ASSESSING THE IMPACT OF NEGATIVE MARKETING STRATEGIES: THE APPLICATION OF MARKET SIGNALING METRICS

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One important issue to entrepreneurs is whether or not a great idea or product is the most significant ingredient necessary for success in today's business environment. A new market metric for assessing marketing strategies is developed in the paper that allows marketing managers to better understand the stock markets reaction to their marketing strategic thrust. This market metric is then applied to the marketing cast of Boston Chicken, Inc. and an provides the basis for an assessment of critical marketing components utilized in the initial success and bankruptcy of Boston Chicken, Inc. This new metric/analysis provides valuable insights to marketers on how and under what conditions an organization can grow rapidly and continue to prosper.

Introduction

It has often been said that the creation of a great product or service by an entrepreneur will result in a successful business and millions of dollars for the founding entrepreneur. The Boston Chicken Corporation (BC) provides a "living" case of such a success that turns into a tragic failure. BC helped develop rotisserie chicken into an attractive food alternative to the mundane world of fast food. Rotisserie chicken was rolled out to every major market in United States at restaurants and grocery stores as a result of BC efforts. Rotisserie chicken's initial consumer demand and significant market penetration in the fast food market segment resulted in over a billion dollars a year in sales for BC. Underlying the fact that rotisserie chicken is clearly a successful product.

When two former Blockbuster executives, Bark and Nadhir, purchased controlling ownership in BC, the restaurant company became a "darling" of Wall Street. Financial analysts and investors throughout the United States had an abundance of confidence in the new management team's ability to develop this product into a highly profitable retail chain. However, BC failed. BC's stock price ranged from a high of \$48 to less than \$1 and BC filed for bankruptcy in late 1998 (Papiernik, 1998). A marketing disaster: A winning product and a failed marketing strategy. What happened? What was marketing's role in the success and in the failure of BC? Could the operating difficulties of BC been determined by examining the stock prices on a regular basis? Who was at fault for the demise of the BC phenomena? A new market metric has been developed to examine such questions. This metric is detailed in the follow section of the paper. Then the BC case is presented to illustrate why such a metric is needed to effective assess the success or hyper-success of marketing strategies.

Developing Marketing Metrics to Measure "Success"/"Failure"

In and effort to understand and hopefully forecast the problems [both financial and operating] found in a company like BC, it is assumed that analyzing the stock prices of a company can shed light on the level of financial crisis in a company. Can a monitoring or auditing tool that could be used by marketing management to "read the marketplace tea leaves" be used to help analyze situations similar to the BC case? With that goal in mind, the following analysis might contribute to reading marketing signals and helping management avoid similar problems and fate of BC. One can map the types of signals the market was sending to BC with two pieces of information: (1) return on equity and (2) price to book value per share. In Figure 1, the price to book value per share is plotted on the vertical axis and the return on equity on the horizontal axis. This map reveals four signals the marketplace was sending to BC.

1. Off-Balance Sheet Values: The vertical axis is the price-to-book value per share. When this ration is 1.0 the market is sending a signal that the balance sheet totals generally reflect "accounting" reality. No significant off balance sheet assets or liabilities are known or anticipated to exist in aggregate. On the other hand, as previously stated, rations above 1.0 are perceived by the market as the presence of off balance sheet assets. Furthermore, ratios below 1.0 signify the presence of off balance sheet liabilities; therefore, investors are discounting the value of the stock.

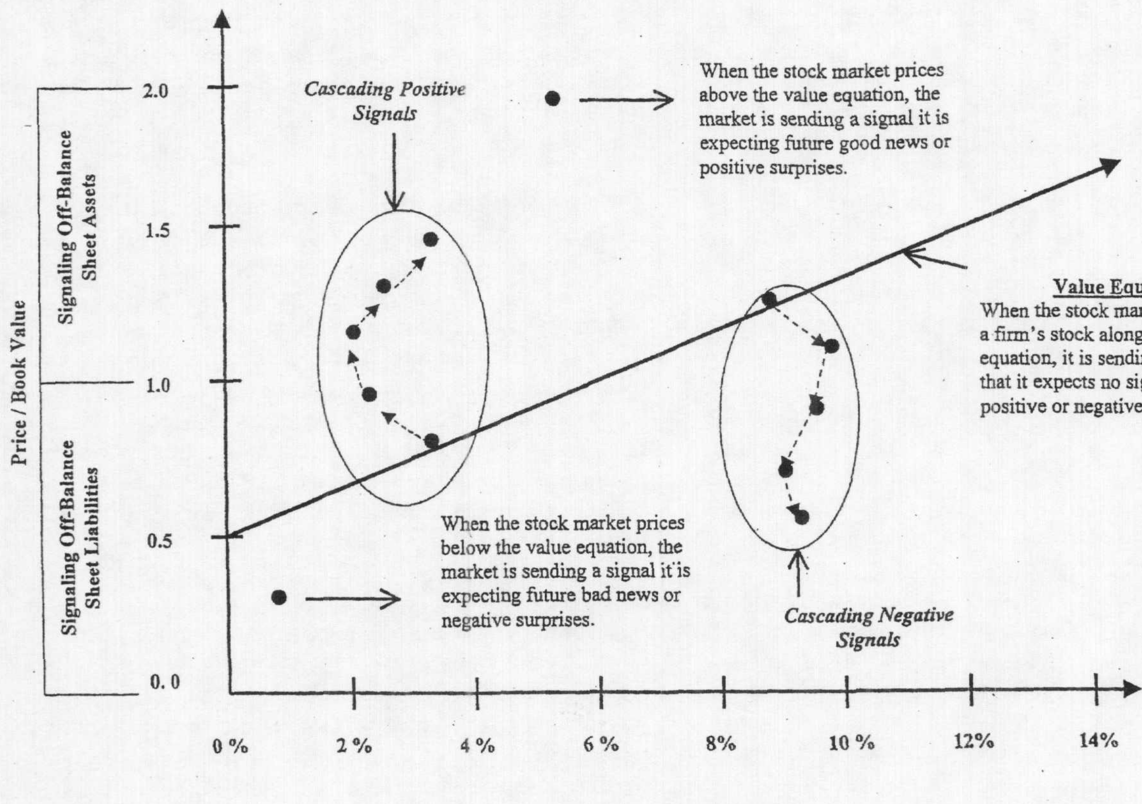
2. Value Equation: The value equation illustrates how the stock market may value a firm's stock in relation to the firm's quarterly return on equity. The value equation is different for each firm and reflects differences in industry growth, risk factors, and a host of other issues idiosyncratic to each firm. However, the important thing to note is that this value equation can usually explain from one-half to three-quarters of the variation in a firm's price to book value ratio. When the stock market is pricing BC's stock along this value line or equation it is sending the signal that conditions are fairly normal and it expects no significant positive or negative signals from the firm in the future.

Note that the value equation can be used to compute the normal return on equity the market would expect to price the firm's stock at its book value. For example, in Figure 3, take the value of 1.0 on the price to book value axis and translate this into the value equation to find the required return on equity. For U.S. firms a range of 5-8% return on equity (after taxes) is not uncommon. Generally, when U.S. firms earn this level of ROE they sell for book value.

3. Positive and Negative Surprises: When the price to book value is anywhere above the value equation the market is sending another type of signal, that it expects future good news and/or positive events to occur. The greater the distance above the value equation line the greater the anticipated positive revaluation expected. Essentially, for any given return on equity the stock market is rewarding the company with a high stock price than normal. In short, the market is sending a signal to the firm and CEO that good things are on the horizon. Clearly, the CEO and firm must deliver on these expectations and produce a higher ROE over forthcoming budget periods if the market is going to continue to support the stock price. Something that it would appear that the BC management did not recognize or were unable to control the marketing program once it was introduced.

When the price to book value is below the value equation the market is sending a signal that it expects future bad news or negative outcomes for the firm [e.g., which was the case for BC for a number of consecutive quarters in 1996-1997]. The greater the distance below the value equation line the larger the negativism of the marketplace. Stated alternatively, for the current ROE the market is not willing to pay the normal price to book ratio. Essentially, the market is signaling that financial performance will deteriorate. The market is comprised of a large number of buyers and sellers and their

FIGURE 1
DEVELOPING MARKETING METRICS TO MEASURE STRATEGIES



consensus is that there is some sort of impending danger on the horizon for BC. The more below the value equation the stock is being priced the higher the danger that is perceived. Although disquieting to CEO's, the BC management should not have ignored this signal.

4. Cascading Signals: Occasionally a deviation, either above or below the value equation, cascaded into more and more positive or negative signals. In Figure 1, two hypothetical data plots are show to illustrate this phenomenon. Cascading signals, especially of a negative nature, are of paramount importance. Not only does the market foresee more and more danger on the horizon but also because the stock market has reacted over the last several quarters in increasingly negative fashion the CEO may become distracted from focusing on the basics of the business. Rather than running the business and proactively responding to issues that need attention the BC CEO needed to spend time with investors and the media trying to dispel their growing manic behavior. The question becomes, "could this analysis aided the BC management group to better recognize the problems they were facing"?

The Market Niche and Boston Chicken's Initial "Foray" into the Marketplace

Consumer lifestyle and eating preference/changes in the United States market enabled BC to develop and launch a new concept in the restaurant industry. The new food category niche was identified as the home meal replacement (HMR) and was the market foundation for the marketing strategies of BC. The HMR concept is prepared food that is purchased for consumption at home or away from the restaurant (i.e., transit meals). In addition, a growing segment of the HMR market was demanding a healthier food product. Rotisserie cooked chicken is perceived by many consumers as being healthier for than fried chicken because of the lower fat content. The growing number of dual career professional couples in the workforce fueled demand for this on-the-go healthier alternative (Harvey 1990; Harvey & Wiese, 1998). Many families are dual income families meaning women have entered the work force in massive numbers. Consequently, professional couples are spending considerably less time at home, which has reduced their meal preparation time. Also, leisure time for the typical American has eroded being replaced by time at work. These cumulative changes in life-styles and consumer preferences provided the foundation for a food category that provided meal alternatives that save time.

The United States economy was also a major catalyst for providing BC incentive to change the restaurant industry by recognizing and then capitalizing on the new consumer niche. Dual income households are characterized by greater purchasing power. The ever-increasing population of senior citizens with high disposable incomes also supported the HRM category. Furthermore, the virtual disappearance of inflation for nearly a decade in the United States increased disposable income for the two segments. Finally, a large percentage of consumers in the United States values time saving products and services such as the ATM, fast food, and electronic banking, to name a few.

Concept Introduction and Rapid Growth Phase of Boston Chicken Concept

The history of BC spans 14 interesting years, during which the concept achieved "star status" but fell from prominence due to a number of key marketing miscalculations. Two chefs invented and launched the BC concept in 1985. Steven Kalow and Arthur Cores used their best family recipes and developed menu innovations of their own to launch the BC concept. The owners provided customers with high quality freshly prepared food for take-out only. The founders did not invest in marketing communications because of the impact of positive word-of-mouth advertising from extremely well satisfied customers and free publicity from the local paper, the *Boston Globe*, kept awareness and demand high.

The original restaurant was a remodeled building that did not have room for customer seating. The store's design was approximately 70 feet deep with a modest ambiance (Progressive Grocer, 1997). A second location, which contained approximately 1500 square feet, was designed with limited seating for 30 patrons (Keegan, 1990). Four years later, annual revenue per store exceeded $1 million dollars per year for both stores (Progressive Grocer, 1997). Even though the company was privately held, the concept needed an initial capital investment of $300,000 to $400,000 per store and yields annual revenue exceeding $1 million dollars is considered to be a successful restaurant concept.

George Naddaff, a long time KFC franchise owner purchased the firm from the original owners. He recognized the inherent merits of the concept when his wife requested he bring home dinner but "not the fried stuff." The seasoned restaurateur noticed the great flavor of the food created strong customer loyalty in spite of the stores appearance. The new owner immediately invested the concept and stimulate growth its early expansion phase. The store design was changed to include limited seating but revenues were primarily derived from the take-out customers. The new business strategy still catered to the life-style changes in America by providing healthy home meal replacement to people who did not have time or did not wish to cook. By 1990, the firm had expanded to 15 units with a breakeven point near $500,000 per unit (Keegan, 1990). All the new stores were remodeled buildings and many were conveniently located next to video stores (Keegan, 1990). Naddaff's goal was to expand the operation to 110 stores by 1995.

Management decided that company expansion would continue occurring in areas with similar customer demographics, urban with above average income. BC had grown to 31 units by 1991. These unit's sales averaged about $800,000 per year. As "improvements" and additional marketing efforts were instituted to the original concepts, and per store revenue decreased. Marketing strategies and increase spending on marketing programs decreased sales revenues.

The New Top Management and a Shift in Marketing : Beck and Nadhir Era: 1992-1998

In 1992, an ownership change in BC permanently transformed the company. Beck and Nadhir, two ex-Blockbuster executives, purchased majority ownership in the company for $24 million dollars (Alva, 1992). Mr. Beck was largely responsible for the Blockbuster's phenomenal national growth, which positioned the organization as the market leader. The owners believed the new rotisserie chicken product could be expanded nationally in a manner similar to Blockbuster. The organization had 37 units in seven states when they completed the acquisition.

In 1993, BC underwent a metamorphosis. The store design was changed to include seating capacity to accommodate 70 people (Walkup, 1993). Their growth strategy was to penetrate one market at a time to create economies-of-scale in advertising and other promotional activities (Cheney, 1993). The operation quickly expanded to 125 units with each new unit requiring an initial investment of $350,000 (Walkup, 1993). This rapid expansion required extensive infusions of capital, which was provided by an initial public offering (IPO) in November, 1993 (Howard, 1993). The market responded very favorably to the company. The price of BC stock rose from $20 to $48.12 on the first day. Forty-four million dollars in sales supported the company's market value of $770 million (Melchar, 1993).

In 1994, BC continued to change the restaurant industry with the executing of their business strategy. In January, the company went back to Wall Street to file for $100 million of convertible debt. This infusion of cash from the market allowed the company to continue its rapid expansion (Pratt, 1994). The company strategy included area developers instead of individual franchisee owners to expand the firm. "The area developer must have an initial investment of $400,000 to $750,000 per store and have 15 to 20 years experience in the restaurant industry" (Steinburg, 1994). By November 1994, the development costs per store ranged between $750,000 and $1,000,000 (McDowell, 1994). The initial development costs were now approximately three times more than the founder's concept. By May of 1994, new store development has expanded the operation to 277 total restaurants of which 40 stores were company owned (Howard, 1994). By November 15, 1994, the company continued to expand at a rapid pace, 525 stores in 62 markets (McDowell, 1994).

Beck and Nadhir transformed many aspects of the operation. The management team changed BC's marketing, hiring, franchising, store design, and the company's extensive advertising campaign was rolled-out during this time period. The new restaurant size was an average of 3,000 square feet (Restaurants & Institutions, 1994). The store design changed to accommodate a drive-thru customer to increase store traffic. The company focused on providing healthier meals (Forbes, 1994). Furthermore, the organization increased product breadth to include ham, meat loaf, turkey and pork roast to widen customer appeal. The company's rapid growth forced individual restaurants to hire a large staff quickly. The concept of sustainable growth and the capital necessary to support this rapid transformation of the concept into a national chain were significant.

In 1995, rapid growth continued and the operation expanded to over 700 units. Because BC struggled to increase the frequency of customer visits, the company changed the name to Boston Market. The name change was a marketing effort to reflect the expanded product line. The name change cost the company a significant amount of money to change written advertisement, uniforms and signs for the building, estimated at 20 million dollars (Blamey, 1995). Moreover, the company diversified operations by purchasing a company that made and marketed bagels. The organization had 24 stores and was projected to open 100 additional units in 1996 (Milling and Baking News, 1995).

Financial analysts and industry experts began to criticize the company because of their lack luster financial performance and "sky-rocketing" marketing expenditures. Poor restaurant operations contributed to a decrease in store revenue, a key retail indicator. Twenty-two percent of the stores had sales under $17,500 a week versus a $23,000 a week break-even point (Marcial, 1995; Papiernik, 1995). The stock price reflected poor company performance and dropped significantly to a low of 13 in 1995 (Papiernik, 1995). To strengthen their cash position BC returned to the investment market to borrow an additional $100 million in venture capital.

The company further revamped the product line and marketing program in 1995. BC added the Carver sandwich line to boost lunchtime sales. The organization used coupons and discounting to penetrate the highly competitive lunch market. BC changed some of the new store designs to include large flagship stores, which served as a commissary for other stores in the market. The stores were designed to decrease total labor by preparing many food items at the flagship store (Blamey, 1995).

BC's volatile financial performance continued in 1996. The company approached the investment community to borrow an additional $350 million to triple stone development and increased marketing activities (Papiernik, 1996). By this time organization had expanded to 1030 units in 38 states. The senior management team disclosed in SEC mandated fillings finally that the area franchises were suffering huge losses (Shine, 1996). BC also released information detailing bagel operation losses. At this point, total revenues for BC in 1996 were approximately $1 billion dollars (Kramer, 1997). There were a number of market signals that the company was having both financial and marketing difficulties, but many in the investment community and individual investors did not appear to pick-up on the cascading negative market signals.

The assessment of the problems facing BC would have to evaluate both the operating issues (i.e., the consumption of operating capital at an inordinately rapid pace) as well as the escalating financial obligations that the company was being place in by management. Profit appears to have given way to volume as the metric of choice for both the management and investing community. The old adage that "we are losing money but will make it up in volume" would seem to have been in play in the management philosophy of BC.

Assessing the Marketing Successes/Failures at Boston Chicken

A. Boston Chicken's Marketing Successes

1. The Original Concept

The original BC concept started in the HMR segment, which served food quickly for at home consumption. The product was substantially differentiated from the primary competitors in the fried chicken category. Their product was cooked differently and it was healthier for customers. The original menu was limited to rotisserie chicken and a few side orders for carry out.

One reason for the success of the original concept was the low capitalization costs. The founder's total capital investment per store was approximately $400,000 (Restaurant Business Magazine, 1994). Existing buildings with available space reduced lease costs for sub-prime locations (Nations Restaurant News, 1990). Furthermore, because the concept wasn't designed for full service, less space was required. Additionally, home meal replacement for carryout wasn't dependent on expensive furniture and decor to accommodate a full service customer. The equipment capital costs were inexpensive because of the chicken cooking process and the limited menu. Finally, because the concept focused on to-go meals, it reduced the organization's demand for labor, which enhanced their bottom line. Collectively, the economies of this type of model were very attractive and the target market liked the offering. In short, the original concept provided high value for the consumer.

2. Information Technology

Most successful organizations in today's business arena understand the importance of investing in information technology (IT). BC spent a considerable sum of money on the latest generation of technology related to the food industry. The systems enabled general managers real time access to recent customer comments (Romeo, 1994; Morton, 1994; McDowell, 1994). The systems allowed customers to provide feedback based on their service experience (Romeo, 1994). Electronic data interchange (EDI) reported store finances to the corporate headquarters (McDowell, 1994). IT demonstrated proper food preparation and customer service techniques (Morton, 1994). The technology compiled customer buying patterns into a valuable marketing database. A database query system assisted in developing production forecasts by the quantity of an item sold (Morton, 1994).

BC's managers utilized the computer system to calculate food and supply orders. The individual store determined the ideal inventory to carry utilizing IT (Morton, 1994; McDowell, 1994). The technologies allowed managers to calculate employee work schedules based on expected sales (Morton, 1994). Employees had access to their store's financial information because the corporation believed employees that had access to accurate and complete information would make better decisions. The unit managers communicated with other managers to ascertain why one unit was more successful compared to another store (Romeo, 1994; McDowell, 1994). As a result of these IT innovations BC won the Technology Innovation Award in 1996 (Nations Restaurant News, 1996).

3. High Quality Area Developers

The corporation carefully screened prospective area developers prior to selecting the best for the BC team. An area developer needed to have many years of retail food experience, and be financially secure (Steinburg, 1994). Therefore, the company immediately had experienced area developers, which was an important component for the development and marketing of a successful restaurant company in a local region. Moreover, these area developers had managed other multiple unit operations successfully (Steinburg, 1994). Their extensive experience in the restaurant industry provided an knowledge base to unit level managers and employees. The financial capacity of an area developer was critical because BC expected an area developer to expand the number of units in their region quickly (Success, 1994).

4. Proper Targeting

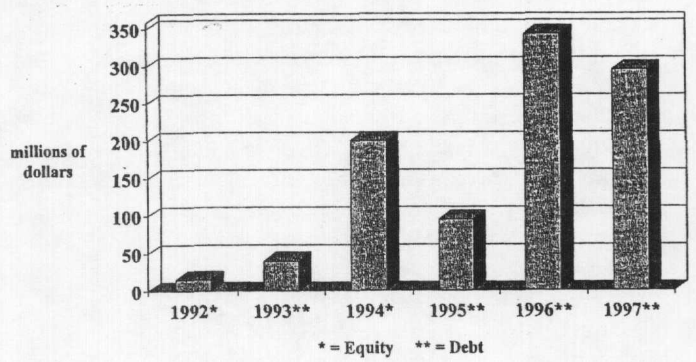
BC developed a successful segmentation strategy. BC did identify a large market that benefited from HMR and had potential for extensive growth. The HMR niche was expected to grow to 100 billion dollars in 1999 (AMI, 1998). "BC developed this segment and became the clear leader in HMR" (Blamey, Sept 1995).

Originally, BC identified a viable large niche in the food industry whose needs were not being met by the popular concepts in the restaurant industry (Papiernik, 1998). Consumers who benefit from purchasing prepared food defined the home meal replacement niche. Therefore, one of the primary consumer benefits of HMR was saving the client time. Additionally, the customer benefited from being able to consume the product at home, at work, or elsewhere. BC was one of the first organizations to identify the HMR segment, design a product to meet the needs or these consumers, and it was establishing brand awareness and customer loyalty among HMR customers.

5. Raising Capital

BC management developed an expertise in generating sufficient venture capital to fund the on-going operation and rapidly expand the company (see Figure 2). Under the Beck and Nadhir leadership the company raised 1.2 billion dollars from the public market (Wilkerson, 1998). The initial public offering provided the company with 42 million dollars (Pratt, 1994). The company immediately went back to the investment community to borrow 100 million dollars for future expansion (Pratt, 1994). BC had a secondary stock offering, which generated 111 million dollars for the company (Prewitt, 1995). BC went back to the investment community to raise an additional 100 million from a LYONS financial vehicle (Papiernik, 1995). BC put together a 350 million-dollar financial package to fund additional development and marketing activities. The company sold 300 million in bonds during the last three summer months to continue new development. The total venture and public funding provided by the investment community was more than 1.2 billion of which $850 million was debt (Schwartz, 1997).

FIGURE 2
CAPITAL RAISED BY BOSTON CHICKEN



B. Boston Chicken Marketing and Operational "Failures"

1. Incremental Concept Changes

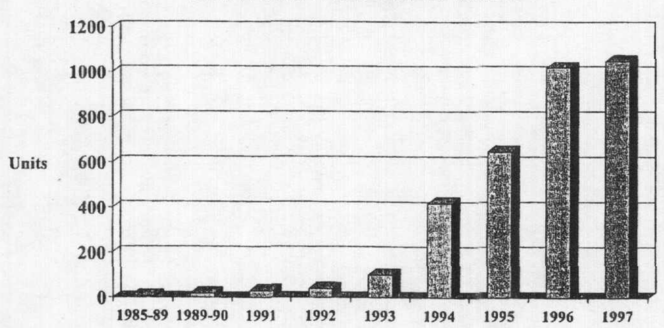
The original BC model worked well based on the reported revenues and capitalization levels of the original stores (Progressive Grocer, 1996; Allen, 1998). However, incremental changes to this core marketing concept and store design including more seating, drive-by carryout, new entrees, lunch focus, greater marketing expenditures, and the like were added over time without assessment of the net impact of the change or revenue and more importantly cash flows. The cumulative effect of these changes was to dramatically increase the level of sales required to provide an adequate cash flow much by a favorable economic return. The new store design required $23,000 in sales per week to break even. The original BC model required $25,000 per week to reach breakeven, yet the marketing strategies could not generate four times as money consumers.

2. An Unequivocal Commitment to Speed

The velocity of growth for Blockbuster and the resultant success created a mandate for speed above all else from the Beck and Nadhir led management team. The growth of units from 30+ in 1992 to almost 1200 units in 1998 is an annual compound growth rate of over 100%. (see, Figure 3). This growth was a "red-line" rate that could create major problems and create problems relating to being a sustainable sales growth rate (Allen, 1998; Parker, 1998; PR Newswire, 1998). Store count mandate area developers created a focus on store count versus building sales at open units (i.e., sales values replace profitability as the metric of success). It also resulted in saturation of outlets in some markets as well as reduced quality of location. BC paid premium real estate rents for sub-prime locations (Romeo, 1994). In addition, BC declined to remodel existing real estate in a number of instances because of the increased time requirements versus constructing a new building (Walkup, 1998).

Finally, the rapid growth created a large demand for qualified people in an increasingly difficult employment market. Large volume restaurant units require skilled people and extensive ongoing training efforts (Romeo, 1998). BC was unable to meet these core requirements that resulted in less customer satisfaction and lower loyalty. During period of rapid growth, adhering to original operating standards becomes problematic. Relaxing standards is common when fast growing company's select, orient, train and educate many new managers and employees. Maintaining effective internal company communications, reinforcing the company's vision and culture, and delivering consistently high quality service -- essential success factors are challenged by expansion (Berry, 1999).

FIGURE 3
GROWTH IN NUMBER OF UNITS



3. The Discounting Trap

BC was an aggressive advertiser with heavy use of advertising to introduce their concept and create consumer trials. Analysis suggests that up to 25% of revenue was spent in some markets to launch BC (Papiernik, 1998). Coupons and other deals were also used to introduce the BC concept. The problem was that the coupons continued after the launch, which created a coupon dependency for BC. Their customers, already limiting their trip to BC because of the limited menu, became habitual coupon users, which had a very negative impact on BC's financial results (Allen, 1998). The marketing strategy of excessive price promotion (coupons) excentuated the cash-flow problems resulting from the rapid expansion of the outlets. Combined these two miscalculations had a severe impact on BC ability to function. The rapid expansion [i.e., need for capital to open new outlets] couple with the discounting marketing strategy [i.e., getting less contribution] would play a significant role in the ultimate problems facing management of BC.

4. The Lunch Market

BC decided that an effort to greatly increase the lunch day business would help with the difficult dinner revenue problem and help cover the high fixed costs of the newer larger restaurants. This resulted in the introduction of a number of "Carver" sandwich menu items. This effort to compete in the mature and highly competitive lunch business failed to achieve the desired objectives. In fact, average tickets fell and some dinner business was cannibalized while more established lunch competitors (e.g. KFC, Pop-Eyes, Chick-Fil-A) used lower price strategies to thwart BC's lunch efforts (Orgel, 1997). Again, the marketing strategy placed BC in a "no win" situation spending additional cash in an effort to attract a satisfied lunch market segment.

5. Underestimation of Restaurant Operations Complexity

BC's management team had learned retail operation in the video rental business. It would appear that they did not group the complexities of the multi-unit restaurant operations. Their area developers, although experienced in the appropriate category, were unable to focus on the people dimensions of this business because of the speed imperative created by their contracts with BC and the underlying debt associated with the expansion market in program (Papiernik, 1998; Allen, 1998). Collectively, this meant that store count was more important than store sales and store sales were more important than profitability. This in turn drove the quality of store operations, which is directly related to the quality of people employed across the key functions restaurant operation and the on-going training effort to help them improve. The BC marketing foundation was built on sand and customers soon recognized the marketing errors of BC.

6. Inability to Control Store Operations

In general, it is important to fine tune prototypes prior to replicating them throughout the chain. The Beck and Nadhir leadership changed the concept's product offering, which elevated food cost to higher than the industry average. The capital costs increased dramatically due to store design changes. The original capital costs increased dramatically due to store design changes. The original capital costs of $400,000 grew to $1,000,000 under the Beck and Nadhir leadership. The store sales declined from $28,000 per week to $17,500 during the Beck and Nadhir ownership (Marcial, 1995). The perpetual increase in store development caused the organization to hire vast quantities of new employees. The large percentages of inexperienced staff caused inefficiencies and increased labor to run the operation. The resulting environment in the outlets did not meet customer expectations reducing their willingness to loyal to BC brand or products. Without customer loyalty, restaurants are doomed due to the cost of attracting new customers in the saturated restaurant industry.

The question that needs to be addressed is, "can these negative marketing/operating strategies be identified and if so, how?" In an attempt to develop a means for viewing the markets reaction to marketing strategies, a diagnostic measurement tool has been developed. This marketing tool can be used to assess the stock market reaction to the strategic marketing direction of the firm.

Learning for the Marketing Mistakes of BC

The impact of marketing strategies on the financial viability of a company has long been studied in a *post hoc* manner. The ability to determine the financial impact of a series and /or combination of marketing strategies has been a daunting task for marketing managers. There appears to be 14 steps in monitoring/auditing the impact of the introduction of new marketing strategies. There are steps that must be undertaken *prior* to the introduction of the new marketing strategies, *during* the implementation of the strategies and *after* the strategies have been implemented. The following steps must be taken *prior* to the introduction of the new strategies: 1) metrics must be developed that determine the position of the company/product/brand in the marketplace prior to the new strategy introduction; 2) a benchmarking audit must be conducted on market leaders or key competitors in the marketplace and how their products/brands are compared to that of the company introducing the new market strategy; 3) consumer preference/loyalty by market segment must also be ascertained prior to the introduction of the new strategy; 4) the market "value equation" must also be determined to ascertain how the stock market is presently valuing the existing strategy of the company (i.e., is the market over/under valuing the present marketing efforts of the company); and 5) a general volatility index for the general economy/stock market must also be established (i.e., to determine the macro trends in the stock market that could artificially have a negative/positive impact on the results of the new strategy of the firm.

The steps that must be taken *during* the introduction of the new marketing strategy are: 1) the length of time necessary to have a "critical mass" of the strategy implemented, in other words, how long did it take to introduce the new strategy or what are stages of introduction); 2) development of objective metrics to measure the reaction of competitors individually as well as collectively (i.e., the type, amount and timing of reaction of competitors); 3) development of a weekly monitoring of the "value equation" to determine the general marketplaces assessment of the impact of the new strategy on the competitive position of the company; and 4) modification to the introduced strategy may and/or might be implemented to determine the overall impact of "scale" on the success of the strategy and the stock markets reaction to the increase in scale of the strategy to get the intended results in the marketplace.

The *post mortem* of the introduced strategy should encompass the following steps: 1) assessment of the impact of the strategy on the market niche in which the strategy was directed (i.e., explicit measures of the overall influence of the strategy apart from the general macro economic conditions); 2) a post assessment of the value equation to determine the investors impression of the change brought about by the new strategy; 3) conducting an audit of the supply chain to ascertain their assessment of the impact of the new strategy; 4) conducting a financial impact assessment on the product, market niche and overall financial condition of the company; and 5) making adjustments to the metrics to better measure the explicit and implicit impact of strategies that may be introduced in the future. The on-going monitoring and adjustment to marketing strategies is critical to the success/failure of these modifications in the present marketing efforts of a firm.

The on-going assessment of marketing strategies can take an internal (i.e., traditional marketing measures such as cost of new customer, cost of maintain a customer, return on advertising dollars spend, impact of additional sales personnel, and the like) as well as an external focus (i.e., strategic reaction of competitors, increases in customer acceptance an loyalty, and assessment of the stock market {value equation} to the strategy. The monitoring of marketing strategies needs to be quantified and the reaction of the stock market used as a gage of the perceived success/failure of the strategy. Without taking into consideration the markets perceptions the success or the marketing strategy may be only picric and not warrant the risk of introducing change in the marketplace (i.e., cost/reward of the new marketing strategy).

SUMMARY/CONCLUSIONS

BC's image and financial support began to evaporate in late 1997. The stock price of plummeted 50% in three months to $15.13 (Schwartz, 1997). Excessive losses and the "hints" of aggressive accounting methods used by the management created the catalyst for shareholders to file a class action lawsuit against the company in the later part of 1997 [Schwartz, 1997]. The financial problems halted additional franchising efforts and new store openings/developments. The BC organization had grown in excess of 1,100 retail outlets that were burden with extremely heavy debt. Store revenues had shrunk to $18,500 per average retail outlet (Papiernik, 1997).

On October 5, 1998, BC filed for bankruptcy (National Restaurant News, 1999). In the summer of 2000, all the operating units of BC were acquired through the bankruptcy court by McDonalds for $176 million. In less than a decade Boston Chicken had gone from a marketing "maven" to a marketing "bust". The question that needs to be asked is could this demise have been predicted by examining some relatively simple financial analysis on the part of the investing community? What to what extent ill-conceived marketing strategies contributed to the collapse of BC? Leading one to believe, "there really is a connection between marketing and financial performance both from a revenue and a cost standpoint".

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