The Implications of HIV/AIDS for Strategic Market Planning

By Veni Naidu

One of the biggest threats organisations face in their market environment, is the onslaught of HIV/AIDS. Strategic market planning prepares an organisation to develop a strategic response to its changing market environment. It involves formulation and development of strategies to cope with these changes. Conceptually, the organisation monitors its environment, incorporates the effects of environmental changes into corporate decision-making, and formulates new or amends existing strategy. Strategic market planning requires creativity, analysis and an understanding of the corporate culture. It is not merely an analysis of the current situation.

Decisions involved in strategic market planning are fundamental to an organisation and set direction. Top management, including the board of directors should be involved as this sets the scene for the rest of the organisation to incorporate HIV/AIDS into the planning process. Successful implementation of strategy is not possible without the chief executive’s committed leadership. The first step therefore towards incorporating HIV/AIDS into the organisation’s strategic plan is to accept HIV/AIDS as a strategic priority.

There is a lag in the prevalence of AIDS versus HIV because the onset of AIDS can take many years to develop. From date of infection, it can take anytime from 8 to 10 years in the absence of treatment to develop full-blown AIDS. AIDS deaths will therefore continue to rise long after HIV has been curbed. When considering the time horizon of organisations’ strategic plans, HIV/AIDS has medium to long-term impacts. In the survey with Chartered Marketers, 63% stated that their organisations have a one to three year planning horizon whilst 31% stated that their organisations have a four to five year planning horizon.

Prior to developing AIDS those infected can lead productive lives. With appropriate care, support and treatment, those living with HIV can be productive for many years. An Eskom study presented at the World AIDS Congress in Durban, showed that the longer life expectancy of an employee, the less the financial cost to the employer. This is because, in addition to the value of their output, the longer an employee is in employment, the longer they pay their portion of pension and medical aid. According to the sugar mill study conducted in South Africa, costs are generally incurred in the last two years of the employees’ service. According to Anderson, in adults the survival period following diagnosis of AIDS is one to two years, which can be lengthened if opportunistic infections are managed with appropriate drug treatment. This would mean that organisations might well find it profitable to provide appropriate treatment to AIDS-affected employees.

Whilst there is a direct and indirect cost of HIV/AIDS to organisations, early intervention although initially costly, has long-term benefits. Studies have shown that returns in terms
of cost savings through preventing HIV/AIDS are as high as 3.5 to 7.5 times the cost of intervention\(^5\).

In order to decide what strategic options to pursue, organisations would need to know the vulnerability of their workforce. There are various demographic models available that can be used to estimate the cost impact to the organisation. From this analysis, strategic options can be evaluated. If the organisation is not aware of the impact of HIV/AIDS on productivity and profitability, it is difficult to decide what the strategic focus areas should be. Organisations would find it difficult to decide what employee benefits the organisation can afford, what its current and future labour requirements are, whether to spend money on HIV/AIDS prevention programmes, treatment or both. Protection of human capital would mean that the organisation could remain or become globally competitive. There has to be a clear understanding of the quality of labour (skills, education and training) that exist, in order to prepare the labour force for multi-skilling or transferring of skills to appropriate staff.

From the demand perspective, every organisation has customers whether they are identified or not. The focus of an organisation is on customer retention and customer acquisition. Customer retention is about understanding the historical behaviour of customers so that repeat purchasers can be identified. Customer acquisition is an expensive activity an organisation must face. HIV/AIDS threatens present and future customers. Customer loss can occur when a customer dies from an AIDS related illness, finds a substitute product or defects to the competitor. The organisation needs to assess how much profit it loses when it loses customers. The lost profit is equal to the customer lifetime value that is the net present value that the organisation would have realised if the customer had not defected or died prematurely. Customer lifetime value is further influenced by life expectancy, which is reduced in the AIDS scenario. Organisations generally invest in high value customers, which changes over time due to environmental changes.

Organisations need to balance what is spent on customer acquisition with what is spent on customer retention. HIV/AIDS present a unique situation because organisations in South Africa might have no option but to spend money on customer acquisition as a result of the number of AIDS deaths expected. Analysis of the demographic impact and the consumers’ propensity to purchase products will help organisations make this decision. Organisations would need to understand shifts in income and expenditure as a result of HIV/AIDS and the income elasticity of demand for their products.

Market analysis forces organisations to look at how attractive the market is and what forces drive this attractiveness. Consideration should be given to what barriers exist to either gain entry to or exit the market. Entry barriers take many forms, including financial requirements, technical requirements, and manufacturing scale or marketing scale requirements. Exit barriers usually derive from difficulties of liquidating plant and equipment or working capital, without incurring substantial losses. The HIV prevalence rate in South Africa might pose an entry barrier to potential investors wishing to enter the South African market especially on products geared to market segments with high
HIV/AIDS incidence rates and an exit barrier for companies with highly capital-intensive operations.

Thorough knowledge and understanding of the disease as well as the market environment will mean that the following will have to form part of strategic market planning:

- Assessment of the quality of labour.
- Demographic impact of the labour force.
- Demographic impact of the customer base.
- Calculation of market segment, size and profitability. The need for some goods and services will diminish whilst the need for other goods and services will increase.
- Identification of new market and new product opportunities. New markets will emerge from the needs of people living with HIV/AIDS.
- Redefinition of competitors. As the disease is life threatening, consumers will spend money first in the HIV/AIDS area before purchasing other products and or services.
- Revisit of the mission statement during and after the introduction of an HIV/AIDS policy.
- The organisation might want to revisit the way they traditionally plan for succession planning.
- Revisit current product portfolio to assess, which products will grow, remain stagnant or decline over a period of time.
- Revisit objectives, strategies and allocation of resources.
- The ratio of marketing resources allocated for customer acquisition and customer retention.
- Recalculation of customer lifetime values.
- Risk assessment due to unpaid customer credit or employee loans.

HIV/AIDS represent a threat to organisations and the market that it serves. The benefits for organisations would come from anticipating and creating change rather than reacting to it. The survival of South African organisations is going to depend on good market planning and updated strategies to address the impact of the changing market environment. Good strategic choices will lead to profitable outcomes. Strategic market planning is about coping with surprises and fast developing threats and finding ways to minimise risk. If HIV/AIDS is excluded from strategic market planning, it can have drastic consequences for organisations. They may find themselves operating with a semi-productive labour force or in a non-profitable customer or market segment.

REFERENCES:


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