAREC, when queried about their methods for enlisting youth, clearly believe that when they put the needs of the youth first, they have a better response from the youth and feel better about what they are doing as well. While focus group results do not provide quantifiable proof that the collaborative approach is best, they certainly suggest that such an approach will work better than "hard-sell" methods.[29]

The Army needs to better coordinate the use of its individual recruiters in the implementation of its plan. Nearly every recruiter can explain, on a very personal level, how the Army has met his or her needs, ambitions, goals, and desires. This personal testimonial is vital in convincing the individuals, influencers, and communities that the Army is a place where you can truly "Be All You Can Be." However, the emphasis on meeting the mission and the needs of the Army come first for most recruiters, and their ability to communicate to the market is clouded by this lack of focus on the needs of youth. The Army currently considers the successful selling model to be the combination of five sales skills, which the recruiters should develop, with five critical tasks, which the recruiters must complete.[30] The five sales skills are establishing a rapport, determining the needs and interests of the potential customers, presenting features and benefits, closing and handling objections, and determining qualifications. The five critical tasks are prospecting, sales presentations, processing, delayed entry or delayed training

program (DEP) maintenance, and the followup. These steps may appear to be an adequate model for collaborative selling. However, a few changes to the process and, most importantly, to the focus will improve recruiting.

The key differences between the collaborative selling model and the Army selling model is the up-front targeting of the market before making contact, a mutual exploration of the needs of the individual, and most importantly, a collaborative effort to find solutions to the individual's needs. It is the collaborative effort to find solutions that changes the role of the individual recruiter. In the collaborative model, solutions to the needs of the youth are found together. This is described as a "team approach to problem solving."[31] Basically, collaborative selling ensures that both the recruiter and the youth understand how the Army fulfills the needs in an "agree-as-you-go process."[32] This avoids the handling objection's step in the Army process where there can be considerable difficulty if the youth did not agree with something the recruiter may have expressed. The collaborative selling process is a less confrontational method of recruiting and will circumvent the problems faced by "the pushy salesman" perception.

First, the Army must learn to target the market and provide these targets to the recruiters. The Army has a fairly advanced leads generation program, however, it is not used efficiently by recruiters in producing recruits. Lead lists are generated and provided by "source" of lead. Recruiters identify which leads are best based more on source than any other factor. Recruiting should improve this system. The Army began last year to combine leads into a single database. Most of the leads in the database, kept separate from other databases, are those generated when youth respond to market communications. The major advances in technology allow for significant database

marketing efforts that will allow the Army to profile and target individuals in those core segments identified in the targeting process. An information database at the individual level needs to be constructed. The United States has a seen a proliferation of "customer" databases that allows businesses to track customer information. Data from multiple market research sources is fused together in single, massive databases where information on individuals allows the business to better target its products. Additionally, intelligent database software is available which looks for patterns of information in databases and identifies the most likely prospects. A system of this type would allow recruiters to have a much higher level of efficiency in targeting youth whose needs the Army is most likely to fulfill. This increase in efficiency should allow recruiters to provide larger numbers of recruits than they currently do.

Marketing Communications and Positioning the Army

The Army has historically depended on its advertising to make an enlistment look more appealing as an option for youth. It has depended on the individual recruiter to "sell" youth on the Army and the guidance counselor to sell a job. The overall result is a disjointed effort that leaves youth feeling as if they are being handed off from one salesperson to the next. The Army must review this system and look for improvements in the process.

One suggestion is the development of a market communications "corps." As recruiters increase in productivity, the Army would normally return recruiters to the field force. Instead, the Army should shift the additional recruiters provided by increased recruiter efficiency to a pure market communications role. These "market communicators" would not focus on an accession mission, but on a communication

mission of educating individuals, communities, and, through them, society. The personal testimonial of quality service members who have had success in the military will provide a major influence in recruiting. As the effects of this market communication are seen, recruiters will become even more efficient as perceptions concerning the Army become more positive. The market communicators would not be out there to convince youth to enlist, but to educate the public on the Army and its benefits as a complimentary effort to national advertising. The Army has used this approach, on a very small scale, with some positive effect. The greatest benefit of this approach is we would improve the public perception of the Army in general. The effort is not just concentrated on youth, but youth, influencers, and the community.

The Army's marketing communications system must determine how the Army will "position" itself with the public, especially, the young men and women in America. The Army has done this historically to some degree, but should refine the process. David Aaker, a leading practitioner in marketing communications, has suggested four steps in building a strong " brand."[33] These steps include choosing a broad positioning, a specific positioning, a value positioning, and finally developing the total value proposition. The idea of a broad position in business means communicating if you have a different product, are a leader in low cost, or perhaps are serving a niche market. Positioning defines how you are different from your competitors. Specific positioning of a businesses products focuses on such descriptors as whether the products offer the best quality or performance, are the most reliable or the safest of products. Specific positioning is where a product's characteristics that would most appeal to a certain

segment are communicated to that segment. The value positioning is where a business communicates how much benefit an individual receives at what cost, i.e. the value.

When developing its broad positioning with the public, the Army must keep in mind what makes it generally different from all the other organizations seeking young men and women to fill its ranks. The U.S. Marine Corps has done an excellent job in developing its broad positioning as an "elite force" that is always on the front line of defending the country and that is the nations "911 force." This is considered a niche position. The military in general has a broad positioning, which is, in the words of General Maxwell Thurman:

> ... a rewarding experience in being part of a team with the unique and
> sacred mission of national security. No business, no other public sector
> organization can make such a claim.[34]

What is the Army's broad position? That is not really clear at the moment. There are a variety of specific positions such as, training, education, adventure, money, and service to country, but no single broad concept that defines what makes the Army different. The Army must develop its broad positioning concept. The best process for doing this is to bring together its experts in marketing and advertising with the Army leadership and develop a set of positioning possibilities. Once a set of probable alternatives are designed, market research will greatly assist the decision makers in determining a positioning concept that appeals to youth and meets the Army's objectives.

Beyond the broad positioning, the Army must specifically position itself with each segment it desires to reach. As the segmentation and targeting process reveal whom to target, the positioning must determine how the Army appeals specifically to those

segments. Unless members of the segment perceive the value the Army represents, they will not choose to enlist. The Army currently has a variety of products that it can offer particular segments of the youth market. However, the Army in general does not communicate a specific set of products to a specific segment, but rather it attempts to communicate all of its products to the market in general and then allow them to decide what might sound appealing. The failure in this approach stems from the overwhelming amount of media and advertising clutter that is in the marketplace making it difficult for youth to differentiate what specifically the Army offers that would appeal to them. Once the Army has identified the segments it will target, it must develop the specific positioning it desires to hold with those segments.

The value position for the Army is where the Army must balance how much it is willing to offer and at what price to the youth. Currently, the increases in signing and educational bonuses reflect a "more for the same" position on the part of the Army. If this value position is not perceived favorably by youth, then the Army must explore other value positions. A "same for less" strategy, where the Army offers the same programs it has historically, but for shorter terms of enlistment, may be necessary. Possibly even a combination of increased incentives and shorter enlistments, a " more for less" strategy, will be necessary. In any case, the Army must determine what youth perceive the value of an Army enlistment to be through market research, and then communicate its strongest features, improve the value, or change the youth perceptions of the value.

The Army has historically done well in developing its total value proposition. The "Be All You Can Be" campaign, used since the early 80's, has been the single theme that better than any other describes the Army's historical value proposition. General

Thurman pointed out that this campaign disproved the notion that "what appeals to the youth population cannot possibly appeal at the same time to the older people now serving."[35] "Be All You Can Be" has generally appealed to youth because it explains why they should enlist in the Army as opposed to any other course of action. They have, at least in the past, seen this theme as representative of what the Army offers. The positioning concept of "Be All You Can Be" is considered one of challenge. It challenges an individual by implying that coming into the Army provides an opportunity, but the responsibility is on the individual to make the most of themselves.

The execution of the communications strategy is critical in building equity in the Army brand. The Army must develop "rich associations and promises" for an enlistment that appeal to youth. More importantly, the Army must come through in providing those rich associations and delivering on the promises. The Army must ensure that all of the "brand contacts" that the public has either meet or exceed the customer's expectations.[36] Finally, the position of the Army must appeal to youth in a manner that stresses how they will gain from the experience as opposed to being a second choice or an "alternative to unemployment."[37]

Chapter 5 – Improving the Market Research System

Starting On the Right Foot – Marketing Research

Marketing research is the first step in the marketing process. The Army must ensure that its research is asking the right question, in the right way, and of the right group of people. The Army must also ensure that it develops enough detailed information about young men and women to understand the viable courses of action and best opportunities for success. Just as in battle, the collection and analysis of intelligence and analyzing that intelligence to provide information is critical to success, in both planning and execution. Marketing research is defined as "the systematic and objective identification, collection, analysis, and dissemination of information for use in marketing decision making."[38]

The Army currently has a robust market research system. The hub of marketing research for the Army is the Marketing Research Division of the Program Analysis and Evaluation Directorate at USAREC. This division is the primary sponsor for research conducted on Army recruiting. Army recruiting research consists of two types of research – primary and secondary. Primary research is research conducted by the Army, or contractors working directly for the Army, that collects the data for analysis directly from the market, specifically for the purpose of providing information on Army recruiting. Examples are surveys of youth who recently joined the service. Secondary research is conducted by organizations for purposes other than understanding Army recruiting, but that provides information useful to the Army recruiting community. The Army currently uses a combination of primary and secondary research, though it leans heavily towards secondary research. This is because primary research is expensive and, during the

declining budgets of the downsizing, it has been more efficient to purchase research from secondary sources. Primary research for Army recruiting includes:

- the Youth Attitude Tracking Study (YATS) conducted by DOD,
- the New Recruit Survey (NRS) conducted by USAREC, and
- focus groups related to proofing advertising.

USAREC has also conducted surveys to determine incentive preferences among youth, but this has not been consistently completed over the years. Secondary research used by USAREC consists of a broad range of surveys on youth conducted for the general marketing industry, such as the University of Michigan's Monitoring the Future or Yankelovich's MTV Teen Study. Additionally, a series of studies sponsored by USAREC, under the auspices of the USAREC Command Studies Program, contributes to recruiting's understanding of the youth market. These studies use available data from Army databases as well as private sources to more thoroughly understand some aspect of the marketplace or of recruiting specific topics.

Most of the information gathered by USAREC is made available through a Marketing Information System that is fairly advanced. Recruiting battalions, companies, and analysts have access to detailed information on recruits, recruiters, and various kinds of environmental information, such as local demographics and unemployment. Mapping systems allow leaders and recruiters to display detailed maps and charts displaying population centers, school locations, production information, and even lifestyle information, all down to zipcode level. This powerful system provides an abundance of information describing the marketplace, historical production, and information on the youth who have agreed to join the Army.

Segmenting America for Army Recruiting

One of the critical products that Army marketing research must produce is the segmentation of the markets. Marketing industry experts consider proper market segmentation critically important to the overall marketing effort.[39] This process breaks the large market into "bite-size chunks." By segmenting the marketplace, the Army can better identify what segments of the youth population it is and is not serving, decide which segments are best to provide products for, and position and target the Army experience to those segments. As mentioned earlier, the Army currently segments on the basic demographic variables of race/gender and education. This segmentation approach is viable if one's primary purpose is to prepare answers to information requests from Army leadership and Congress. This segmentation approach is not viable if one's purpose is to divide the Army market into fairly homogenous groups that are uniquely marketable.

Joining the Army is a major decision for a young person. It is a course of action for their lives that sets them apart from mainstream American youth. The decision to join is most often arrived at after careful consideration of all options and considerable discussion with friends and family members. It is an individual decision and one not entered into lightly. The segmentation of youth into groups that behave similarly when making this highly-considered decision requires a level of sophistication commensurate with the level of the decision. Segmenting individuals by race, for example, African-Americans, assumes that all African-Americans behave similarly when choosing what path to follow after high school. This is obviously not the case. Segmenting by education is no more promising than race. Whether a person is a high school graduate or not only determines

their level of qualification for service, not if they are interested in joining. It is the youth's behavior that determines their likely action, not their color or education. Segmenting the market based on demographics is sophomoric at best.

Market segmentation is normally based on geographic, demographic, geodemographic, psychographic, or behavioral information.[40] Each has an increasing level of methodological sophistication that is required and also an increasing level of expense and difficulty. Of these methods, only one, behavioral, is concerned with the actual behavior of youth. Behavioral segmentation is further categorized into usage, brand loyalty, readiness or occasions-of-use, and benefit segmentation.[41] It is the last two methods of segmentation, readiness and benefit, which, I believe, offer the Army the best chance for properly segmenting the youth market.

Readiness segmentation breaks the Army recruiting market into a time, or occasion, when the youth is most likely to enlist. Logically, youth are more apt to consider a military enlistment at certain periods of their life. These may be early in high school, upon graduation from high school, after falling out of college, or after leaving their first job. Segmenting the youth market according to readiness would enable the Army to offer enlistment packages that meet the needs of the youth during those critical times. For example, an enlistment package, for a young person who recently dropped out of college because they were bored with school and felt they lacked direction, might include a three year enlistment in a combat arms skill, coupled with a college loan repayment and a signing bonus. This package is centered around a positioning strategy of "being all you can be" by finding a new direction and having some exciting experiences. The Army can make this type of offer now, but must come to an understanding as to who to offer it to.

The second, and I believe most promising, method of segmentation is benefit segmentation. Benefit segmentation is promising because it is the only type of segmentation that is based on causal rather than descriptive information. Benefit segmentation is more likely to break the market into homogenous groups for the Army because:

> ... experience with this approach has shown that benefits sought by consumers determine their behavior much more accurately than do demographic characteristics or volume of consumption.[42]

Since enlistment is a "considered purchase" and not simply a matter of impulse buying, a segmentation approach oriented on understanding causes of behavior is more likely to produce segments for recruiting that work. As opposed to the more traditional segmentation methods, this approach is Army specific and should therefore meet the Army's needs better.

The additional segmentation information that recruiting has historically used, geographics, demographics, and psychographics, are still useful and should not be discarded. Once the Army has segmented its market based on the behavioral segments, it can describe the segments using the additional geographic, demographic and psychographic information to allow recruiters to better target individuals from the different segments.

There are several steps the Army must take to segment its market according to behavior. Behavioral segmentation is a more complicated and sophisticated process than those the Army has used previously. External marketing research expertise is required for the Army to segment its market. The first step is to identify, through direct qualitative research, the probable set of benefits perceived by the youth market. While the Army has

access to previous research that lists different benefits of the Army product, this research is often dated or was not conducted for the specific purpose of segmenting the marketplace. The importance of segmentation, and the magnitude of the current recruiting crisis, requires that the Army ensure that its segmentation is credible. The qualitative research will identify the range of benefits that youth perceive the Army offers. A follow-on quantitative study, using sophisticated statistical analysis, will then describe the segments based on the benefits that best describe the youth market in homogenous clusters. The Army can then analyze its ability to serve those markets and design a new strategy for meeting each segments needs.

Market segmentation is not a task the Army needs to complete every year. As the Army gains more experience and better understands the marketplace, it will learn when recruiting difficulties are a result of internal or external crisis and can decide how often it needs to verify its segmentation strategy. By better monitoring of the market and reliance on proven market techniques, the Army will better position itself for future recruiting success.

Providing Information to the Decision Makers

The Army has a need to better define its decision making process for recruiting. Currently, the Army does not have an understanding of what decisions it needs to make, based on what information, and at what time. This is a function of two specific problems. First, the Army does not thoroughly understand, at a strategic level, how recruiting works in the overall human resource environment in America. There is no decision-makers guide for the DCSPER and the USAREC Commander to turn to when recruiting numbers fall short. As the leaders in these positions change frequently, the experiences from

recruiting crises, which tend to come in ten-year cycles, are not readily available. By the time the staff, analysts and leaders figure out what the problem is, the problem has grown considerably. The Army must establish a system for educating recruiting leadership, at a strategic level.

The second problem the Army faces in its recruiting decision making is the same one faced by non-recruiting Army decision-makers, that of presenting the right information, to the right person, at the right time to make the decision. In the marketing world, there are two types of information systems used to present information to decision-makers – a marketing information system and a decision support system. Each of these systems has the purpose of providing information, though they each do it in a very different manner (see figure 5).

Currently the Army uses both of these types of systems. There are numerous reports available to recruiting decision-makers through the Army marketing information system (MIS). The information is readily accessible to both leaders and

Figure 5	
Management Information System versus Decision Support System	
MIS	**DSS**
• Structured Problems • Use of Reports • Rigid Structure • Information Displaying Restricted • Can Improve Decision Making by Clarifying Raw Data	• Unstructured Problems • Use of Models • User-Friendly Interaction • Adaptability • Can Improve Decision Making by Using "What-If" Analysis

Source: N.K. Malhotra, *Marketing Research: An Applied Orientation* (Prentice Hall, 1993), Figure 1.3, p. 13.

staff analysts and is often made further available through formal presentations. However, the MIS is segmented into several different programs, the distribution of information is inconsistent, and the information presented does not highlight the facts decision-makers actually require to make their decisions. The Army staff in the office of the DCSPER accesses much of the same data as USAREC, but have a different set of reports and often

end up with different numbers than USAREC analysts. There is no clear set of reports that the staffs use to understand what is occurring in the marketplace and which pieces of information are most important. Consequentially, the leaders at each level are armed with different information and have no common basis for making decisions. Essentially, the MIS offers a large amount of information, but different staffs provide their decision-makers different information. Additionally, the leaders are not trained in which pieces of information are most important or in what questions to ask to drive to the real answers.

The Army's decision support system (DSS) for recruiting is not as complete as its marketing information system. The focus of the DSS generally is on the needs of the Army. It is designed to provide information on the quality and quantity requirements for Army recruits each year and how those requirements break down by category. The DSS is not geared to providing information on the changes and shifts in the marketplace that require action on the part of the Army. Additionally, the interaction with the DSS is not user-friendly, at least not to the people who are required to make decisions.

The Army can fix the problems with its MIS and DSS through some additional research and a healthy dose of training for its leaders. First, the Army needs to decide which of the market and environmental variables are most important to recruiting. The first step in that process is to review the dozens of studies and reports done by academia and other research organizations to determine what the Army already knows. For example, the Army already knows that "Be All You Can Be' is the most recognized military slogan. What the Army does not know is if youth identify with that slogan and if that slogan motivates them to enlist. Once Army recruiting understands what it knows, it must decide what it does not know, but needs to. The Army can then use research and

contracted studies to fill the gaps with information. Much of this information is likely to be on youth market behavior since that is where the least amount of recruiting focus has been. Another example of an information gap is the details behind the list of attributes that youth say are important to them. Youth currently state that they are more likely to do "something to be proud of" in a civilian job rather than in the military.[43] Why? What is it about a civilian job that makes them feel they can achieve this important goal? What is their perception as to why the Army will not provide them this opportunity? While the Army has significant information describing the youth market, it is not as well versed in the detailed behaviors and perceptions of the youth market.

Figure 6
A Sample of Marketing Models

- Model of consumer behavior
- Purchase incidence models
- Stochastic models of brand choice
- Perceptual-Evaluation models
- Postpurchase and purchase feedback
- Evidence of promotional effects
- Interactive models for sales force decisions
- Cost dynamics: scale and experience effects
- Analytical approaches to market-strategy development

Source: Gary L. Lilien, Philip Kotler, & K. Sridhar Moorthy, *Marketing Models*, (Prentice Hall, 1992) p. v-ix.

Once Army recruiting understands what the information gaps are, research is needed to understand how the different variables interact in the recruiting market. This is done through extensive modeling techniques. A vast amount of information on marketing models is already available in general marketing literature (see figure 6). By extending many of these models to Army marketing, a robust set of marketing models can be added to the current set of recruiting models available. This allows the Army to explore the dynamics of variables in the recruiting environment. Additionally, the Army can, once it understands the environment thoroughly, begin to use simulation to determine what it can do in certain situations to improve recruiting. Using a

computer simulation to join various models gives the Army a "simulated recruiting environment." For example, take the Army's current recruiting crisis. An Army Market Simulator would group models of purchase incidence, promotional effects, policy effects, cost dynamics, and environmental factors, together under one "simulation roof." The Army could input current unemployment rates, college continuation rates, propensity rates, and current serving-member satisfaction rates into the environmental variables. Current resource levels such as advertising, numbers of stations and recruiters, and bonus and education incentive levels are also included as variables. Finally, the Army could input policy variables and expected product changes. By adjusting these variables, individually, or in groups, the Army could gauge the reaction in terms of enlistments. This type of simulation is along the lines of a traditional computer simulation using econometric models and probabilities. New simulation techniques, using "virtual people" who actually make decisions in the same manner the real market does, are being researched and tested every day.[44] By placing these virtual people in a simulated environment, the Army can eventually mimic real life and wargame "what-if" scenarios to determine the best likely course of action for recruiting.

The level of understanding the Army currently has of the market and how it works is rudimentary at best. Currently, when a recruiting crisis occurs, the Army must rely on informed speculation on the causes of the problem and possible solutions. By developing a more thorough understanding of the marketplace, the Army can develop a system for reacting and even preemptively adapting to changes in the youth market.

Primary Research

For the Army to correct its difficulties in segmentation and market information, it must conduct more primary research. Currently, the Army focuses on the available secondary research to fill its information needs. Smaller staffs and lower budgets, both of which developed during the downsizing, have caused the Army to shift to the less expensive secondary research from the primary research it needs. Prior to the downsizing, the Army Research Institute (ARI) conducted significant amounts of research in support of recruiting. In the early 1990's, just after the Gulf War, the Army decided to cut out recruiting research at ARI in favor of allowing USAREC to conduct marketing studies as required. Theoretically, at the time, there was no need for research since there was no foreseeable recruiting difficulties. This shortsighted decision has proved quite detrimental to the Army at the end of the 1990's. The Army has restarted recruiting research at ARI, but the expertise that was there before is gone. Additionally, the tools of marketing research have changed significantly during the technology enriched days of the 1990's. This means that ARI is going to face a steep learning curve before it can achieve the level of sophistication available in the modern marketing research environment. Because of this situation, the Army finds itself without a internal, primary research capability to assist in meeting it marketing needs.

For this reason, the Army will require the assistance of external marketing research firms. These firms are extremely capable and experienced in modern marketing research techniques. The Army currently uses some of these firms, but not in a primary research role. The Army needs to contract with private companies to assist in conducting the primary research it needs. A thorough audit of the Army marketing research system must

be performed, as stated earlier, to understand where the gaps are. Then the Army must find a firm capable of filling those gaps. The Army will need to identify firms that can conduct the research over a number of years and that can quickly adapt to change. By hiring a firm that is flexible and used to quick, quality turn around of information, the Army can overcome some of its inherent bureaucratic slowness and inflexibility.

What information gaps can marketing research firms fill? First, these firms can provide a more in-depth understanding of the youth market. Currently the Youth Attitude Tracking Study (YATS) provides much of the "what" of the youth market, i.e. what job attributes youth feel are important or what Army benefits are most interesting. YATS does not provide the "why" to these questions. Why is personal freedom most important to youth? Why are youth increasingly stating they will not serve in the Army? It is these types of questions that allow strategists and planners to effectively decide what to change or how to proceed. Current research also does not provide information in a timely manner such as:

   -What effect do operations in Kosovo have on youth's interest in enlisting?
   -What effect do the highly publicized anthrax shots have on youth perceptions of the
   Army?

Questions like these are important to tactical implementation and often to strategic planning. The Army does not possess an effective means of gathering market information in a timely manner. A final example of information gaps is in the interaction of variables which recruiting already knows it controls. Recruiting researchers have determined the effect on high quality recruit enlistment of changing several key variables, such as national advertising, bonuses, or educational benefits. However, there is no information on how changing multiple benefits at any given point in time will affect the

effectiveness of the other benefits. Will significantly raising educational benefits and enlistment bonuses simultaneously have the intended effect of increasing high-quality recruits, or is there some market limit past which the additional raising of these incentives appears desperate? Will this cause a perception in the youth market that the Army is trying to overcome its deficiencies as an employer by bribing youth to join? Marketing research firms in the United States are experts at producing timely qualitative and quantitative market research. The Army can find ready, capable assistance in the private marketing research sector.

The Army will face some significant internal hurdles in executing this type of market research system. Federal law requires that the Army not "over-burden" the taxpayer with excessive or unnecessary information requests. However, this burden-hour restriction is a minor barrier compared to the difficulty in understanding the youth market. The time spent by the Army in developing a more robust primary research system will allow it to address its specific problems and interests. Primary market research is not cheap, however it is necessary given the unique requirements of the Army and the uniqueness of the product it provides. The importance of conducting primary research is apparent from the recruiting crisis the Army faced in the early 1980's. General Thurman noted that research played an important part in turning around recruiting in the early 80's. The same is true for research today. In the words of General Thurman:

> You are either advancing or falling behind. ... In the simplest of times, it
> (recruiting) is a complex business with casual observers proclaiming either
> this factor or other that is the "true" driver of success, when in reality it is
> a host of factors working in concert. Further, those factors are expected to
> become more complex ...[45]

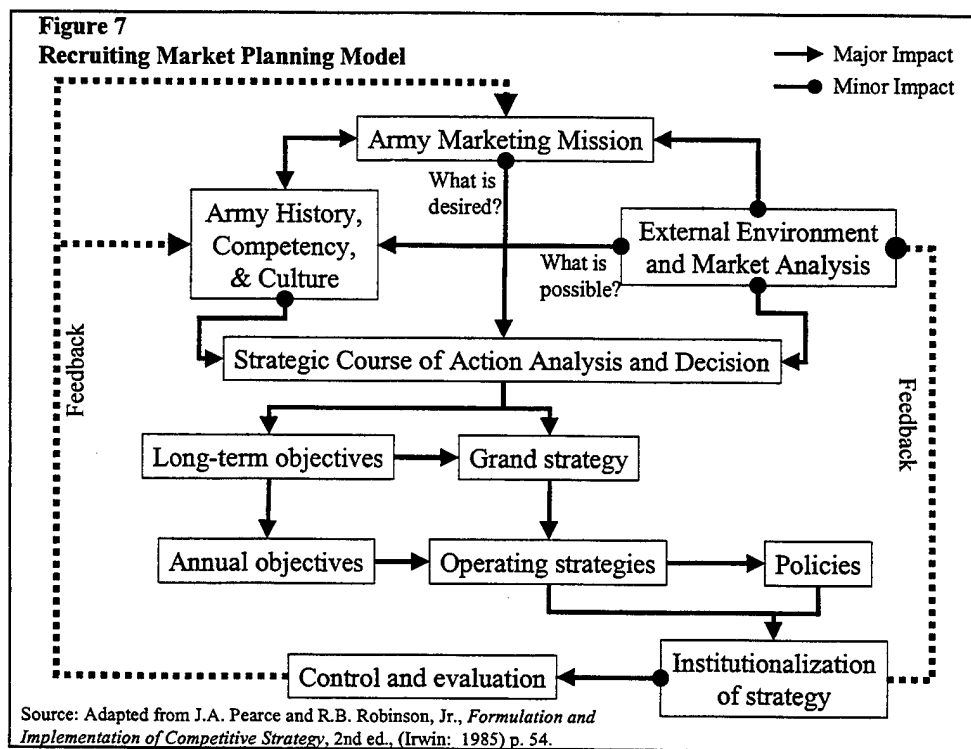# Chapter 6 – Conducting Integrated Market Planning

A Market Planning System

Planning is essential to success in both the business and military worlds. The planning system is the means by which leaders and staff decide the mission, set objectives that allow mission achievement, and determine strategies that provide the best opportunity to achieve the objectives. The planning system ensures resources are allocated and that the "ship" is heading in the right direction. Without planning, the organization has difficulty determining where it is going and how it is going to get there.

During the decade of the 1990's, market planning has primarily been left to USAREC. The Department of the Army Staff does not complete any strategic market planning. USAREC, which is in essence an operational level command, has borne the burden of conducting strategic level market planning for the Army. The DCSPER and the ASA-M&RA have provided oversight and general guidance to USAREC, but no organization or entity at DA level has provided detailed strategic market planning. There is some strategic level planning that occurs concerning the personnel requirements of the Army, but these are determined independent of the demographic facts of the youth market.

The Army must institute a strategic level market planning system that provides specific guidance from the Army leadership. This system must account for the planning of all marketing variables, not just those with large price tags or high visibility, such as advertising and recruiting station placement. The market plan must determine a full-spectrum strategy to include all recruiting organizations, USAREC, USMA, and Cadet Command, as well as all recruiting publics including youth, influencers, serving

members, political and social leadership, and the country in general. The market

planning must be research-based, continuous, deliberate, and comprehensive covering

both short-term and long-term strategies. It must allow for simultaneous planning of the

goals and objectives at each level of planning, strategic, operational, and tactical. Finally,

the Army has to devise a system for implementing its plan. Strategies will often result in

policy requirements, legislative approval, and additional funding of resources. To ensure

the plan is implemented in a timely manner, the Army must develop a flexible system

capable of reacting quickly to recruiting needs, and capable of ensuring control over the

process.

Figure 7
Recruiting Market Planning Model

Source: Adapted from J.A. Pearce and R.B. Robinson, Jr., *Formulation and Implementation of Competitive Strategy*, 2nd ed., (Irwin: 1985) p. 54.

The Army must adopt a recruiting market planning model to ensure it meets the

requirements of a successful market planning system (see figure 7). The recruiting

market planning model defines the interactions and activities that take place for Army

market planners in the process of turning mission into reality. It begins with the definition of the Army marketing mission. The Army marketing mission is the statement of the overall strategic mission that Army marketing must accomplish. It is defined in terms of purpose, audience, requirements, and national policy. The mission is derived from a number of sources. These include the mission of the Army in general, the intent of national and DOD leadership, and the results of the historical marketing missions. The mission reflects a balance between the history, the culture and competency of the Army, and the realities of the recruiting environment including an analysis of American culture and the youth market. Possible strategic courses of action that meet the Army marketing mission are analyzed in a continuous process that results in a decision by Army marketing leadership. From this course of action analysis, long-term objectives and the grand marketing strategy for achieving the objectives is developed. The long-term objectives and grand strategy provide the general azimuth for Army marketing. The annual objectives and operating strategies are derived from the long-term objectives and grand strategy. The purpose of the annual objectives and operating strategies is to provide the short-term direction and course changes that meet the requirements of the overarching strategy and eventually achieve the Army marketing mission. Some of the operating strategies will undoubtedly result in new policies and policy changes, all of which become institutionalized at the tactical level for execution. The implementation is controlled and evaluated with the results of the evaluation feeding back into the system ensuring continuity and improving performance based on lessons learned. The end result is a continuous and flexible market planning system that can react to mission and environmental change.

The Planning Factors

Leaders and staff at each level of the Army marketing system, strategic, operational, and tactical, are responsible for management and planning. To ensure the plans are comprehensive and coordinated, a common set of planning factors is required. Each of these planning factors represents a dimension of Army marketing that requires the attention of marketing managers when planning for recruiting young men and women. The planning of these factors is inter-related with decisions about any one factor being made in light of all the other related factors. The twelve market planning factors include:

- The four traditional, and most important, marketing variables are **product, price, promotion**, and **placement**.[46]
- Four social marketing variables are **publics, partnerships, policy,** and **pursestrings**.[47]
- Three additional social marketing variables are **personnel, presentation,** and **process**.[48]
- A final variable that recruiting has historically included for in all of its planning – **progress**.

The general concept of market planning in most businesses is to offer a <u>product</u> people need, for what is perceived as a fair <u>price</u>, through a <u>promotion</u> that makes people aware of the product, at a <u>place</u> that is convenient for them to purchase. Army marketing applies this general concept in some very specific ways.

An important consideration for marketing management is that each planning level staff must constantly coordinate with and advise one another. Army marketing is a major undertaking that must "permeate" the organization. The planning system used by the Army for planning in war is very hierarchical in nature and relies on a more formal

feedback system than is prudent in Army market planning.[a] The nature of Army markets, and the lack of training currently in the Army, requires that each level of Army marketing staff stay involved in critical decisions. When it comes to the youth market, the Army does not have the flexibility to mandate and shape the battlefield environment in the way it does in wartime. The tactical level staff has knowledge and experience that is key to the strategic level plan, yet it is often not used due to a lack of coordination among staffs.. In market planning, a very innovative, cooperative, and open atmosphere, among the separate staffs, is necessary to ensure success.

Product & Price

The basic Army product is military service. The basic price for that product is years of service. The actual product and price mix is much more complicated. The Army product and price is tailored to each individual who chooses to enlist. Just considering enlisted soldiers, there are over 250 Army military occupational specialties (MOS) for which the Army recruits. There are six possible price alternatives: two years, two years plus training, three, four, five, or six years.[b] There are also options concerning additional training, such as airborne, station of choice, educational benefits and bonus levels. In all there are thousands of customized product/price bundles that the Army provides young men and women. These thousands of product and price combinations require careful

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[a] When performing battle planning, Army units are very dependent on receiving the plan of the higher headquarters, deriving their missions and task from the higher headquarters plan, and then developing a specific plan for their own area of operations. Lower level units do not normally provide significant input to the higher headquarters plan. Normally the lower level unit only provides feedback on discrepancies in a local unit area of responsibility, or, a request to clarify some part of the mission. In market planning, most of the expertise in marketing and recruiting is at the lower level units. Additionally, the higher headquarters leadership has often had little if any experience in marketing and recruiting themselves. The market planning system must be less hierarchical and include experts from every level of marketing.
[b] Not every MOS is available for a two-year term of service.

planning to strike a balance between providing benefits that meet youth needs while ensuring the efficient use of tax dollars in providing human resources.

At the strategic level the Army must determine the overall product strategy. The specific jobs that the Army will offer is determined by the requirements of the Army to fulfill their primary mission – to fight and win the nation's wars. This will change based on changes in how the Army decides to fulfill its primary mission, not based on market pressures. The Army is not going to hire more accountants just because youth want jobs as accountants. The Army has only so much need for accountants. However, the Army may decide that other dimensions of the product offering, such as educational benefits, after-service employment packages, retirement plans, or even the service experience itself, are viable changes. The goal of strategic marketing managers is to determine the overall strategy for total product offerings, such as maintaining educational incentive levels while changing retirement benefits and offering a new savings incentive to meet market demands.

At the operational level, managers must decide how it will support and resource product development and change. The purpose of the operational level is to ensure the tactical level organizations have the resources and support necessary to implement the new products and product changes that meet the strategic planners objectives. For example, operational level managers plan the funding for changes in educational incentives, coordinate the procedural and legal requirements of a new thrift savings plan, or develop the bonus levels available for each MOS. The operational level of planning provides the ways between the strategic ends and the tactical means.

For product planning, the tactical level must determine the details of the products. It is at the tactical level that managers decide which of the products are offered first in which markets. While all Army products are available to the marketplace, for youth that meet service requirements, some are not as well suited to certain markets as others. In a predominantly African-American market, if we use ethnic segments, combat service support jobs find more acceptance than combat arms. Conversely, in a market driven towards attaining leadership skills, if we were using benefit segmentation, combat arms jobs may well provide more solutions for youth needs. The purpose of tactical level planning is to determine how to implement the overall strategy, achieve the strategic objectives, by deciding how to place the products in light of market realities.

Another requirement for tactical managers when considering the product is the development of new products. While strategic managers are responsible for determining product strategy, and guiding the general direction of product development, it is at the tactical level that products are actually developed. Since the tactical level has the most experience with the market, and is in a better position to gather and test ideas in the market, it takes responsibility for product development. Operational level managers must decide what resources and support are necessary, while strategic level managers provide oversight and control. At all levels, coordination, both vertical between the planning level staffs, and horizontal, between the different organizations, is essential. The next chapter provides a more detailed description of how new product development, product pricing, and product management is completed.

Promotion

Promotion is one of the four basic planning factors that are critical to the success of Army marketing. Promotion includes integration of all the means for communicating to the market. Promotion requires considerably more coordination between the different levels of planning, since it is critical that the Army communicates the same basic messages at all levels. Inconsistency between messages can cause the market to disbelieve the message or can cause different levels of execution to work counter to one another.

At the strategic level, managers are responsible for determining the overall marketing communication strategy to include media, messages, and market strategies. The determination that the Army will adopt a positioning concept of challenge, exemplified by the "Be All You Can Be" theme, is an example of a strategic planning decision. It is made with the advice and coordination of the tactical level managers, who have the most knowledge of the market and know if the strategy is viable in their markets. Strategic level managers are also responsible for planning the national marketing communications strategy for reaching society and communities at large. This national strategy is responsible for influencing the opinion of the nation in general in regards to the opportunity, benefits, and importance of serving the nation in the military services.

At the operational level, managers are again responsible for ensuring adequate funding and resources to support implementation of the tactical marketing communications plan so it can achieve the national marketing strategy. Operational level managers must provide oversight of the market communications to ensure the tactical

execution, as it is designed for specific markets, is mutually supporting to the national strategy.

Tactical level managers have tremendous marketing communications responsibility. Tactical level managers must determine the specific market communications plan for each of the market segments, as determined by market research. These market communications plans are coordinated with the general positioning strategy that is determined by strategic management. They must also complement, or at the least not contradict, the national marketing communications plan. Additionally, since tremendous savings are accomplished when buying advertising time and space in large blocks, USAREC, as the primary tactical level management organization, is normally responsible for coordinating advertising purchases. At the lower levels, advertising placement and the market communications of recruiters must be consonant with the strategic message, while still specifically positioning the message for the local segments or market.

Placement

Planning for placement is mostly concerned with how best to provide the market access to the Army product. At the strategic level, managers determine the placement strategy. This primarily consists of determining the general quantity and location strategy for recruiting stations, as well as for the Internet. For example, a strategic placement strategy might include positioning more small, single stations in rural areas and condensing into large stations in the inner city. The primary purpose of strategic level managers in regard to placement is to determine the general guidelines that are necessary for allowing the tactical level organizations to succeed. Operational level managers are responsible for planning the means of station placement, funds and policy

constraints, that determine where stations can be located. The tactical level managers are responsible for actual placement of the recruiting stations, both real and virtual. The general rule of placement, for all levels of planning, is that any person who wants to enlist should have unimpeded access to the Army product. The Army has a sophisticated system for determining where stations are placed, which is driven by market factors.

Publics

All managers must have a through understanding of which groups make up their publics. Strategic level managers are most concerned with planning in terms of society in general, communities, and internal publics such as the Department of Defense and Congress. The Army must consider who the public is, what the publics' perceptions of the Army are, and how to communicate to the specified publics. Tactical level managers must plan for a larger group of publics. The youth market, influencers, and local communities are all included in the tactical level publics. The tactical level publics require considerable research, as they are more individual in nature. At the operational level, planning is mostly centered on ensuring that the tactical level organizations have access to the publics they need to serve and to ensure policies are in place to support that access. An example is ensuring that Army recruiters have access to high schools and colleges that receive federal funding, as required by law.

Partnerships

Marketing the Army, and convincing young people to serve in the military, is a difficult task. Often it is necessary to form partnerships with other organizations that have similar objectives to the Army. For instance, it is in the best interest of the nation,

and the Army, that youth who are capable receive the best education possible. The Army partners with universities throughout the US to provide education to many youth through ROTC programs, college loan repayment, and the Montgomery GI Bill, as well as through on-post campuses. These types of partnerships are mutually beneficial to both organizations.

At the strategic level, managers need to determine what partnership opportunities exist and are beneficial. Managers should establish a general strategy for these partnerships so the tactical level organizations can focus its efforts. Operational level managers must once again determine the policy and legal requirements that allow the implementation of the partnership strategy. Tactical level managers have to figure out precisely how to make the partnership work. It is at the tactical level that the fundamental relationship must exist for each organization to receive the benefits of the partnership. If the details of the partnership are not worked out at the tactical level, the partnership could actually have a detrimental effect on the organizations involved. For example, the Army has recently begun work on an innovative partnership with civilian industries to offer youth employment after their term of service is completed. The details are critical in this partnership. The Army and industry must consider:

- which Army jobs (MOS's) translate to a job in the specific industry,
- what requirements the Army has for allowing the youth access to the industry while serving,
- who is responsible for maintaining the database of available jobs, and
- rules concerning not allowing youth to leave service until they have met their obligations.

Only through a deliberate, tactical planning process can the partnerships truly flourish and be of benefit to both organizations. Mistakes in partnerships, by either party, can

result in negative publicity for everyone involved. If, for example, a group of six service members are scheduled to leave the service and go to a civilian company, yet when they arrive, the jobs are not available due to a database glitch, there will be tremendous negative impact for both the Army and the company.

Policy

Policy planning is critical to ensuring implementation of the strategic, operational, and tactical plans. Policy planning encompasses determining the policy requirements necessary to enact the Army marketing strategy. A plan is formulated to ensure the policies are in place in a timely manner to allow execution. Policy planning includes determining the level of approval authority to enact the policy, what the process is for having the policy approved by that authority, and how long it will take to have the policy enacted. Most of the work in policy planning should take place at the operational level, to determine what the policy requirements are, to put the plan together for getting the policies enacted, and meeting the time requirements of the policy needs. Tactical level planners are responsible for identifying policy needs and advising the operational level, as well as for publishing their own policies ensuring tactical implementation meets Army requirements. Strategic level managers are responsible for oversight of policy planning and for providing strategic, internal marketing to ensure the success of policy planning. The coordination among the different levels of planning is critical to policy planning success.

Pursestrings

Planning for the financial support of Army marketing has similar levels of responsibility to policy planning. The budget process in the Army is a complicated process that requires extensive planning to ensure that the necessary funds are available, when they are needed, and in the right "pots." Since the Army budget process is requirements driven, much of the work begins at the tactical planning level and then is rolled up to the operational level. Operational level managers have primary responsibility for ensuring the necessary funding is obtained. Primarily operational level managers develop the plan for how to fund Army marketing. Strategic level managers are responsible for providing oversight and ensuring the correct balance of funds is maintained. Most importantly, strategic level managers design a strategy for gaining the support of internal publics, i.e. DOD and Congress, for the total funding needs. At the tactical level, managers are primarily responsible for accurately determining the funding necessary to meet program requirements. The failure to accurately determine funding requirements results in either not enough funds, which means some programs are not implemented, or too much funds, which means funding decision-makers will likely reduce the downstream funding amounts. Accurate determination of budgetary needs is critical to the success of Army marketing.

Personnel

Personnel planning for Army marketing ensures that the right people, with the right skills, and in the right numbers, are available for execution of the plan. Personnel planning considerations must include the recruiting force, recruiting staff and trainers, and recruiting leadership. At the strategic level, managers provide for general oversight

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of the personnel process. By putting in place personnel policies that shape the recruiting force, strategic level managers ensure quality recruiters are available. Strategic managers also must plan for key positions in Army marketing, such as the chief of marketing operations and the general officers at the marketing organizations. Finally, strategic managers must design a system that develops personnel who can fill the key positions with ever increasing recruiting experience and marketing skills. The operational level managers need to plan for the training of personnel and ensure that the personnel requirements, as determined by the tactical level managers, are being met. At the tactical level, managers need to determine the requirements for recruiters, in terms of the number of recruiters as well as the attributes the recruiter should have. Tactical level managers must also determine the necessary requirements for key staff personnel and identify which positions are most critical. At all levels, the Army must ensure that the personnel requirements are defined and plans are made to meet the requirements.

There is a significant cultural consideration that the Army must address with regards to recruiting personnel. In the Army, being assigned to recruiting, especially for officers, is a stigma on their personal record. Since recruiting is not a "warfighting" type of operation, it is often seen as a lesser role for those who were not good enough to "cut it" in the field Army. The Army must remove this stigma. The Secretary of the Army and the Chief of Staff have recognized this and are taking steps to improve the perception of recruiting positions.[49] However, it will take more than talk to truly improve this perception. Until personnel with recruiting experience are selected at generally the same rates for promotion and schools, the perception will remain. Interestingly, the Marine Corps has a different view of recruiting positions than the Army. In the Marine Corps,

being a recruiter is considered a "feather in the cap" and is one of the key positions a marine should hold for future success. This type of attitude is needed in the Army if it truly desires the best people to "provide the strength."

Presentation

Planning for presentation revolves around the tactical level. Presentation has to do with how the product is actually presented to the target audience. This requires the tactical level managers to determine how it will present the product in the future and what resources it will require. Presentation is critical to ensuring the recruiting force provides each person they contact with a positive experience. Failure to plan for how the force will present the product results in outdated techniques or equipment that gives a less than professional perception to youth and influencers. Operational level managers are responsible for enabling the tactical presentation plan by providing the funding for equipment and ensuring the training schools properly teach the use of the presentation tools. At the strategic level, managers are primarily concerned with oversight of the presentation planning and coordinating with the operational and tactical level managers to ensure the presentation strategy fits in the general marketing communications and budget strategies.

Process

The process that youth go through to enlist is of particular importance to Army marketing managers. If the process is viewed as unnecessary or troublesome, then new enlistees will become dissatisfied with their decision to join the Army. Since the Army has some significant requirements for enlistment, the process requires planning to

minimize the impact of these demands on the youth. Strategic level managers determine the overall objective for the process and provide oversight. Decisions on whether youth are required to pass certain levels of background checks, or if the Army will use its own doctors at MEPS or a contracted civilian doctor to conduct the entrance exam, are decisions for operational managers. At the operational level, the resources to conduct the process is planned to include coordination with the Military Entrance and Processing Command and its entrance stations (MEPS). The tactical level command is where planning is most critical. The steps for processing youth, from aptitude testing, to filling out paperwork, to background and security checks, to medical processing, can either be a professional first experience of military efficiency or a major barrier that produces immediate customer dissatisfaction. By reviewing and improving the process involved in obtaining the Army product, managers can determine the best method to meet Army needs yet minimize customer dissatisfaction.

Progress

The final planning factor that strategic managers must take into account is progress. Accounting for progress allows managers to understand where they are in achieving the stated objectives. Understanding what has been achieved, and at what cost in resources and effort, allows managers to determine if changes to the plan are necessary, if the objectives should be altered, or if the plan is on track. Progress is determined by deciding what the specific measures of progress are going to be at each level of Army marketing. At the strategic level, general measurement of overall customer awareness and satisfaction, mission achievement, and general resources is appropriate. At the operational level, the focus is on resource and policy measurements, such as budget

dollars expended by category, or new policy progress as measured by level of approval gained by a certain time. At the tactical level, more numerous and specific measures are necessary. Customer awareness and satisfaction are measured with respect to market segments and geographical regions. Progress in mission achievement is measured all the way down to individual recruiter and station level. Even financial progress is measured, in more specific terms by each category, and often by each expenditure. Planning for which measures are most valid for reflecting progress allows staff to provide decision-makers the most relevant information.

The Market Management Cycle, Wargaming, and Executive Education

Army marketing is a cyclical process. The marketing plan for each year must build on the success and correct the mistakes of past market strategies. Marketing planners at all levels need a systematic process that ensures:

- marketing plans are devised in a coordinated and mutually supporting fashion,
- leaders at all levels are made familiar with the plan and have its execution,
- past plans are reviewed for lessons learned, and
- marketing leaders are made aware of the lessons of the past, educated in strategic marketing management advances, and review the long-term strategic plans.

The market management cycle begins and ends with planning. The budget cycle for the Army ends each year in September. To allow time for completing, rehearsing, and preparing to execute marketing plans, a combined market planning conference is needed each year in the spring. This conference requires that leaders from all levels of Army marketing and recruiting discuss and then decide on the points of strategy for the upcoming year. This discussion should cover the general strategy for marketing and the responsibilities that each leader's organizations have in executing the strategies. The
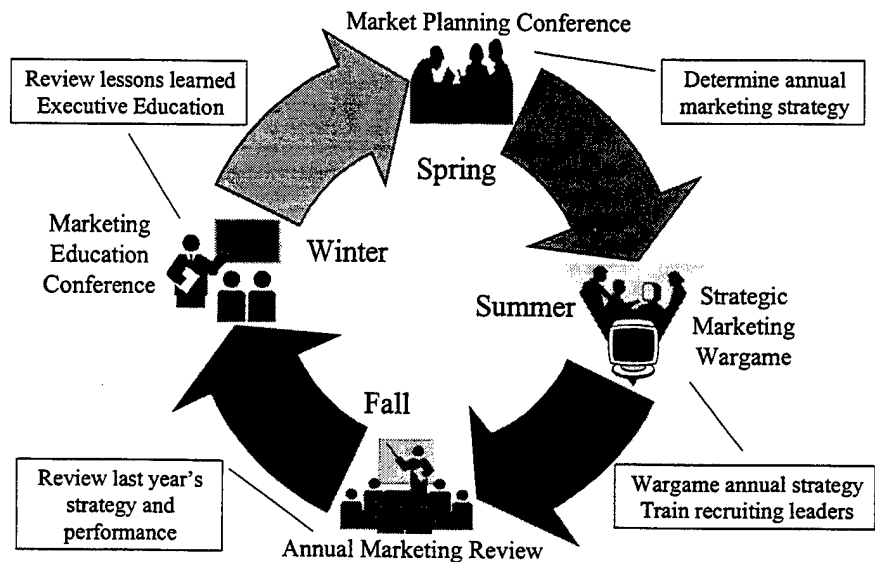
spring market planning conference will set the direction for marketing during the upcoming year (see figure 8).

After the spring market planning conference, the respective strategic, operational, and tactical level staffs must define the

Figure 8
Marketing Management Cycle

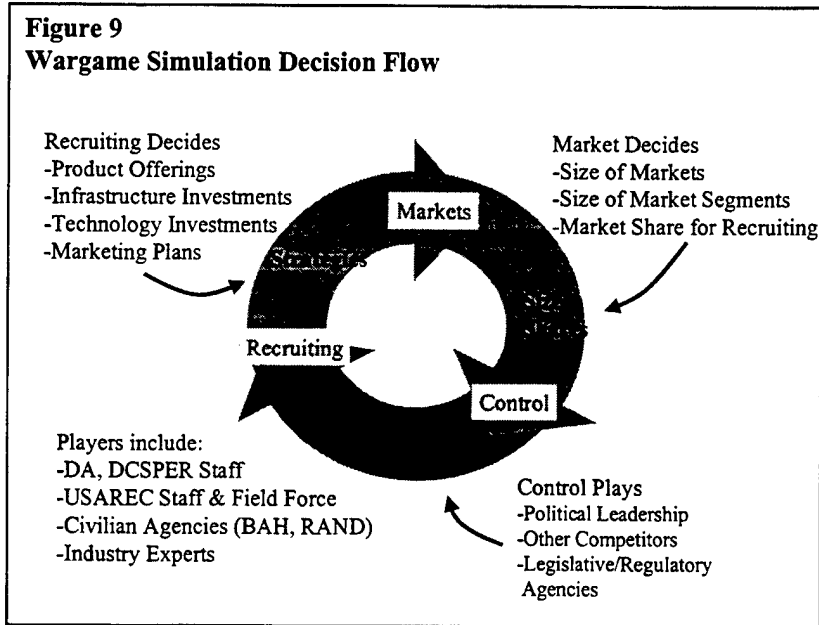details of the annual plans for each level in a coordinated and cooperative planning effort. This ensures that Army marketing is prepared for the summer strategic marketing wargame. The strategic marketing wargame is a major evaluation and training event where the annual plan is disseminated and then tested through wargaming. The purpose of the wargame is to test the plan for inconsistencies and gaps, train leaders at all levels on the primary objectives of the plan, and gauge possible market reactions to the plan. The summer wargame is held in conjunction with USAREC's annual leadership training conference to ensure experienced personnel and recruiting leaders are available to participate and play certain marketing roles. At the end of the strategic wargame, leaders should have a basic understanding of the annual marketing plan, planners should have a list of discrepancies which they need to address, and marketing managers should become focused on the execution phase of marketing. The strategic wargame allows decision-

makers and their staff to practice decision-making and critique their plan in a less costly, yet effective, simulated learning environment (see figure 9).[50] After the summer wargame, tactical leaders at the brigade, battalion and company level

Figure 9
Wargame Simulation Decision Flow

Recruiting Decides
-Product Offerings
-Infrastructure Investments
-Technology Investments
-Marketing Plans

Markets

Recruiting

Control

Market Decides
-Size of Markets
-Size of Market Segments
-Market Share for Recruiting

Players include:
-DA, DCSPER Staff
-USAREC Staff & Field Force
-Civilian Agencies (BAH, RAND)
-Industry Experts

Control Plays
-Political Leadership
-Other Competitors
-Legislative/Regulatory
 Agencies

must complete their plans for next year while simultaneously executing the last quarter of the previous year's plan. Strategic, operational, and higher level tactical leaders focus shifts, from planning, to oversight of the execution of the previous year's plan and ensuring resources and policies are in place for next year's plan. In the fall, an annual marketing review is held after the results of the previous year's effort are completed and analyzed. The results are presented to Army marketing leaders and discussed to determine strengths, weaknesses, opportunities, and threats revealed during the previous year.

In the winter the Army needs to conduct an executive level training session. At this training session, the leaders of the Army marketing effort are provided the formal lessons learned from the previous year and briefed on advances in marketing management or science that are of particular interest to Army marketing leaders. They also must review the Army marketing mission, the long-term marketing objectives, and the marketing grand strategy. The winter conference is also an opportunity for Army marketing leaders

to receive training (perhaps a day of what the marketing profession terms an executive flight simulator) to better understand their responsibilities, roles and mission. The final output of the marketing education conference is a list of considerations that will help guide the efforts of leaders during the market planning conference in the spring. This systematic process for market management will ensure that leaders and staff members are continuously improving the Army marketing effort.

Chapter 7 – Developing, Pricing and Managing the Army Product

Product Development and Management System

The Army requires a system for developing new products, for determining pricing strategies, and managing the Army product. By developing a systematic method for developing new products, the Army can preclude the failure that often occurs when new products are introduced to markets. These product failures are often damaging to an organization's reputation and costly in terms of sunk development costs. They also sometimes close a strategic avenue of development that could have proven beneficial if the process had been well managed. A system for determining pricing strategies also assists in averting product failure. If the Army asks youth to serve too many years with too little benefit, then the Army's image and reputation as an alternative after high school is damaged. The Army needs a market-based pricing system that ensures it is asking a competitive price for the benefits it offers. Also, the Army needs to understand the available product pricing strategies and which strategy is appropriate for which situation. Finally, a product management system ensures that the Army understands where each of its product programs, such as the GI Bill or enlistment bonus, are in their productivity cycle and can manage or respond to this state appropriately. The product management system also demands the Army review the basic Army product, the service experience, and determine how to improve or change it to produce the best quality Army product.

Product Development System

The Army's product development system must provide a formalized process for generating, evaluating, and marketing new products. Currently, the Army does not have
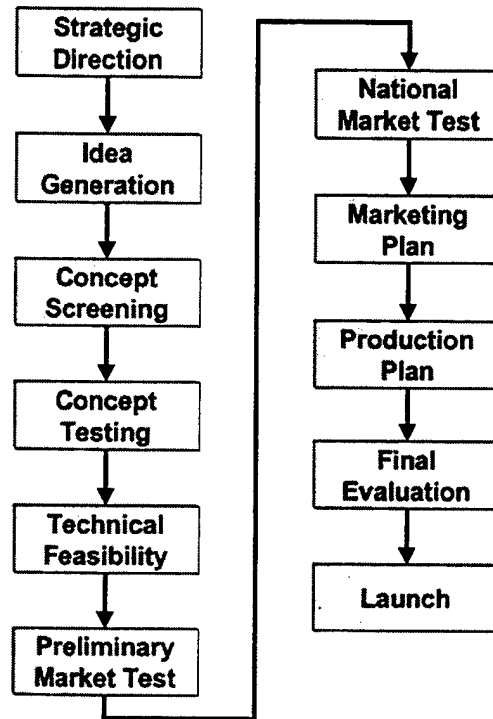
a formalized process, but relies on the expertise of several planning staffs in different organizations to devise new ideas and then determine how to test them. Depending on the support the idea receives from the chain of command, or on the level of desperation of the Army in its current recruiting effort, the idea is developed into a concept and tested through a variety of means. Past studies have noted the problems that occur when product development is not executed in a systematic method.[51] The problems include:

1) Products are not based on solid market research, but are someone's "pet" idea that gained popularity and momentum.

2) Products are sent to a costly national test before the concept is tested and screened against the marketplace.

3) Products are developed that do not fit the mission or strategic direction of the company resulting in a diffusion of effort and poor performance.

4) Products are developed which are not technically or politically feasible resulting in wasted time, dollars, and effort.

5) A marketing strategy for the product is not thoroughly developed resulting in a lack of awareness and acceptance in the market or, even worse, a misunderstanding of the purpose of the product marking it a failure before it has an opportunity to succeed.

6) The Army invests so much of its time, effort, and resources into a product that it loses its objectivity and launches what is actually a poor product. The result is often an ineffective program that has serious effects on image and perception.

By devising a new product development system, the Army can preclude many or all of these problems. The Army new product development system is one of the many ways to ensure that the Army marketing effort has a spirit of innovation at its core (see figure 10).

Figure 10
Phased New Product Development Process

The Army product development system that I would suggest is a phased process that moves from the initial strategic direction through a series of steps to result in a final product launch. Primary responsibility for the product development process resides at USAREC for enlisted recruiting. Strategic level managers are responsible for oversight of the product development process

```
Strategic
Direction
    |
    v
  Idea
Generation
    |
    v
 Concept
Screening
    |
    v
 Concept
 Testing
    |
    v
Technical
Feasibility
    |
    v
Preliminary
Market Test ----->
```

```
National
Market Test
    |
    v
Marketing
  Plan
    |
    v
Production
  Plan
    |
    v
 Final
Evaluation
    |
    v
 Launch
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Source: Adapted from Guiltinan, Joseph P., Marketing Management: Strategies and Programs, Fifth Edition, (McGraw-Hill, 1994), Figure 8-1, p. 203.

while playing a key role in strategic direction, national market testing and final evaluation. USAREC, with its expertise at the individual level of marketing, is the correct organization to oversee product development. The operational level command is responsible for ensuring resources are available and policies are in place to enable the product to be a success. All levels of managers and staff, who are involved in Army recruiting, are encouraged to input product ideas and initial concepts to the central idea manager at USAREC during the concept generation phase of the product development

process. This ensures that a broad range of ideas and concepts are initially considered to allow the greatest opportunity for finding quality concepts.
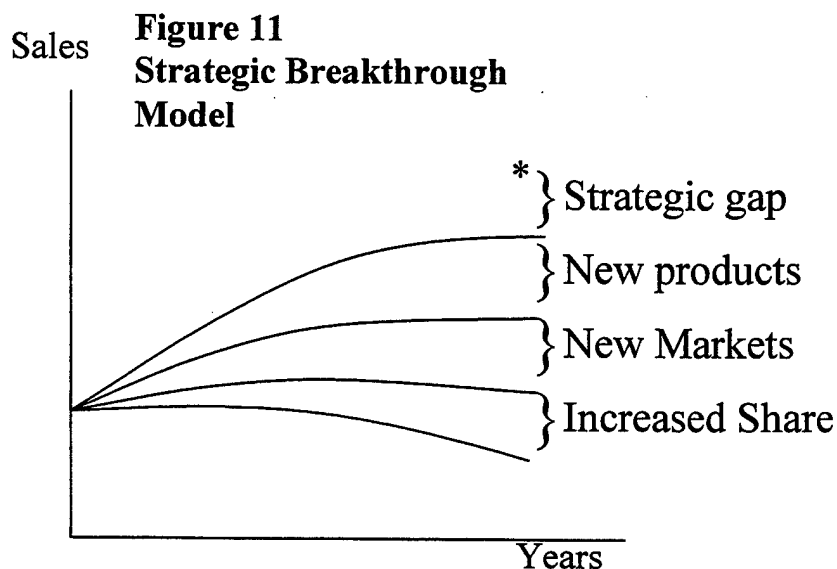
Strategic Direction

The Army must ensure that, as part of their strategic vision for marketing, they outline, at least in general, the direction for product development. The strategic direction assists Army product developers in screening ideas that come to USAREC, brainstorming ideas that fill market gaps, and quickly developing ideas that are necessary when unexpected problems occur. The strategic direction helps to outline the type of products the Army is most interested in developing, i.e. educational, monetary, benefits, or experience. The strategic direction also defines the "gap" in production that new products are required to fill (see figure 11). Strategic planners use forecasting techniques to determine what the recruiting estimates are over a future horizon of probably five years. The Army must estimate how many recruits will enter

Sales

**Figure 11
Strategic Breakthrough
Model**

*} Strategic gap

} New products

} New Markets

} Increased Share

Years

Source: Kotler, Philip, *Kotler On Marketing: How to Create, Win, and Dominate Markets*, The Free Press, p. 30-31.

based on increasing the Army share of current markets, the opening of new markets (say GED), and the completion of new products already in progress. Subtracting these estimates from the desired number of recruits leaves the Army with a "strategic gap" in

the out-years that the Army can then plan to fill. The new product development process is designed to create products that fill these gaps by developing strategic product "breakthroughs" that will meet market needs. The strategic direction of recruiting guides the product developers.

Idea Generation

Idea generation is at the heart of a product development system. Organizations that are innovative are considerably more likely to succeed than those that depend on the same, old standard strategies and techniques. The Army needs to have an "engine for innovation" which produces ideas and encourages change in the product, and, the organization.[52] General Thurman pointed out the importance of innovation for the Army when he stated:

> ... in the "human capital" business one is never standing still. You are
> either advancing or falling behind.[53]

Ideas come from a variety of sources. Ideas for Army products are generated from the multitude of staff personnel and recruiters, political leaders, military analysts, and even the youth market. There are also ideas that are specifically derived from research to fill the needs of the youth market. The ideas that are spontaneous and come from multiple sources need a central location to flow where they are screened and evaluated against the strategic direction. Further, in times when there are few ideas of merit, the Army requires a cell of experienced professionals who can brainstorm and produce quality ideas in a rapid process. The development of a specific division at USAREC to lead product development and idea generation, the Strategic Concepts Cell has progressed over the last year and is now a reality. A key to the success of this organization is whether Army

marketing leadership recognizes the Strategic Concepts Cell as the "engine for innovation" it is designed to be or whether it is relegated to some lesser role. In any case, this type of organization is essential as an idea gathering and generating agency for the Army.

Concept Screening

The Army must screen the ideas that are gathered and generated to ensure they are viable product possibilities. The Army can not afford to waste time, effort, or resources on ideas that do not, on initial screening, meet the needs of youth or the strategic direction of the Army. This concept screening is meant to filter out ideas that do not meet the criteria established by Army strategic planning. It is important that the Army establish credible screening criteria so that the next product breakthrough is not eliminated and so that considerable resources are not wasted on a doomed idea. The best method for completing this initial screening is to carefully review ideas using information from past recruiting studies, secondary research resources, the expertise of seasoned recruiting professionals, and the advice of well-educated marketing professionals. This step is critical in ensuring the efficiency of the new product development system.

Concept Testing

Once an idea has passed the initial screening phase, the concept is developed in greater detail and subjected to initial testing. In this step of the process, the product development staff examines the concept in more detail to determine its strengths, weaknesses, opportunities, and threats. A basic understanding of the product and its effects in the marketplace and on the Army recruiting system is needed. Army

researchers can then test the product in a simulated market environment to determine its viability. A variety of options are available for testing the initial concept to include product wargaming, traditional probability or process simulation, or even multi-agent simulation. As the Army becomes more familiar with the product development process, these tools for product testing will become more refined. The clear message in the current system is that the Army needs a systematic process that keeps or eliminates ideas based on research and merit, not individual speculation. The old Army marketing model of someone developing a "great" idea , selling it to key decision-makers, and then going from concept development to expensive national testing, is doomed to fail the rigors of Congressional oversight. The Army needs to test the concepts early and "weed out" those with a lesser chance of success.

Technical Feasibility

Once the concept has passed initial testing, the Army needs to ensure that it is technically feasible to implement. It is at this stage that operational level managers become intimately involved in the process. Product development meetings with tactical, operational, and strategic level staff are critical to understanding the concept and determining the policy and funding requirements necessary for implementation. The specific requirements of the concept are evaluated against funding flows, legal constraints, political constraints, and policy barriers. The purpose of the technical feasibility step is to determine if the Army can implement the concept and to define the resource and policy changes necessary for implementation. It is also possible that some aspect of the concept may be deemed infeasible thereby forcing the Army to alter the concept. It is important that the Army not proceed past this step until it is reasonably sure

that the concept, if approved, can pass the legal, political, and funding barriers that face every new product.

Preliminary Market Test

The first major test of a new product is the preliminary market test. It is at this stage of the process that the concept faces the scrutiny of the product consumers, young men and women. This test is conducted in one of several ways depending on the specific concept requirements. Marketing research studies are often used to "test" a new product through a progressive series of qualitative focus-groups, followed by more scientific quantitative surveys. Instead of marketing research, the Army can also use more elaborate computer simulations, like those used in the initial concept testing. The best method is probably a combination of these methods using simulated environments that are linked to some real-time, real-world surveys of youth. The purpose of the preliminary market test is to gauge the results of this product on recruiting, determine strengths and weaknesses in the product development, and gather an understanding of how best to market the product to youth. This step also must produce detailed data on the perceived cost and benefits of the product. At the completion of this step, the Army must decide if the production potential of the new product outweighs the cost before proceeding to national market testing.

National Market Test

National market testing is the trial by fire for each new product. National market testing is normally completed with the assistance of a research organization external to the product development process such as RAND, the Army Research Institute, or the

TRADOC Analysis Center. By using a research organization external to the product

development process, Army marketing gains the insights of an unbiased, third party that

does not have a vested interest in the failure or success of the individual products, but are

concerned for the validity of the experiment. This fortifies the position with external

agencies, such as DOD and Congress, if the experiment goes well and the Army decides

to implement the new product permanently. National test marketing normally consists of

splitting the country into test markets with part of the markets being for control purposes

and the others receiving some type of "product treatment." The results from these

different test markets are then compared to determine the viability of the product.[54] The

organization conducting the test will always design the test to ensure that it meets the

standards for scientific and marketing research and that it fits the specific product being

tested.

Marketing Plan

If the product passes national market testing, then the Army must determine the

specific plan for marketing the product to youth. The product is integrated into the

marketing strategy and plans at each level of the Army marketing structure. When

developing the market plan for a new product, it is important that the Army cover all

twelve of the planning factors that were discussed in Chapter 6. This step is critical.

Failure to carefully plan for the introduction of a new product to the market can result in

embarrassing and costly mistakes for any organization. This was part of the problem

faced by Coca-Cola when it launched New Coke. While there were other problems with

the development of this product, one of the major problems was marketing New Coke as

a replacement for traditional Coke, causing a furor among traditional Coke loyalists.[55]

The Army must carefully consider the market planning factors to avoid damaging mistakes, similar to the ones made by Coca-Cola.

Production Plan

Production planning for civilian organizations consists of producing actual products, determining how many to produce and distributing the products to sales locations. The Army must also plan for production. Any lessons learned from the national market test are incorporated into the final product design. Specific determination of which market segments are eligible for the product is also made. The final pricing strategy of the new product, reviewed during national market tests, is determined. Finally, the new product information is distributed to the recruiting force so they are prepared to answer questions and provide the new Army product.

Final Evaluation

The final evaluation serves the same purpose as the forward assembly area in an Army battle plan. The final evaluation is the opportunity to check all the planning and preparation for the new product launch. At the final evaluation, each of the planning factors is discussed to ensure there are no last minute changes or planning glitches that will cause poor public reception of the new product. The complete plan is reviewed with all of the primary players involved in the planning and production present so that coordination is complete. Once the advertising is on the air and the press releases are out, it is too late to draw them back without attracting negative publicity to the Army. It is critical that leaders stay involved in this phase of the new product development process.

Launch

The launch of a new product is the final step in the development process. At this stage, the product passes over to being managed instead of developed. If the process has been properly performed, then the product is likely going to be successful. The purpose of the process is to ensure the best ideas are sent to the youth market with the best opportunity for their success. The launch step is the one most ordinarily associated with marketing by most people. It involves advertising and "glitz" to ensure the market is aware and interested in the new product. For the Army, it is also an important time for educating the youth on the benefits of the new Army product.

Accelerating Or Abbreviating Versus Circumventing the Process

There are times where completing each step of the product development process does not entirely make sense. Some new products seem obviously to fit the needs of youth and the Army to such a degree that they are candidates for circumventing the new product development process. Other products are so minor as to not warrant the cost of a full-blown national market test. In these cases, and others like them, it is best to accelerate or abbreviate the product development process rather than circumventing the process. When the Army decides to accelerate a product, it normally means the product receives priority from the development staff or is placed in a "fast track" legislative process. In some cases, each step of the process is still completed, though more quickly than normal. In other cases, the process is also abbreviated. The Army can decide that instead of a national market test, it will conduct more extensive simulated test marketing. Instead of an extensive computer-simulation modeling effort, which takes time to build, the Army may choose to conduct some quick market surveys to test the concept.

Pricing Strategies

The Army and other research organizations have spent considerable time studying the pricing of Army products. Price is primarily considered as the number of years a service member must provide to the Army. Some additional considerations, such as the opportunity cost of joining the Army instead of attending college, are important to understand when determining pricing strategies. Enlistment bonuses are also a pricing consideration as they are similar in nature to "coupons" which are used by many civilian companies to "buy down" the price of their products. What is important for Army marketing managers is to understand the cost-benefit ratio that is perceived by youth when purchasing the Army product.

One difference that the Army has from civilian businesses in determining price is the lack of a profit motive. Civilian organizations have to consider profits in everything they do in order to stay in business. The primary mission for the civilian company is to produce a profit over the long term. For Army recruiting, the mission is to provide Army manpower, at the lowest possible cost. Pricing for the Army is a daunting task, which, for the most part, can not take advantage of civilian business practices in pricing due to difference in profit motive and the attributes of the Army product. However, there are still some basic management practices that the Army can take advantage of from the marketing discipline.

The Army needs to develop a basic framework for determining its pricing strategy to ensure it fits the perceptions of the youth market for what is an equitable exchange of their time for the Army product. Marketing texts offer several systems for determining

product price based on the type of product, market and organization. One such system, adaptable to the Army, consists of a basic framework that includes:[56]

1) Establishing the price objective.

2) Analyzing the price-elasticity of demand.

3) Identifying key factors acting on price competition

4) Estimating the relationship between changes in price and changes in volume and cost.

5) Establishing the basic type of pricing program to use for each product based on the analysis of price, volume, cost, and benefits.

6) Considering the impact of price strategy on product-line substitutes or complements.

7) Determining legal limitations on pricing decisions.

Price Objective

When establishing the price objective, the Army must determine its basic marketing strategy for each of its products.[57] If the Army is using a primary-demand strategy, then it believes it can lower the price for the product, either through decreasing the years of service or buying down the price with bonuses, to increase enlistment. An example of this type of strategy, which the Army currently uses, is to increase the number of MOS's that are available under the two-year enlistment program. A second possible marketing strategy is the selective-demand strategy that the Army would use to retain service members or to pull new markets away from the competition. In this case, pricing is designed to either match the price of the competition, undercut the competition on price, or offer a higher quality product for the same price as the competition. An example of

this strategy would consist of increasing reenlistment bonuses for service members or offering the same skills training as another service, yet for a lesser number of years service.

The third primary marketing strategy related to price is a product-line strategy. In this strategy, the Army offers a different price for each of its products. This is the basic strategy we see the Army use when it offers shorter terms of enlistment and higher bonuses for combat arms jobs, where there is less translation to civilian job skills, than it offers for combat service support jobs. The key for establishing pricing objectives is to understand the purpose of the different pricing strategies and to use them appropriately.

Price-Elasticity of Demand

Price elasticity is a measure of the sensitivity of product sales to changes in price. Measuring price sensitivity is critical for marketing managers to know so that they can make informed decisions when changing the price of the Army product. If Army managers know the price-elasticity of a particular product set, they can determine how much a change in price will alter enlistment. Extensive research and numerous studies have arrived at specific elasticities for certain Army products.[58] What managers must remember when using this information is that these studies were conducted under specific recruiting environments. Changes in the recruiting environment can have significant effects on studies of this nature. The latest studies and those most closely resembling the anticipated recruiting environment are more important to current pricing strategies.

One method of determining price elasticity for products that the Army does not use consistently is through market surveys. A specific process for conducting this type of survey is called conjoint analysis. Basically, youth are questioned on their preferences

for a variety of price-product combinations. Through an iterative process, the elasticity for each of the products is estimated. Managers can use this data to help determine a pricing strategy. The Army has used this method sporadically in the past. There is one current study where the Army is using this method to estimate the elasticity of certain enlistment bonuses, but it does not begin to cover the full range of Army products.

Another key elasticity consideration for the Army is the elasticity for the Army and the military in general. An understanding of elasticity for the Army indicates the "willingness of customers to shift brands.[59] In other words, for youth interested in military service, how willing are they to shift from one service to another based on changes in price. The general elasticity for the military indicates how willing youth are to shift from serving in the military to joining a civilian company or going to college, based on changes in the price of military service. These elasticities are key to understanding the alternative pricing programs the Army can use.

Identify Key Factors

Another important aspect of establishing a pricing framework is to understand the key factors involved in pricing and pricing among competitors. There are a number of factors which can influence reactions to price. If youth are extremely knowledgeable about their opportunities after high school, then they are likely to consider a wide range of alternatives. If they do not see much of a quality difference between the Army and the Navy, then this too will affect their reaction to price changes. Market factors can have significant impact on the effects of price changes. Competitive factors also have an effect on price reaction. An example is the general industry trend for civilian businesses to offer increased educational benefits as part of their employment benefits package.

Using an educational product, similar to the Montgomery GI Bill, businesses are offering an improved quality product for the same price they had before. This affects the Army pricing scheme as the value of their product is now less, in relation to the competition.

Estimate the Relationships

Once the Army understands the elasticity of its products and has identified the factors affecting pricing strategy, it must estimate the relationship between changes in price, cost, and volume to determine effects. At this stage it is again useful for the Army to develop models and simulations that can assist in understanding these relationships in a complex environment. The nature of a competitive marketplace means there are always reactions to any changes made in price or product. The Army, and the military in general, as one of the nation's largest employers of youth, has a tremendous effect on the human resource environment. When an employer as large as DOD makes a change in price or product, the market reacts. A thorough understanding of the reactions, or at the least the possible reactions, is critical to determining pricing strategies.

Pricing Program Selection

There are three basic pricing program alternatives that the Army can choose for its products. The first is a penetration-pricing program. This program is designed to recruit more youth by lowering the price of enlistment. This type of strategy depends on an elastic demand for the Army product, or for the military in general.[60] In other words, youth must react strongly to a change in the Army price. This pricing program does not make sense if demand is inelastic. In that case, lowering the price of service, by offering

more monetary incentives to buy down the price, results in a greater cost with no commensurate gain in the number of recruits.

A second pricing program is parity pricing.[61] In this strategy, the price for a product is set at the same basic level as competitive products in the marketplace. This strategy attempts to make the other marketing factors, such as product enhancements or market communication, provide the bulk of the marketing program. This program is most beneficial when demand for military service, in general, is inelastic and demand for the Army, specifically, is elastic. If the Army lowered its price, or increased its bonus buy-down, in this situation, the other services would have to reply. The result would lower the cost of military service, but would not provide an increase in the total number of youth enlisting in the military services. The services would basically compete for the same youth they had before, without any significant market expansion.

A final pricing strategy involves premium pricing.[62] In this program, the Army sets a higher price for a product than competitors. This strategy works well with what are deemed as high-quality products. An example is the Army Rangers. Recognized as an elite and high-quality product, the Army can set a higher price for enlisting with the Rangers than it can with other products. Youth will see the increased benefit of receiving the specific training that comes with this enlistment and are willing to pay the higher price. When it does this, the Army basically establishes an inelastic demand curve for its product where it can demand a higher price for the increased quality product.

Substitutes and Complements

When considering the pricing of products, the Army must understand the effects of product substitutes and complements. Product substitution occurs when one product,

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upon lowering its price, replaces the sale of another product.[63] An example of this for the Army is the effect that raising enlistment bonuses has on educational benefits. The Army over the last few years has steadily increased the value of the enlistment bonus at a faster pace than the value of educational benefits. Since youth normally have the option of taking one or the other of these products, a substitution effect was seen. The number of youth taking the enlistment bonus rapidly increased while the number of youth taking educational incentives decreased. There was no actual major gain in the number of youth enlisting, only in which product they chose when enlisting. The Army must carefully consider this effect when determining its pricing programs or it could lower the value of its own products.

The effect of complements is even more complicated than the effects of substitutes in the marketplace.[64] A complement is a product that has a sales increase when the product it complements decreases in price. A simple example is an increase in the sale of french-fries when a fast food restaurant lowers the price of its hamburgers. There are two basic strategies for complementary products – leader pricing and price bundling. Leader pricing is used when a product has an elastic demand and there are several complementary products. The idea is to lower the price of the leader so that the complementary products see more sales. This program will not work for the Army. The Army is trying to recruit a young person for service. Once a young person has decided to join the service, the Army can not sell him another term of service on top of that one. The Army can not provide multiple contracts to an individual. However, the alternative pricing strategy, price bundling, could work well. The purpose of price bundling for complements is to place a group of complementary products together in a single package

so youth are willing to enlist for the higher benefits of the composite offer. This type of pricing program works well for military service where a main product, such as a tour in the infantry, is combined with airborne training and a station of choice.

Legal Limitations

As with any program the Army implements, consideration of legal requirements is important. The Army will have to gain congressional approval for any changes to the years of service that are outside the current legally established alternatives. Additionally, Congress, and the Congressional Budget Office, provides oversight of the Army budget and programs. If the Army decides to make major changes in its pricing structure, the new programs must satisfy both legal as well as cost constraints. Strategic and operational level managers must carefully evaluate their pricing programs. It is important that they use the legal advisors of their respective staff to ensure they do not violate U.S. Code when changing the price of an Army enlistment.

Product Management

Managing the Army product is a continuous process that requires dedicated staff and resources. Each aspect of an Army enlistment, MOS skill training, educational benefits, bonuses, station alternatives or even retirement benefits require monitoring. As the perception of the market changes and the viability of the product decreases, Army marketing managers must take proactive steps to extend the life and vitality of products. All products face a product life-cycle. The four stages of the life-cycle are introduction, growth, maturity, and decline (see figure 12). The Army must understand the stage that each of its products is in and then manage them for that stage.

Figure 12
Product Life Cycle

| Quality Enlistments | Introduction | Growth | Maturity | Decline |

Time
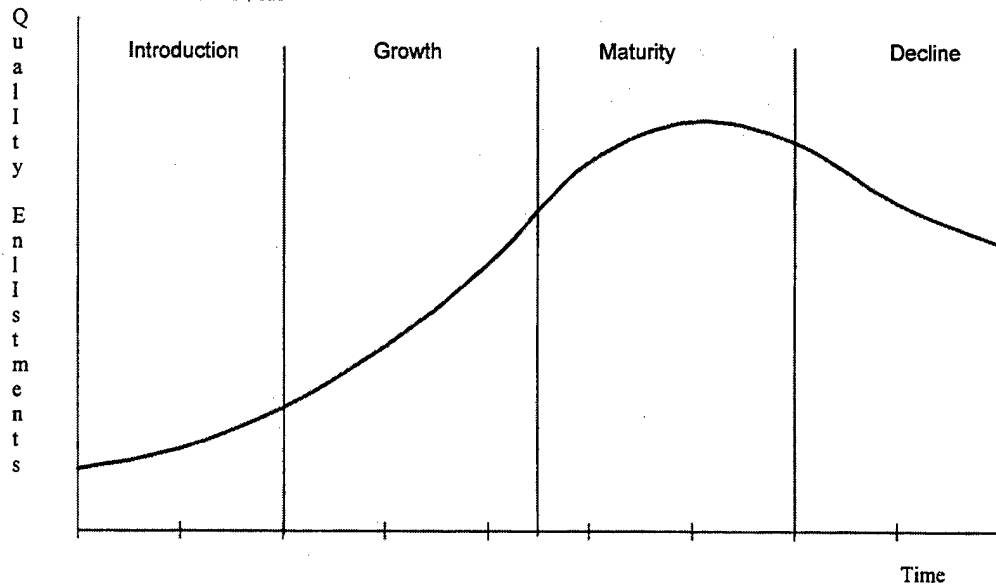
Source: Adapted from T. Kinnear, K. Bernhardt, and K. Krentler, Principles of Marketing, Fourth Ed.
(HarperCollins. New York. 1995). p. 287.

When a product is first launched it is in the introductory stage. At this stage, the normal strategy is a primary demand strategy. As the product moves into the growth stage, the strategy shifts to one of selective-demand. This strategy continues through the maturity stage. Finally, as each product enters its decline stage, it is necessary to decide whether to discontinue the product or enhance it to extend its maturity stage. An example of an Army product that fits this strategy framework is the Montgomery GI Bill. When first introduced, it saw a rapid introductory and growth stage. The decade of the 1990's saw the Montgomery GI Bill remain a mature and steady producing product. However, in the late 1990's, competitive products in the private and educational sector, as well as in the public sector, have caused a decline in the Montgomery GI Bill's effectiveness. Currently, Congress is considering several alternative product enhancements to bolster the effectiveness of the GI Bill and revamp the product. The Army must understand

which of its products posses the similar characteristics of the GI Bill and effectively manage those products.

The marketing strategies of life cycle management do not apply to every Army product. Since the primary mission of the Army is to fight and win the nation's wars, the fact that the "armor" product is in its decline stage does not mean the Army is going to discontinue the product. Obviously, the Army must have people to fill tanks. However, understanding where the respective products are in their life cycle will help marketing managers to understand what other strategies may work. If no one seems interested in armor, then bundling other products with armor may make it a more viable product alternative.

Being All You Can Be

The most important aspect of the Army product that Army leadership can consider altering is the service experience itself. There are aspects of military service, even military culture, that are viewed by youth as unnecessary and therefore present barriers to enlistment. Strategic level managers must address these barriers, be they real or perceived, to determine what is possible to change. The barriers are likely to fit into one of three categories: perceived but not real barriers, real but necessary barriers, and, real but unnecessary barriers.

An example of one perceived barrier is that America's youth perceive that Army service is actually like three years of basic training. They believe that first-term soldiers will serve their entire initial enlistment under conditions similar to those in basic training. While this is not true, it is a perception of youth with which the Army must deal.

Strategic managers can choose to address this perception through a communications strategy designed to educate consumers.

An example of a real but necessary barrier is following the lawful orders of your superiors, even if you do not agree with them. Youth perceive this as a lack of personal freedom, yet it is necessary for order and discipline in combat, since the safety of the entire unit is dependent on following the orders of more informed and experienced superiors. This is also a situation where market communication and education plays a role in overcoming barriers.

The third category of barrier, real but unnecessary, is exemplified by the "hurry up and wait" moniker attributed to Army culture. This cultural fact is all too true and is a completely unnecessary barrier that requires change to make the Army product better. Just observing the plight of new recruits during their first few days at Fort Jackson, the Army's primary basic training center, reveals what often seems endless periods of waiting for no reason.[65] Communicating to youth that "hurry up and wait" does not really happen is useless unless action is taken to correct the "product deficiency."

The most difficult barriers of service to decide whether, and how, to change, are those that are real, yet borderline between necessary and unnecessary. An example is what youth perceive as harassment during basic training. An "old school" model might claim that Army basic training needs to push youth to the breaking point, tearing down their individuality, so they can then be rebuilt with a tougher mental attitude and an interdependence on their team that allows them to survive on a battlefield. A newer model might suggest that the Army instead build on the positive individual attributes the youth brings and just address those behaviors that would place the youth or the unit in

peril on a battlefield. Either system has its benefits and its drawbacks. Army leaders and trainers must evaluate what is and is not necessary, based on real cultural needs and while not succumbing to the natural inclination to resist any change. Product improvement for the Army is imperative and nothing should be taboo when looking for ways to improve service life. In other words, the Army must evaluate all aspects of service and ensure that Army service is "being all it can be."

Changing this type of product deficiency requires action by the entire Army, not just the recruiting or marketing organizations. This requires the leaders at all levels to understand the need for such changes and to carefully monitor their implementation. The total organizational involvement in changes to the Army culture dictates that the strategic level of management, the Secretary of the Army and the Chief of Staff of the Army, lead the effort. Every member of the U.S. Army has a responsibility to improve Army service. Whether they are drawing attention to the problems or offering the solution, it is important that they are involved in making the Army the best place it can be.

Notes

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