

Part Four

Marketing planning in leisure



Introduction

In this part of the book we examine the application of the principles and techniques of marketing planning to leisure.

Each of the four chapters in this section addresses one of the classic four questions, which comprises the process of marketing planning as follows:

Chapter 10: Where are we now? This chapter looks at how organisations can analyse their current marketing situation as the context for a marketing planning exercise.

Chapter 11: Where do we want to go? – the setting of goals and objectives. In this chapter, we explore the setting of goals and objectives and the generation of mission statements.

Chapter 12: How will we get there? – developing the strategy. This chapter looks at the evaluation of strategic options and the creation of marketing strategies. It then goes on to look at the role of marketing plans in implementing these strategies.

Chapter 13: How will we know when we get there? – monitoring, review and evaluation. This chapter covers monitoring, review and evaluation – the techniques by which the implementation of the strategy is kept on the right track.

Where are we now? Current situation analysis

Key concepts

The main concepts covered in the chapter are:

- Current situation analysis at different levels including whole organisations, complete product portfolios, strategic business units or SBUs and individual product
- SWOT analysis
- Boston Consultancy Group Matrix
- Marketing audits.

Introduction

Strategic marketing planning always begins with an objective analysis of the organisation's current marketing situation. This analysis needs to take place at a number of levels, including:

- the organisation as a whole;
- its product portfolios;
- individual strategic business units or SBUs;
- individual products.

A number of techniques exist to help with the analysis of the current situation, in terms of these respective levels, as follows:

- SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis is a good technique for considering the organisation as a whole.
- The Boston Consultancy Group (BCG) Matrix can be a useful framework for analysing the current performance of the organisation's overall product portfolio or even its SBUs.
- Product positioning and the product life cycle are particularly relevant at the level of individual products.

Clearly, this is just a selection of relevant techniques, there are a number of others. Furthermore, many of these techniques not only relate to the current situation, they also can be used to see how a product or SBU or a whole portfolio are behaving over time.

In this chapter, we will look at how leisure organisations can analyse their current marketing situation and how these techniques, outlined above, contribute to this process.

However, one has to bear in mind that a current situation analysis rarely begins with a clean sheet. It is undertaken in the context of existing strategies, the organisation's history and culture and involvement in physical planning, for example.

The book, up to now, has defined and explained the marketing concept and identified the ways in which it can be practically implemented. Marketing has become very fashionable in the leisure industry.

However, while this growing recognition of the importance of marketing is welcome, many organisations are becoming involved in marketing without a clear understanding of what it is, and the implications of introducing a marketing approach.

Marketing should be planned in a systematic and rigorous way if it is to be implemented effectively. To help with this process the discipline of *marketing planning* has been developed. This marketing strategy will be developed for the organisation in the marketing planning process.

A marketing plan was defined, way back in 1988, as:

A written statement of the marketing aims of a company, including a statement of the products, targets for sales, market shares and profits, promotional and advertising strategies, pricing policies, distribution channels etc. with precise specification of time scales, individual responsibilities etc.

Manser (1988)

To achieve this marketing plan, the organisation will have to go through a number of stages which take the form of questions as follows:

- (i) *Where are we now?*
The analysis of the current marketing situation.
- (ii) *Where do we want to be in the future?*
Setting the objectives.
- (iii) *How are we going to get there?*
Creating the strategy.
- (iv) *How will we know when we get there?*
Monitoring and evaluation.

The next four chapters will mirror this situation. Each chapter will give an overview of this four-stage process. If you require further in-depth analysis of the marketing planning process, you should refer to the work of Ansoff (1988); Day (1990); Ohmae (1982); Porter (1983); and Kotler and Armstrong (2004).

An overview of the marketing planning process

The marketing planning process was developed as a systematic way of incorporating marketing into an organisation. One of the leading academics and writers on the subject in the United Kingdom is Malcolm McDonald. The marketing planning process includes:

1. Corporate objectives
2. Marketing audit
3. SWOT analysis
4. Assumptions
5. Marketing objectives and strategies
6. Estimated expected results
7. Identify alternative plans and mixes
8. Programme
9. Measurement and review.

This model incorporates the stages which have to be completed in order to arrive at a finished marketing plan.

The plan should contain:

- A summary of all the principal external factors which affect the organisation's marketing performance during the previous year, together with a statement of the organisation's strengths and weaknesses.
- The competition and how the organisation is performing in the marketplace (SWOT analysis can help with this).
- Assumptions about the key determinants of marketing success and failure.
- Setting of overall marketing objectives and strategies.
- Programmes containing detailed timings, responsibilities, costs, budgets and sales forecasts.
- Methods for measuring and reviewing progress made.

The feedback lines in the model indicate that in a real planning situation, the steps will have to be completed more than once before the final plan can be written.

There are different models and concepts which can be used as the organisation progresses through the model to the finished marketing plan. These will be covered in more detail in this chapter and the following three chapters.

The style of the finished marketing plan will differ, according to the type of organisation. One suggestion for a marketing plan is shown in Figure 10.1.

If the organisation is planning to market the product in more than one country, then the plan will have to include important issues such as consumer views, legal position and distribution plans. The process of marketing planning in international marketing is however, in essence, an identical process to that carried out in national markets.

- Management summary
- Current position of the product in the market
- Future prospects for the market
- Market research requirement
- Product strategy
- Promotion plan
- Sales plan
- Distribution plan
- Pricing policy
- Performance measures and controls.

Figure 10.1 A suggested model marketing plan for an organisation

Where are we now?

The analysis of the current marketing situation can be divided into three stages as follows:

1. An evaluation of the organisation itself in terms of its products, its markets, its customers, its structure and culture, and how it organises its marketing.
2. An appraisal of the external business environment and how it affects the organisation including political, economic, demographic, socio-cultural, natural and technological forces.
3. An examination of the organisation's main competition.

The marketing audit is composed of a number of sections, which has been produced as a result of a detailed review of internal and external factors. The parts of the audit are shown in Figure 10.2.

The marketing audit for a UK tour operator

To show the marketing audit in more detail and to consider its application to the industry, this section will look at the procedure which a UK tour operator would go through to complete a marketing audit.

Step 1: Who would carry out the audit?

The tour operator could use one of their existing staff to carry out the audit. It is often better, however, if the company can afford it, for an impartial consultant to carry out the audit. This has the advantage of a person who is not involved in the day-to-day marketing activity giving a fresh view of the particular sets of circumstances.

Step 2: How should they start?

The audit should look at the overall Corporate Mission of the organisation. In the case of the tour operator, this could be:

We seek to maintain our number one position in the package tour business in the United Kingdom.

The Corporate Mission of the organisation will give an overall view of where the organisation sees itself going in the future.

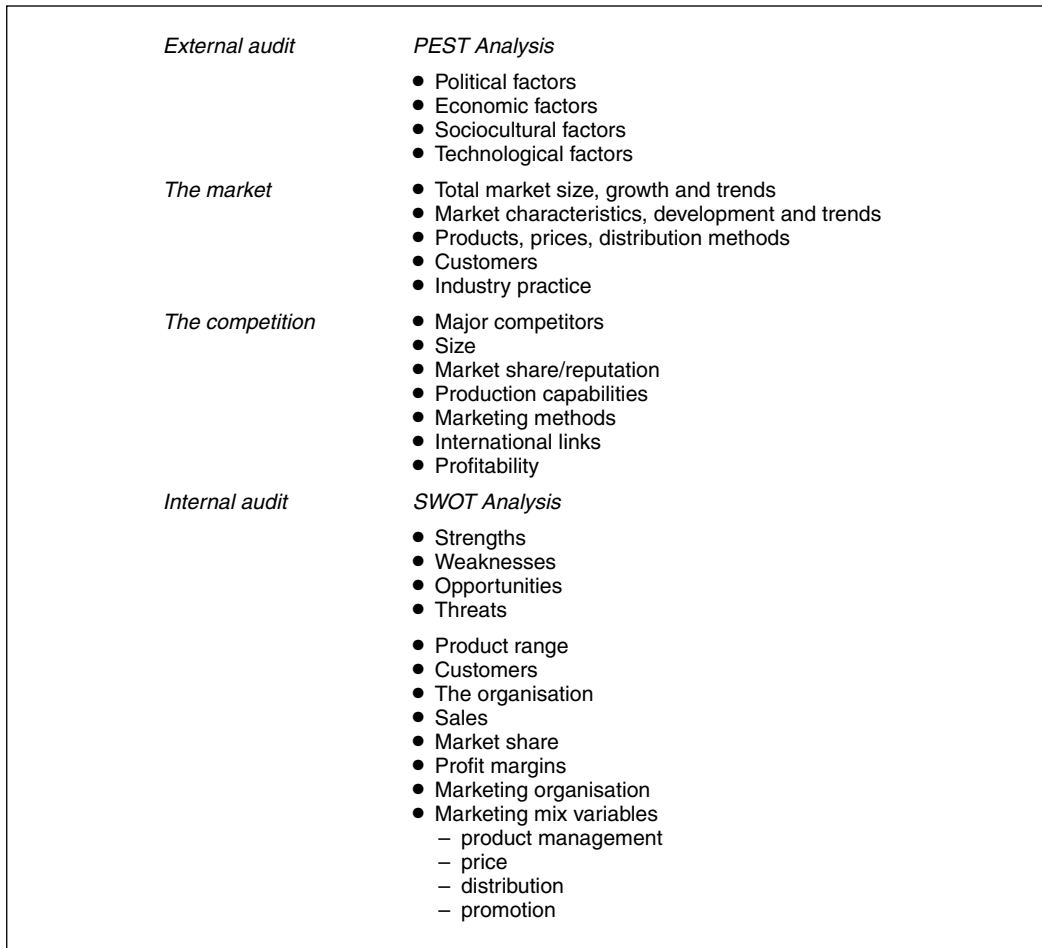


Figure 10.2 An outline model for a marketing audit for an organisation

Step 3: External environment

The next stage of the audit procedure will be for the tour operator to consider the external environment. This refers to the general forces which may affect the organisation but which are outside its control, although it may of course influence some of them through lobbying. They include political, economic, sociocultural and technological forces. This analysis is sometimes referred to as PEST analysis or STEP analysis and is covered in further detail in Chapter 7.

The most successful are those that accurately anticipate changes in these forces, and respond quickly and in the most effective manner. An example of an outline external audit for the tour operators is shown in Figure 10.3. Factors have been identified in each category, and then considered in relation to this particular organisation, so that they can be presented in rank order. By doing this, the organisation will know which of the identified factors they should concentrate on.

The consultant or individual who is carrying out the audit will find it very usual to use the *Delphi technique* to create this external audit. This involves speaking to industry and

<p><i>Political factors</i></p> <ol style="list-style-type: none"> 1. European Union legislation. For example, European Package Travel Directive 2. The Single Market in Europe 3. Domestic legislation on consumer protection 4. Domestic legislation on timing of statutory holidays <p><i>Economic factors</i></p> <ol style="list-style-type: none"> 1. Government economic policy affecting incomes 2. Recession and recovery from recession 3. Availability of credit 4. Interest rates <p>NB Factors have been presented in order of importance for the organisation</p>	<p><i>Technological factors</i></p> <ol style="list-style-type: none"> 1. Developments in CRS systems 2. Virtual reality systems 3. Smart cards 4. Management information systems <p><i>Sociocultural factors</i></p> <ol style="list-style-type: none"> 1. Growing interest in green issues 2. Growing interest in independent travel 3. Growing interest in health issues 4. Ageing and static population
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Figure 10.3 External factors affecting the tour operator

market experts concerned in this case, with the package tour industry. These experts may be found both inside and outside the company.

It is also important for the audit to have an international perspective. Too many companies have been caught out by restricting themselves to national issues, when a European or international issue has much more potential influence on the organisation.

The next stage in the audit would be to look at the market.

The market

This section of the audit will look at the market for the tour operator. An example of the content of this audit for a UK operator is shown in Figure 10.4. It is very useful for the individual or consultant completing the audit to seek expert advice to complete this section of the audit. The market characteristics are a very important part of the audit because it will provide general information about this particular market area. This will prove invaluable to the organisation when it starts to set the marketing objectives later on in the marketing planning process.

Competition

The next part of the audit would be an analysis of the competition in this market. For the tour operator, this will involve looking at other tour operators in the national market and also considering potential new competition from European or international markets. The organisation needs to recognise that they operate in a highly competitive environment and they should analyse their main competitors in terms of their particular strengths and weaknesses. This will hopefully allow the organisation to gain a competitive advantage over them.

In some parts of the industry, particularly in the public-sector, organisations and managers find it difficult to identify their main competitors. This is particularly so if there are many fundamentally different products and markets.

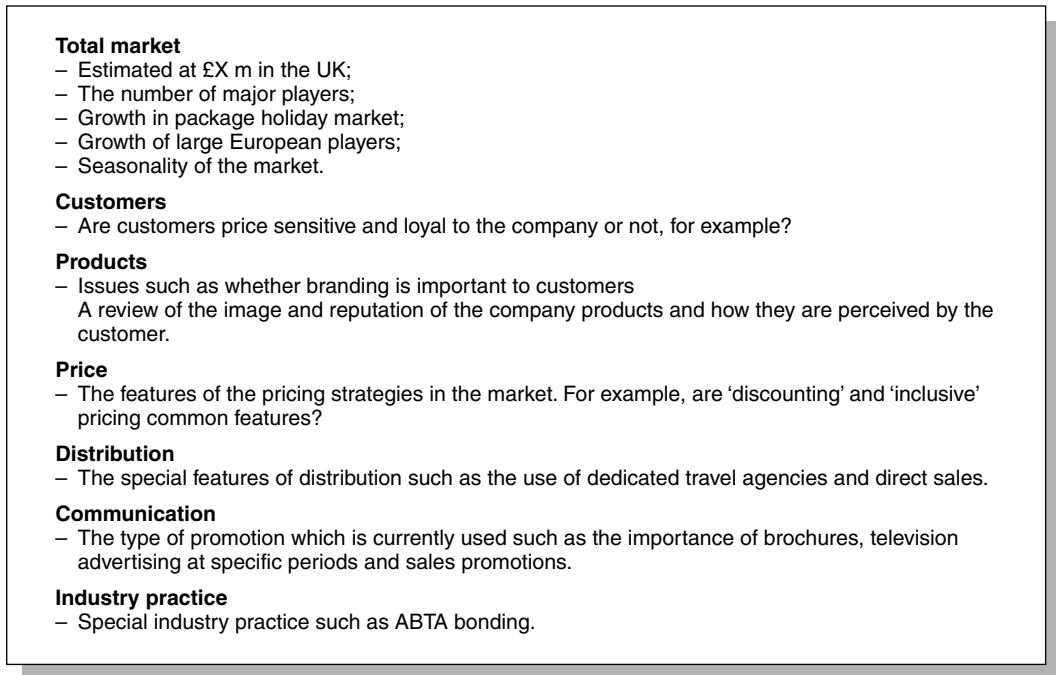


Figure 10.4 The market for tour operation

Competitors could be organisations offering similar products, targeting the same market segments, charging a similar price or operating in the same geographical area. Competition might also include any activity that offers a similar benefit to the customer.

The identification of competitors in the leisure industry, for example, is further complicated by the fact that in some instances such as local authority museums services, the main competitor in the geographical area may be a facility owned by the same organisation.

Organisations in national market also tend to view other national organisations in the same market sector as their competition. This may be so in the short term, but in the long term there may be the unannounced arrival of a multinational competitor who views the national market as a window of opportunity.

An example of a model for a competitor audit for the tour operator is shown in Figure 10.5. It can be seen that this audit has looked at both existing national competitors and potential international players.

Step 4: Internal business environment

By this stage, the organisation will have a good knowledge of the external environment, their major competition and an overall view of the market. The next stage is to look internally at all the features which make up their particular organisation. This will involve four stages:

- A SWOT analysis to look at overall features
- A review of the current customers
- A review of the organisation’s product ranges
- The organisation.

Competitive company	Market share	Turnover	Profitability	Geographical coverage	Major brands	International links	Marketing methods	Key strengths and weaknesses
Potential competitive company								

Figure 10.5 The competitor audit for the tour operator

The SWOT Analysis

This technique of audit is often referred to as a SWOT analysis, shown below:

S	Strengths	e.g. brand leader	}	Internal to the organisation
W	Weaknesses	e.g. poor staff training		
O	Opportunities	e.g. growing market	}	External to the organisation
T	Threats	e.g. new legislation		

Some of the factors which appeared in the PEST analysis will reappear in the SWOT analysis. The analysis should also help the organisation to rank the individual items in the categories in order of importance. An example of a SWOT analysis for our hypothetical UK tour operator is shown in Figure 10.6.

One of the important aspects of the SWOT analysis is that the links can be seen between the different categories. The best organisation will be one which can turn threats into opportunities by the effective use of resources. For example, the tour operator may be threatened by the consumer who is worried about environmental issues and tourism. It may turn this threat into an opportunity by using its strength at branding to create a new 'green' holiday brand. This is an example of an organisation linking the items in the audit together in a creative manner.

Strengths	<ol style="list-style-type: none"> 1. Major market position with strong portfolio of brands 2. Ownership of own airline and travel agency chain 3. Good image with customers 4. Excellent marketing and operations staff
Weaknesses	<ol style="list-style-type: none"> 1. National in approach 2. Poor labour relations 3. High cost operation 4. Bureaucratic management culture
Opportunities	<ol style="list-style-type: none"> 1. Growth in market after recession 2. Development of specialist products to meet demand e.g. holidays based on special interests and activities 3. Market entry in other European countries 4. Rebranding to reposition the product range
Threats	<ol style="list-style-type: none"> 1. Entrance of major European tour operators into the UK market 2. Loss of consumer interest in traditional package holidays 3. The potential competition represented by virtual reality 4. New European Union legislation

Figure 10.6 The SWOT analysis for the tour operator

A review of the current customers

The next stage of the audit procedure is to establish who the customers are for the organisation's products and services and find out more about them and their attitudes to its products. This analysis should include:

- (i) The place of residence of customers;
- (ii) Demographic characteristics about the customers such as age, sex and stage in the family life cycle;

- (iii) Whether customers are using the product in their leisure time or when on business;
- (iv) If the customers use the products as individuals or as part of groups;
- (v) Socioeconomic data including education and income;
- (vi) Lifestyles of the consumers;
- (vii) The benefits sought from the product including status, value for money and service;
- (viii) Whether customers are frequent users, occasional users or first-time users;
- (ix) Customers' opinions of the product and the organisation in terms of strengths and weaknesses.

This exercise will demonstrate the different market segments which will have different motivations, different characteristics and display differences in behaviour. Each segment can then be targeted with a different set of messages about the product which can then be communicated through different marketing medias. This concept of 'segmentation' is the key to successful marketing.

It is important to remember that the organisation may also have intermediary 'customers'. For the tour operator, for example, this will be the retail travel agents. The customer analysis must reflect the importance of these 'customers' as well as the final 'customers'.

As well as finding out about existing customers, the organisation will also need to look at people who are not using their product to identify what they need to do in the future to turn these potential customers into users of the product. When the organisation is looking to market their product outside their own national boundaries, this will involve a detailed look at the potential customers in the new markets.

Market research is an essential prerequisite for an organisation to analyse its markets in the ways outlined above. Research data needs to be comprehensive, accurate and up-to-date which means it is often expensive to gather. There are, however, relatively inexpensive but useful methods of collecting data that can be used including surveys of holidaymakers on their returning flights.

A review of the organisation's product ranges

The next part of the audit will be to review the current product range. The organisation should evaluate the products it offers, both individually and as a range or portfolio. Products in the leisure market are often an intangible experience rather than a tangible good and are therefore often difficult to analyse. Nevertheless, it is important for the organisation to systematically examine what it offers to customers.

It is important to remember here that the customer is buying *the benefits* of the product, rather than just the product itself. The examination of the products offered by the organisation should look at the factors shown in Figure 10.7.

The level of branding of the product will be a particularly important aspect of this analysis, since it is the branding which will give the product the 'added value' appeal to the customer. A leading brand will communicate an aura of quality and reliability which will provide competitive advantage over lesser-known brands.

The position in the *product life cycle* is also of concern for all the organisation's products. Products which have just been launched will be costing the organisation money, with the hope of financial rewards later on. Products which are in maturity, on the other hand, will be hopefully bringing the company substantial cash turnover.

Product	Core attractions	Service component	Image and reputation	Branding
Holidays for the elderly	Ready-made package holiday	Care and attention of all staff	Leading prestigious and reliable company	Strong brand name – X
Guarantees and warranties	Main competitive products	Pricing policy	Distributor	Promotion
After-sales help (money back offers)	Other major tour operator	Value for money (all inclusive)	Via retail travel agents and direct sell	Company advertising (high quality brochure)
Position in the product life cycle	Profitability	Other factors		
Recently launched (still in growth stage)	Will break even this year	Recognised as 'premier' product in this market (first to be launched)		

Figure 10.7 Analysis of the product range of the tour operator

Strategic Business Unit

The concept of strategic business unit is important in the marketing planning process. The SBU is a division of product line, or other profit centre within an organisation that sells a distinct set of products and/or services to an identifiable group of customers. This set of products will compete against a well-defined set of competitive products. Costs

and revenue are directly attributable to the SBU, and should be monitored and evaluated in an effective controlling system. The SBU should also be regularly researched through marketing information systems.

The concept of SBU can be applied to any type of organisation. Later on in this chapter, the model will be developed for the tour operator. Before this, the concept of the SBU will be applied to hospitality organisations.

The concept of the SBU was adapted for the hospitality organisation by Teare et al. (1994). They suggested that a typical hotel could develop a leisure-based business portfolio, for example. This idea has been developed into a model shown in Figure 10.8.

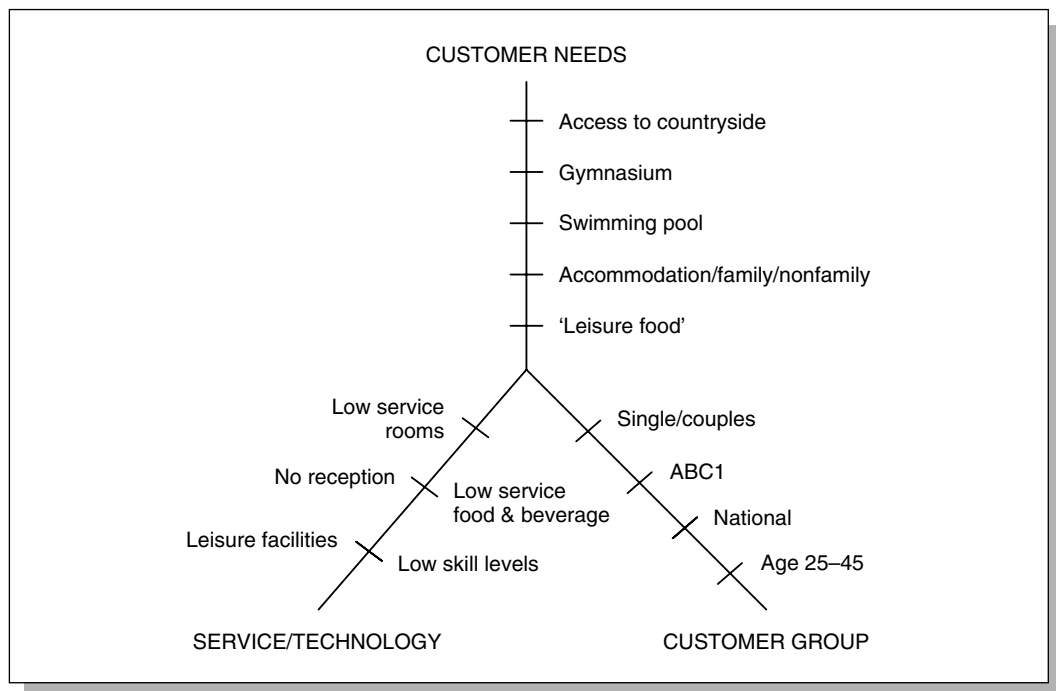


Figure 10.8 Definition of a leisure-based hotel business portfolio

Product portfolio

One method of analysis which is used to help with the marketing planning process is the idea of product portfolios. This is based on the idea that products which are sold by organisations cannot be treated in isolation, but must be looked at as being parts of SBUs, or within product portfolios. An example of product portfolio, for a tour operator, is shown in Figure 10.9. It can be seen that this tour operator has divided his business down into four SBUs. Within each SBU, there are a series of brands which make up the business unit. The idea of a product portfolio is that the organisation should meet its objectives by balancing sales growth, cash flow and risk. It is essential that the whole portfolio is assessed regularly and that the organisation has an active policy of getting rid of old products and developing new products.

STRATEGIC	<i>Summer sun</i> Brand A Brand B Brand C
STRATEGIC	<i>Winter sun</i> Brand A Brand B
STRATEGIC	<i>Winter sports</i> Brand A Brand B
STRATEGIC	<i>Long-haul holidays</i> Brand A Brand B
STRATEGIC	<i>Specialist markets</i> Brand A Brand B

Figure 10.9 An example of a product portfolio for a tour operator

Various models have been suggested which aim to help the marketing planner with their analysis of the product portfolio of an organisation. One of the most famous of these is the *Boston Consulting Group (BCG) product portfolio analysis*.

The BCG approach is based on the philosophy that *relative market share* and *market growth rate* are important considerations in determining marketing strategy. All the organisation's products are integrated into a single overall matrix.

The overall matrix can then be evaluated to determine the appropriate strategies for individual products or SBUs. The measure of market share used in the BCG Matrix is the product's share *relative* to the organisation's largest competitor. This is important because it reflects the dominance enjoyed by the product in the market.

The BCG Matrix suggests that products can be categorised into four main groups:

1. The *star* is probably a new product which has achieved a high market share in a growing market.
2. The *cash cow* is a leader in a market where there is little additional growth. These are excellent generators of cash.
3. The *dog* has little future and can be a cash drain on the organisation. The organisation should be thinking of divesting this product unless there is good reason to keep it.
4. The *problem child* (sometimes referred to as a question mark) is a product which has not yet achieved a dominant market position or perhaps it has slipped back from a better position. The organisation will seek to move the question mark product into the star category.

The BCG Matrix can be used to show market position of products. This is shown by the area of each circle which is plotted on the matrix. The bigger the area of the circle, the better the product's contribution to the total organisation's sales volume. An example of the BCG growth share matrix applied to the tour operator's product portfolio is shown in Figure 10.10.

It can be seen that the area of the circle for each product represents the contribution of the product to the overall organisation's sales volume. The company can start to plan what to do with each of these products, armed with this information.

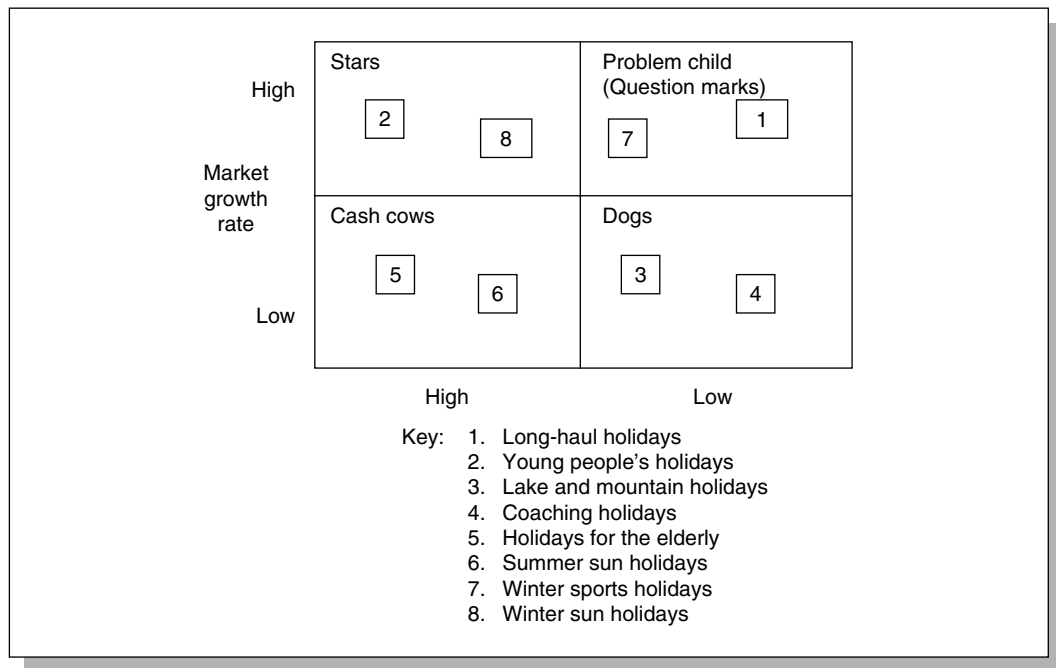


Figure 10.10 BCG growth-share matrix applied to a tour operator

To summarise, therefore, the audit of the organisation's product range should include a product life cycle for each major product. It should also contain a product portfolio matrix showing the present position of the products.

The organisation

A number of characteristics and features of the organisation are relevant to the marketing of its products and should be included in the current marketing situation analysis, including the following:

- (i) The influence of marketing within the corporate decision-making structure relative to other functions such as finance and operations and the attitude of the organisation as a whole towards marketing.
- (ii) The culture of the organisation – is it innovative, adventurous, dynamic and risk-taking or traditional, cautious, bureaucratic and stagnant?
- (iii) The financial performance and resources of the organisation and the degree of control it exercises over its budgeting and financial management.
- (iv) What are the strengths and weaknesses of the staff and how willing is the organisation to invest in training and staff development?
- (v) To what extent do managers and staff have the power to make decisions and show initiative?

- (vi) The mission statement, objectives and corporate strategies of the organisation.
- (vii) The organisation's suppliers and its relationship with them.
- (viii) The organisation's approach to quality and its quality control system.

This section should establish how the organisation as a whole obstructs or facilitates the marketing function.

Conclusion

By this stage of the marketing planning process, the organisation should have a clear view of its current marketing situation and direction. The next stage of the process is for the organisation to decide its future direction and where it wants to be at some future date. This involves the setting of objectives and the basis for the creation of a marketing strategy to guide the organisation towards its desired future destination.

Discussion points and essay questions

1. Outline a model for a marketing audit and explain the main reasons why it may be difficult for organisations to follow this model in reality.
2. Explain the ways in which an organisation might seek to establish its current market position.
3. Critically evaluate the contribution which the BCG Matrix can make to an organisation's analysis of its current situation.

Exercise

Select *one* of the following organisations:

- Cathay Pacific Airlines, Hong Kong
- Ryanair, Ireland
- Sun City, South Africa
- Legoland, Denmark
- Hermitage Museum, St Petersburg, Russia
- The Mardi Gras Gay Festival, Sydney, Australia.

Or a similar organisation.

For your chosen organisation, you should carry out a detailed SWOT analysis.