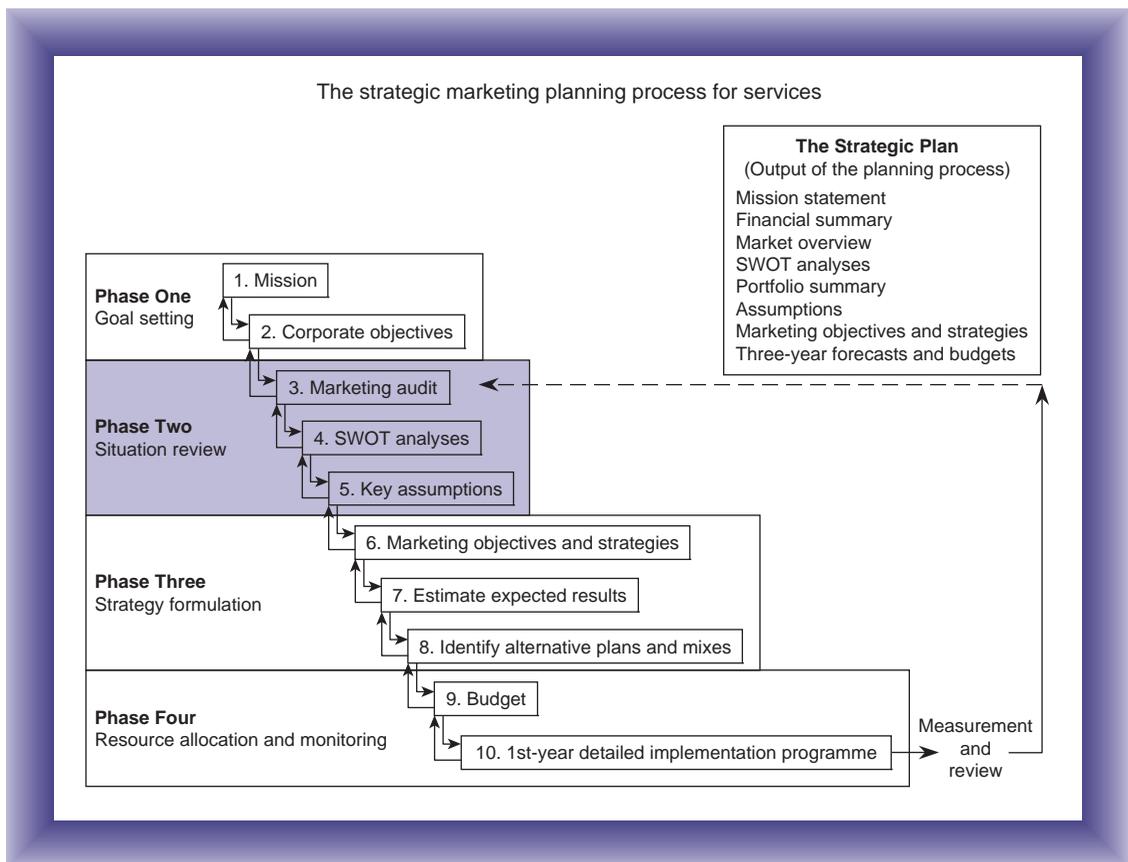


# 7 Marketing planning Phase Two: the situation review (Part 2)

This is the second part of the situation review, in which we introduce some important tools such as life-cycle analysis and portfolio management to help service companies to understand better the factors they have to deal with in their strategies.



## Sub-audit 2 Competitive position

In any market segment, there are likely to be one or two critical factors which are the key to success, when looked at from the customer's viewpoint.

There is empirical evidence that 20% of any given population can account for 80% of a result (Pareto's law). In the same way, just as 20% of customers can realize 80% of the sales revenue, or 20% of the possible causes can be responsible for 80% of the total rejects, then just 20% of the possible factors can account for 80% of customer satisfaction.

For example, in the fast-food restaurant business, although customers might seek a wide range of things, their overall satisfaction level can be attributed to just a few. These are called the critical success factors. Let us suppose that research showed these to be:

1. Served quickly (30%)
2. Always a seat (30%)
3. Clean surroundings (25%)
4. Reasonable choice (15%)

Market research should be used to establish customer preferences

It would also be possible to establish by research the relative importance of these factors, as shown by the figures in the brackets above. This means that these customers pay high regard to being served quickly and being able to find a seat. Cleanliness is not quite as important, and having a choice is lower still in their scale of priorities. With this information available, it becomes possible to make a comparison with the main competitors and establish the restaurant's relative strengths and weaknesses, as shown in Figure 7.1.

The first column of figures in Figure 7.1 represents raw scores out of 100, which reflect the extent to which the various fast-food restaurants comply with the listed critical success factors. This shows that, when it

|                   | Weight      | Our company | Competitor A | Competitor B |
|-------------------|-------------|-------------|--------------|--------------|
| Served quickly    | (.30) ×     | 80 = 24     | 70 = 21      | 60 = 18      |
| Always a seat     | (.30) ×     | 50 = 15     | 80 = 24      | 90 = 27      |
| Cleanliness       | (.25) ×     | 90 = 22.5   | 70 = 17.5    | 80 = 20      |
| Reasonable choice | (.15) ×     | 90 = 13.5   | 60 = 9       | 60 = 9       |
| <b>TOTALS</b>     | <u>1.00</u> | <u>75.0</u> | <u>71.5</u>  | <u>74.0</u>  |

**Figure 7.1**  
Example of competitive advantage calculation

comes to speed of service, our company scores 80, which is better than the scores of 70 and 60 of the competitors. However, in terms of seating, our company scores the lowest.

The raw scores are multiplied by the weighting factors established earlier. By adding the adjusted scores, it is possible to arrive at a total which reflects the overall competitiveness. In the example, it shows that our company leads the field, with company B second. However, as all scores are a long way from the perfect 100, there is clearly room for improvement and if our company makes some improvements, it could easily lead the field by a considerable margin.

This type of analysis also discloses other useful information about how this might be achieved, as follows:

- The seating arrangements must be improved in our company.
- The speed of service can also be further improved.
- Too much choice is being offered (hence slowing service and perhaps increasing costs).

This example has obviously been made simple to illustrate the point, yet the principles behind it can be translated into any type of business.

As companies find themselves in increasingly fierce trading conditions, it becomes ever more important to be clear about competitive strengths and weaknesses, which may, of course, vary by segment served.

We should stress here that this process, which effectively constitutes part of the strengths and weaknesses (SW) analysis of the SWOT (discussed later in this chapter), is fundamental to the setting of marketing objectives and strategies, so great attention should be paid to this process.

Great attention should be paid to completing SWOT analyses

Competitors will have already featured in analyses of the service's competitive advantage and possible positioning. In fact, like marketing planning itself, all the components considered at the audit stage are interrelated. For example, it is very difficult to consider the service product without connecting it to organizational strengths and weaknesses, competitor activity and the state of the environment at large. Nonetheless it is worthwhile, at least initially, considering the various sub-audits separately in order to bring discipline to the overall marketing audit.

The information which is most valuable in terms of the competitor audit is that which concerns the company's major rivals. To attempt to find out about every competitor would clearly be too costly and time-consuming. What is of particular interest will be knowledge about their:

- Goals and objectives
- Market place behaviour
- Market share
- Growth
- Service quality
- Positioning
- Operations and resources
- Marketing mix strategies.

Without being unethical in any way, much of this information can be gathered from competitors' publicity materials and annual reports, from analysing their communications strategy, from talking to their customers, studying their exhibition stands, carrying out specific market research studies, and so on. Indeed, much of the analysis described earlier in the section on the service audit could not be accomplished without access to pertinent information regarding competitor activity.

Each competitor's service offer and organization has to be put under close scrutiny in much the same way, and with equal rigour, as the company examines its own services, strategies and capabilities. To know about one's competitors is to be prepared.

The area of competition analysis, as a formal area of study, has developed greatly in the past decade.<sup>1</sup>

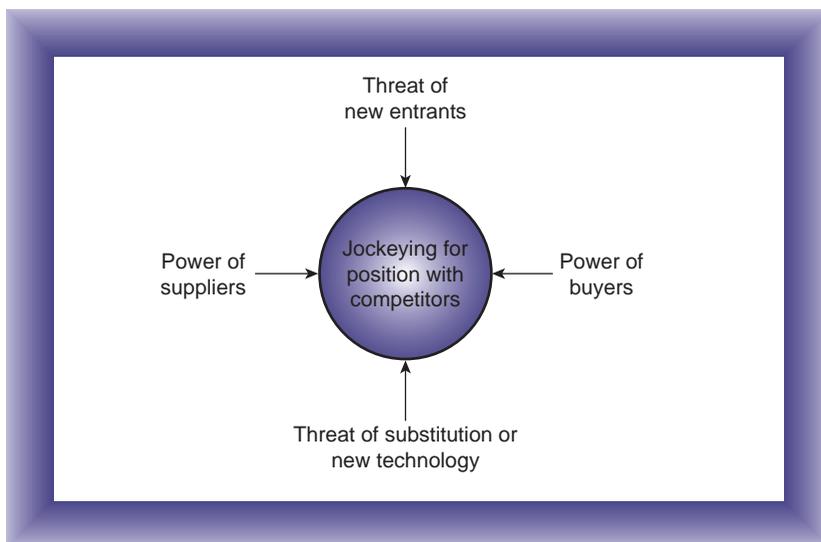
By carrying out the competitor audit thoroughly, the company can be proactive about the future, rather than being reactive and running the risk of finding itself beaten by the opposition.

Let us now look at the third aspect of the marketing audit.

### **Sub-audit 3 The environmental audit**

While customers rightly occupy much of the attention of the external audit, there are other external factors which can also impact on the service company and, therefore, need to be taken into account. This is the purpose of the environmental audit.

At first sight, scanning the outside world is a daunting task for the marketer, as there is so much to consider that can have a potential



**Figure 7.2**  
Strategic forces  
impacting on service  
organizations

influence on the organization's future success. However, it is essential to approach this audit in a fairly pragmatic way and look at only the most critical factors which can affect the business. There are two frameworks which can help with the task of focusing on these critical factors which we will now examine.

Some of the areas for consideration are highlighted by the work of Porter<sup>2</sup> who has identified five areas which will have significant impact on the company's profitability (see Figure 7.2). These are:

1. The success with which the company is *jockeying for position among current rivals*. This means that not only must the service company be aware of its own position, it must also understand its rivals' ambitions and strategies.
2. The environment must also be viewed from the perspective of *identifying new players*, perhaps foreign companies who are looking to expand, or cash-rich firms who are seeking to diversify into our field.
3. *New technology or substitute services* might also pose a threat or an opportunity to the company and should be reviewed on a regular basis.
4. *The power of buyers* might be increasing or decreasing and it is important for the company to understand what forces are at play for this to be happening.
5. Equally, the *power of suppliers* might be shifting in a way that is increasingly helpful or unhelpful to the company's ambitions. Again, the underlying environmental factors that cause this to be happening must be understood.

A detailed audit of these five forces will help to understand the prospect for future profitability of the service organization.

Another model which provides guidance is one that is discussed in Chapter 1, which described six market domains. These were:

- Customer markets (discussed above in Sub-audit 1)
- Referral markets
- Influence markets
- Recruitment markets
- Supplier markets
- Internal markets (this will be addressed in the organizational audit).

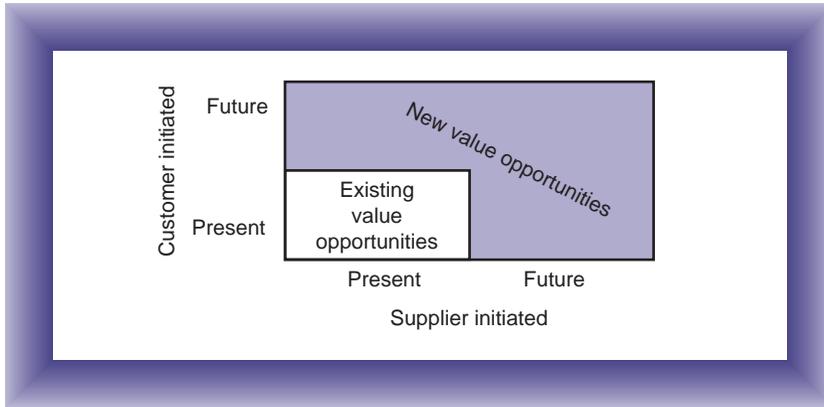
It clearly makes sense for the service company to appraise its position within these markets, to be aware of trends within them, and to decide whether or not it could benefit from changing the way it relates with them.

Finally, the environmental audit should address some of the political/social/legal/economic factors that will have a significant influence on the business. For example, will government fiscal policy have an undue detrimental effect on the business? Are there legal changes or tax incentives which will make it more attractive for customers to buy? Will currency exchange rates work for or against the company? There are clearly a number of questions of this nature which have to be asked – and answered.

We recommend that the environmental issues that need to be addressed should be specified in sufficient detail by each area to ensure that only relevant data and information are collected.

There is sometimes a blinkered approach adopted by service organizations with respect to the environmental audit. There is a naïve belief that external factors will affect all competitors equally and that, somehow, the status quo will be maintained. This is patently not true and companies that adopt such a posture may find themselves overtaken by their smarter and wiser contemporaries.

Environmental audits will be increasingly important in the future. Hamel and Prahalad<sup>3</sup> have argued that future opportunities are to be found in the intersection of changes in technology, logistics, regulation, demographics and geopolitics. They point to the opportunity that television channel CNN found for global 24-hour television. This grew out of changes in lifestyle (longer and less predictable working hours), changes in technology (Handicam video cameras and highly portable



**Figure 7.3**  
The danger of 'current focus'

satellite linkages), and changes in the regulatory environment (licensing and subsequent dramatic growth of cable television companies).

Successful companies such as 3M and Sony rely as heavily on their own creativity and intuition with respect to new market developments as they do on market research. Customers often cannot clearly articulate their future needs, and companies which do not think outside their traditional mindset may find their customers turning to those that do. Figure 7.3 emphasizes the danger of being overly concerned with 'current focus' at the expense of emerging or potential opportunities.

A good example of such creativity is the initiative launched by Starbucks when they introduced their mobile internet service in the early 2000s, enabling customers to have wireless internet connection in Starbucks' retail coffee outlets. This initiative, summarized in Figure 7.4, resulted in a significantly enhanced revenue stream through an initial subscription service as well as increased revenue in its core business. Furthermore, many of the customers using this service did so outside peak times. The revenue model changed over time. As wireless networks became more prevalent Starbucks reduced pricing and had a set fee for two hours of internet use. From 2010, the service in the US became free. Customers who have a registered Starbucks loyalty card can now get two hours of free wireless internet access. Wireless networks have now been replicated by other companies such as McDonald's, but Starbucks have a 'first mover advantage' and customers have formed a 'Starbucks' habit'.

## Sub-audit 4 Auditing the services and products

The services and products currently on offer are generally the things the company knows a lot about. However, sometimes it is possible to be too close to be truly objective about them. Nevertheless, the company must learn to be equally critical about them as it would for all other parts of the marketing audit. In this section we discuss auditing the organization's services and products and look at some tools, including positioning and lifecycle analysis, that are useful in undertaking this sub-audit.

### Starbucks' wireless internet initiative

- Starbucks' 'T-Mobile Hot Spot service' offered wireless Internet connectivity in about 2,000 initial locations in the US and Europe in early 2000s.
- Used technology to enhance its core offer – the Starbucks experience.
- \$5 for a cup of coffee and initially \$49.99 per month for a wireless connection. Later they charged for two hour blocks of usage. From mid 2010 the service became free.
- The average network customer is in the store 45 minutes, which exceeds average, 90% outside peak times; they buy more products and create revenue from the wireless network subscriptions
- Starbucks aims at becoming the 'other place' in people's lives where they can be connected to the Internet.
- Wireless access replicated by others, but customers had formed a 'Starbucks' habit'.



**Figure 7.4** Starbucks' 'T-Mobile Hot Spot Service'

Most organizations offer more than one service. Sometimes, these are variations on a theme, as when a restaurant offers a takeaway service, outside catering, and special functions, in addition to its normal provision. Equally, the company might offer distinctly different services, as with a leisure group which is involved in hotels, cinemas, golf complexes and airlines. Each service might come under attack from the same competitors, or there might be a range of different competitors who challenge each service. It is increasingly rare for a service organization to be in the position of a monopoly supplier, because services are relatively easy to duplicate, and they cannot be specified and patented in the same way as a product. Many former service monopolies are now subject to competition from new entrants.

### ***How differentiated is the service product?***

It has long been recognized that, when selling a service, the notion of a 'unique selling proposition' can give the salesperson a compelling advantage over competitors.

However, the USP (as it is called in its abbreviated form) can only exist if the service's unique features can translate into unique benefits.

Therefore, one of the main purposes of the service product audit is to analyse the relative strengths and weaknesses of the company's range of services in comparison with those offered by competitors and help identify points of differential advantage.

### **Features, advantages and benefits**

Sometimes there is confusion about the difference between features, advantages and benefits, even among sales staff. In order to clarify this, it should be remembered that features are the physical characteristics of the service. For example, in the case of a hotel, these might be:

- High-quality accommodation
- French cuisine
- Tennis and golf available
- Trained staff to look after children
- Friendly and informal atmosphere
- Above-average prices.

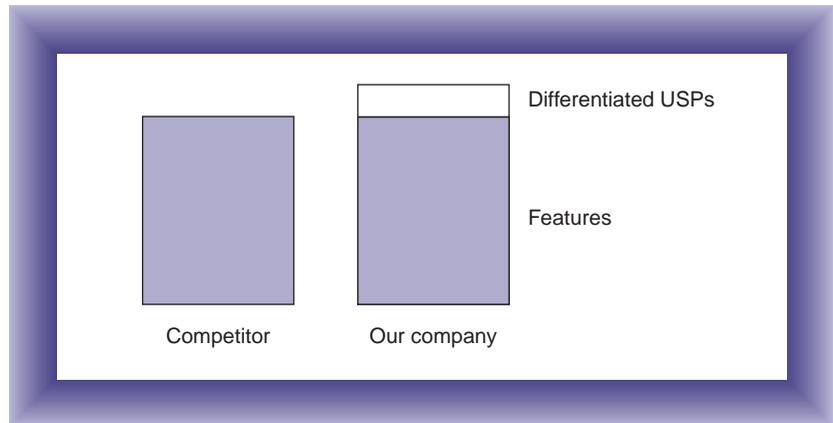
An advantage is what the service does. For example, high-quality accommodation provides luxuries similar to those in your own home.

A benefit is what the feature provides for the customer *that he or she seeks*. Thus, features and advantages can exist without customers, benefits never can. How a feature translates into an advantage can be illustrated thus:

| <b>Feature (what it is)</b> | <b>Advantages (what it does)</b>                                |
|-----------------------------|---|
| Tennis and golf available   | You can unwind<br>You can keep fit<br>You can improve your game |

However, even in this example, there are the seeds of a problem. Suppose some guests arrived at a hotel with the express notion of leaving the children and improving their golf, only to find that the course was filled with amateurs, with little experience, whose objective was to unwind. The former, quite naturally, would be very disappointed. This illustrates that, without knowing a lot about the *benefits* required by customers (from the customer audit), it can be difficult to make a sensible appraisal of the service product.

From what we have said, it is clear that a service organization needs to be able to identify the degree of differentiation of its services when



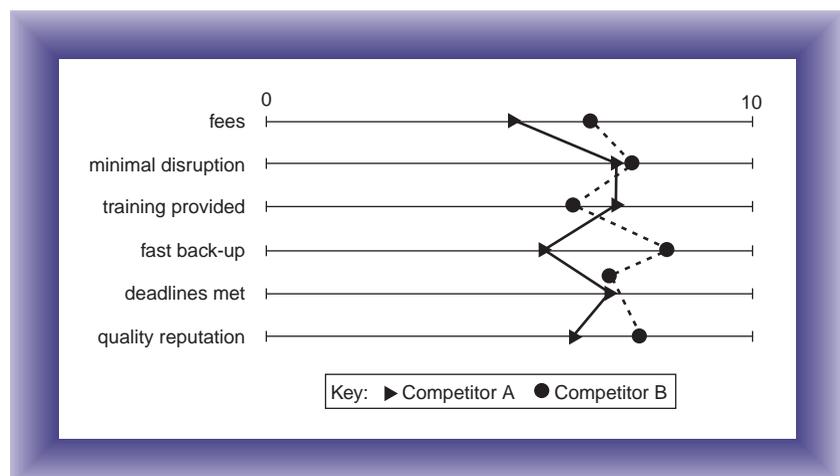
**Figure 7.5**  
Comparison of service features

compared with those of its competitors. It is also essential to understand whether these differences match the benefits required by the target segments.

In Figure 7.5 a competitor’s service product is shown to be matched by ours in every respect (the shaded areas). Yet, our company offers some added features which differentiate the service and provide unique selling propositions. These, however, are not necessarily benefits unless they appeal specifically to certain groups of customers.

Of course, with such a comparison, one could equally be disadvantaged when a competing service possesses features that ours does not have. In these circumstances, it would make good sense to try to make the lesser service more competitive by developing these added features, or something even better.

While it is a useful starting point to identify the differential features and advantages, we need to adopt a more systematic approach to benchmarking our products and those of our competitors, as shown in Figure 7.6.



**Figure 7.6**  
Example of comparative analysis – a software company

Figure 7.6 shows a comparison for a computer software company between their services and those of a competitor scored over a number of features, on a 0–10 scale. We can see that in terms of fees, Competitor B charges more. Both of them provide relatively little disruption to existing work practices, but A provides better training than Competitor B. By contrast, they underperform when it comes to back-up services and reputation for quality.

From an analysis like this, it becomes possible to see where a service product performs better or lags behind those against which it is competing. This should be considered not only on aggregate, but also the feature's relative importance within different market segments should be reviewed.

It is a relatively small step from this type of diagnosis to setting 'benchmarks', or standards, which represent the best practice in each area, thereby measuring the service product against the highest possible relevant standards, not just those of the nearest competitor.

Many service companies are now adopting this type of approach in order to become more competitive.

### ***Service product positioning***

Irrespective of what the company puts into its service product, it is the customer's perception which determines whether or not it is successful.

After all, with 'blind tests' on products, customers often cannot tell the difference between brand X and brand Y. Restore the original brand names, however, and it is another story. Such is the power of branding and the image and expectations it conveys. Because services are intangible, perceptions become ever more important.

It is possible to develop and communicate a differential advantage that makes the organization's service superior and distinctive in the perception of target customers. This is known as positioning. This differentiation can be based on objective criteria (which are fact-based) or subjective criteria (which are more concerned with image and communications).

Positioning can be based on objective or subjective criteria

Every service has the potential for being perceived as different by the customer, because buyers have different needs and are therefore attracted to different offers. The service organization should be keen to discover what differences it can offer which meet the following criteria<sup>4</sup>:

- *Importance* – The difference is highly valued by a sufficiently large or attractive market.
- *Distinctiveness* – The difference is distinctly superior to other services which are available.
- *Communicable* – It is possible to communicate the difference in a simple and strong way.
- *Superiority* – The difference cannot be easily copied by competitors.
- *Affordability* – Target customers will be willing to pay for this difference, i.e. it represents value to them.
- *Profitability* – The service company will achieve additional profits as a result of introducing the difference.

A service company wishing to reappraise its positioning (which already exists in the customers' minds, *even if* it is not the company's intention) should determine which attributes and differences to promote to its target customers. Some marketers advocate promoting a single benefit and striving to gain recognition as leader for that particular attribute. Others recommend that promoting more than one benefit will help to carve out a special niche which can be less easily contested by competitors. Whatever the choice, a successful positioning strategy must take into account existing customers' perceptions of competing market offerings. From this starting point, the company determines the attributes which customers value, but which are not being met by other services. It can then develop and promote these particular aspects of the services it offers. By adopting this approach, it follows that the service organization may have a different positioning strategy for each service and market segment.

While the main emphasis of this chapter is on the positioning of the *goods and services* delivered by the service organization, it must be remembered that positioning can be considered at several levels:

- *Industry positioning*, which seeks to improve customer perception of a service industry as a whole.
- *Organizational positioning*, which seeks to position the organization as a whole.
- *Product sector positioning*, which seeks to position a range of related products and services being offered by the service company.
- *Individual product or service positioning*, which addresses the positioning of specific services.

There should obviously be integration between these levels where companies are positioning at more than one level. Companies need not necessarily be concerned with all of these levels of positioning, just those which hold the prospect of giving it some commercial advantage. It is also advantageous to monitor what major competitors are doing, because shifts in their positioning strategy might require some level of response.

Figure 7.7 illustrates the levels of positioning which might be considered by a bank. In many ways the services and the service sector levels of one bank are very much like those of another, making it important to try to establish superior and differentiated positioning. For this reason, in recent years there have been considerable efforts made at the organizational positioning level, leading to a considerable proportion of total advertising spend being channelled into corporate advertising.

In spite of this, however, in the banking and insurance sectors, very few brands have managed to create a complete set of perceptions in people’s minds. A question such as ‘What does Barclays offer which is different from Lloyds TSB?’ would probably lead to a puzzled silence. The large majority of consumers cannot differentiate significantly between the brands of major banks and insurance companies, in spite of the billions of pounds spent each year on advertising. Exceptions such as First Direct are rare, whereas in the airline industry, there is a clear differentiation between Virgin, Lufthansa and Singapore Airlines. The infamous British Airways advert ‘We take more care of you’ failed precisely because they forgot to tell their staff!

The challenges marketers face when establishing service brands is illustrated by the history of the UK insurance sector during the last 25 years. Characterized by complex products, pushy salespeople and little understanding of the role of marketing, this translated into a low

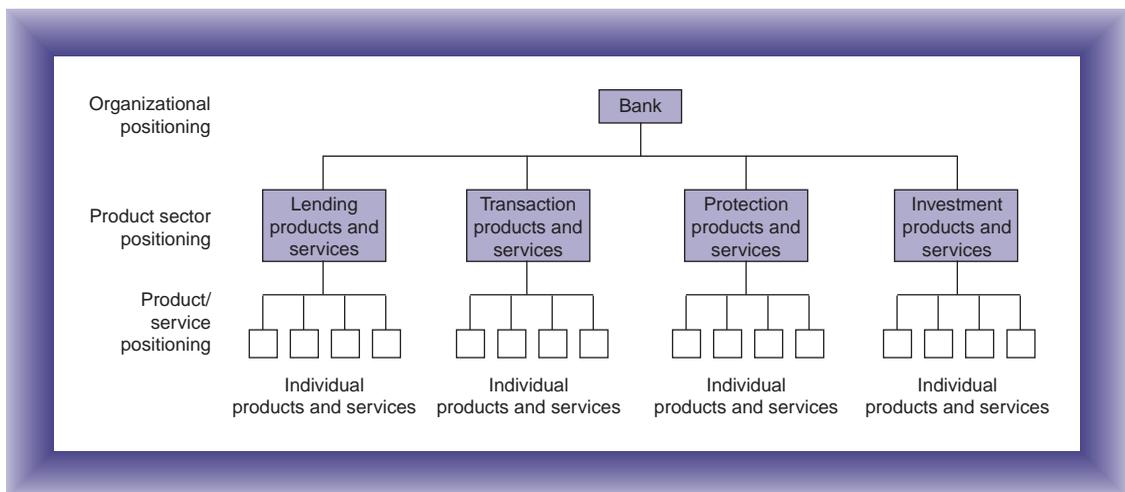


Figure 7.7 Examples of levels of positioning for a bank

degree of brand differentiation. Most companies appointed advertising agencies with a fast-moving consumer goods (FMCG) background, which led to name awareness adverts rather than communicating the benefits of the different insurance brands.

The result was that consumers regarded the products as commodities and intermediaries could therefore easily eliminate a brand from their product portfolio because no one really cared. Just imagine what would happen if Tesco tried to eliminate Heinz, Kellogg's, Mars and Persil from their portfolio!

The deregulation of the UK financial services market in 1986 increased the degree of competition in the insurance sector, allowing other players such as banks to enter the market. This decreased the importance of insurance brokers and responsibility for choosing insurance products moved inexorably towards the consumer. Insurance companies, however, failed to adapt their communication strategies, their point-of-sale material, or their follow-up literature in response to this new consumer power, which positioned the product's generic features in largely technical language at the expense of any competitive brand positioning.

With consumers' ever-increasing demand for better quality, enhanced service and greater convenience, banks and other financial services providers need to learn from companies like Tesco how to transform a commodity into a strong brand. This raises the question about what constitutes a powerful brand and why the financial services sector needs to move away from the traditional FMCG model.

First, a brand is a name, symbol or design on a product, service, person or place. A successful brand, however, creates sustainable competitive advantage for its owner through superior market performance because users perceive unique, relevant added values which match their needs most closely. As Tim Mason, the former Tesco UK marketing director, said: 'Pseudo brands are not brands. They are manufacturers' labels. They are "me too" and have poor positioning, quality and support.' IBM, Cadbury and Tesco are excellent examples of successful corporate brand names, while Persil, Nescafé, Dulux, Castrol GTX and Intel are excellent examples of product brand names.

Second, financial service companies need to realize that the brand is more important than the products they sell. Like the grocery market, banks lack a physical product. A service brand, therefore, is based entirely on the way the company does things and on its values and culture. This is because a customer's perception of the brand depends on individual interactions with the staff of the company.

So brand building needs to be undertaken from the bottom up and involves a profound analysis of every aspect of the interaction between the customer and the company.

Aviva, formerly Norwich Union, subtly and gradually changed its logo to replace lots of regional brands. But it also undertook top to

bottom development training at Cranfield to underpin its rebranding with company-wide customer orientation.

The current lack of differentiated powerful brands in the financial services sector clearly illustrates the overall challenges associated with services branding and the need for a new mindset. A successful service brand has to be based on a clear competitive position, requiring the involvement of the entire company. The brand's positioning and benefits should then be communicated to target market segments, taking account of the differing preferences of the members of these segments. This is precisely what differentiates Tesco from ASDA and which accounts for their phenomenal success.

### ***The process of positioning***

Service positioning involves five action steps:

1. Determining levels of positioning
2. Identifying the key attributes which impact on selected segments
3. Locating these attributes on a positioning map
4. Evaluating other positioning options
5. Implementing the new positioning strategy.

It will be useful to look at each of these steps in more detail.

#### **1. Determining levels of positioning**

Often, the level (or levels) of positioning required is fairly self-evident, because it needs to be consistent with the organization's strategy for succeeding in a given market segment. If the service itself has a strong image or brand, it makes good sense to promote this continually. Conversely, the service might be more of a 'me-too' offer. In this latter case, organizational positioning can be a key strategy for success.

Positioning at a product sector level is now used widely among hotel chains with different types of hotel types. For example, Marriott Hotels have the following hotel 'products', each of which has different positioning:

- Marriott Hotels & Resorts
- JW Marriott Hotels & Resorts
- Renaissance Hotels & Resorts
- Courtyard
- Residence Inn
- Fairfield Inn

Marriott Conference Centers  
TownePlace Suites  
SpringHill Suites  
Marriott Vacation Club International  
The Ritz-Carlton  
Ramada International Hotels & Resorts Marriott ExecuStay  
Marriott Executive Apartments

Among these hotel offers, JW Marriott Hotels & Resorts are positioned as high-quality hotels with exquisite architectural detail and fine dining. Courtyard are hotels designed for business travellers: they provide all the essential services and amenities for business travellers to stay productive while on the road. For extended stays away from home, Residence Inn helps guests maintain a balance between work and life. Spacious suites with full kitchens combine home-like comforts with functionality. The Ritz-Carlton flagship hotels provide the ultimate in luxury and service with among the finest personal service and facilities in the world.

## **2. Identifying the key attributes**

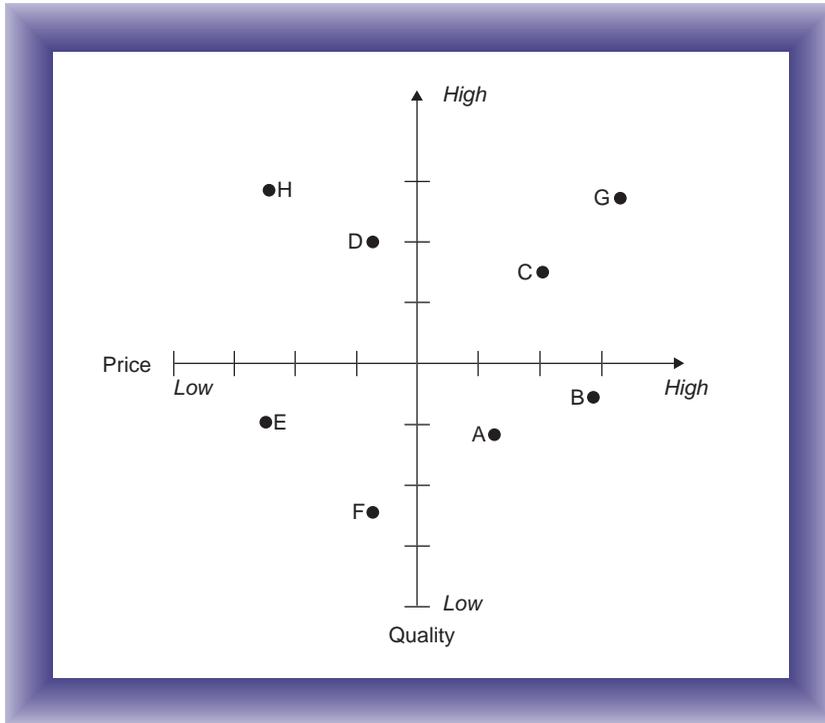
In order to identify the key attributes, it is important to focus on specific market segments and, in particular, on how the purchasing decisions are made. A consideration of the decision-making unit can also help identify key attributes.

Usually, research is carried out to identify the salient attributes and specific benefits required by a target market segment. What must be remembered is that customers make their purchase decision on the basis of *perceived* differences between competing offers. In themselves, what customers look for might not be the most important attributes as perceived by the service company. So, for example, customers' perceptions of a restaurant might rely more on how they are treated by the waiters than on the quality of the meal they are served. Similarly, the decision to invest in a private pension might owe more to the behaviour of the salesperson than to the investment record of the pension fund.

A range of techniques is available to the researcher charged with identifying key attributes. Most of these are computer-based and include perceptual mapping, factor analysis, discriminant function analysis, multiple correlation and regression analysis, and trade-off and conjoint analysis. However, these rather specialized techniques are in the province of the researcher rather than the marketing manager. For that reason, it is not our intention to elaborate on them here.<sup>5</sup>

## **3. Locating attributes on a positioning map**

Usually, two dimensions are used on positioning maps and these are chosen to reflect key customer preferences. Thus, for example, if for a given service these attributes were price and quality it would be



**Figure 7.8**  
Example of a  
positioning map

possible to construct a map as shown in Figure 7.8. On such a positioning map, it then becomes possible to plot the various competing services. Of course, in order to plot them accurately, it means that the two axes are graduated in suitable scales. With such data available in this form, it can be seen at a glance how the various services compare. For example, companies E and H offer a service at a similar price, but the latter provides a much higher level of quality. Similarly, companies H and G provide almost identical quality, but G is far more expensive.

Positioning maps can be based on either objective or subjective attributes, or on some combination of the two. For example, a pensions company developed a map which had an objective axis ('proportion of investments used to cover administration'), and a subjective axis ('friendly and courteous service').

In addition to allowing comparisons to be made, such maps can also indicate the area of core demand, which in Figure 7.8 would be the top left-hand quadrant, i.e. high quality/low price – the most attractive combination for customers. Knowing the core demand area enables the company to devise how it can best reposition any of its services which fall outside it. The repositioning task might require a significant communications and advertising campaign being used to alert customers to the changes which are taking place.

Sometimes the area of core demand is not quite as obvious as in the example above. An example of this might be where there are different

segments with different preferences. In these circumstances, further analysis is required and a technique which was mentioned earlier, i.e. cluster analysis, can be used to identify groups with similar interests. From this, it becomes possible to identify the positioning dimensions which are significant to different market segments.

In highly mature markets, brands are likely to be positioned close to one another, thus indicating that the basic functional or physical characteristics are less likely to be the sole basis on which a product or service is selected.

This brings us to the final component, brand personality. Stephen King said that a product is something that is made in a factory; a brand is something that is bought by a consumer. A product can be copied, but a successful brand is unique and, particularly in mature markets, is a key discriminator in the marketplace.

Brand personality is a useful descriptor for the total impression that consumers have of brands, and in many ways brands are like people, with their own physical, emotional and personality characteristics. Brands are very similar, in that they are a complex blend of physical, emotional and personality characteristics. Thus two brands can be very similar in terms of their functions, but have very different personalities.

For example, just as small Fords, Peugeots, VWs and Fiats all perform about the same along the functional dimensions of size, speed and price, each one has a totally different personality, which is the result of a blend of three sorts of appeal: sensual, rational and emotional. In the same way, any Virgin product or service is seen in a very different light from, say, a British Airways product or service.

*Sensual* appeal, that is, how the product or service looks, feels, sounds and so on, can have an important influence on buying behaviour. It is easy to imagine how this appeal can differ in the case of, say, cigarettes, or cars.

*Rational* appeal, that is, how the product or service performs, what they contain and so on, can also have an important influence on buying behaviour.

*Emotional* appeal, however, is perhaps the most important and has a lot to do with the psychological rewards the products or services offer, the moods they conjure up, the associations they evoke and so on. It is easy to imagine the overt appeal of certain products as being particularly masculine, or feminine, or chic, or workmanlike, or flashy. The point is that, for any brand to be successful, all these elements have to be consistent, as they will all affect the brand's personality and it is this personality, above all else, that represents the brand's totality and makes one brand more desirable, or appealing, than another.

Put at its simplest, it is a brand's personality that converts a commodity into something unique and enables a higher price to be charged for it.

#### 4. Evaluating positioning options

There are three broad options:

(a.) *Strengthening current position against competitors*

Ideally, this is done in a way which avoids a head-on attack. A classic example of this was the campaign of Avis car rental, who created a positive benefit from being number two behind market leaders Hertz. 'Avis is only No. 2, so why go with us? We try harder!' they proclaimed. Not only was this seen as truthful, it also appealed to people's natural sympathy for the underdog.

(b.) *Identifying an unoccupied position on the map*

This option seeks to find a gap in the market. Using this approach, Virgin Airlines established a foothold in the business passenger market with its 'upper class' in a UK market dominated by British Airways. By striving to provide a better all-round service to customers in this segment, this small airline has developed an intensively loyal and growing group of 'advocates'.

(c.) *Repositioning the competition*

In the 1992 General Election in the UK, the Conservative Party was under considerable pressure because it was being seen as the party responsible for creating unemployment and dismantling the National Health Service. For its part, the Labour Party claimed that it would invest in manufacturing, the infrastructure and save the Health Service, all policies with high voter appeal. However, the Conservatives managed to reposition the Labour Party from being investors to being money raisers, i.e. the 'party which stands for high taxation'. This message was repeated with regularity and in no small way helped to reverse what was, according to opinion polls, a potential lost cause. In later elections, however, the Labour Party was able to position itself as the anti-sleaze party, to great effect, only to fall into the same trap as the Conservatives once in office. Their positioning, based on the claim that the economy was in safe hands, was totally destroyed by the 2008 recession.

Regardless of which positioning option is chosen, in order to enhance or sustain a position the following guidelines<sup>6</sup> should be observed:

- The positioning should be meaningful for the target market segment.
- The positioning must be believable. Outrageous claims to be the biggest, or the best, which are clearly untrue will prove to be counter-productive.
- The positioning must be unique. Companies must find a positioning where they can consistently perform better than their competitors in a given market.



|                     |   |
|---------------------|---|
| Market share leader | the biggest                                 |
| Quality leader      | the most reliable products/services         |
| Service leader      | the most responsive, e.g. handling problems |
| Technology leader   | the pathfinder/first to break new ground    |
| Innovation leader   | the most creative                           |
| Flexibility leader  | the most adaptable                          |
| Relationship leader | the most committed                          |
| Prestige leader     | the most exclusive                          |
| Knowledge leader    | the best functional/technical expertise     |
| Global leader       | the best positioned for world markets       |
| Bargain leader      | the lowest price                            |
| Value leader        | the best price utility                      |

**Figure 7.9**  
Examples of  
positioning strategies

Figure 7.9 illustrates ways in which uniqueness might be converted into positioning.

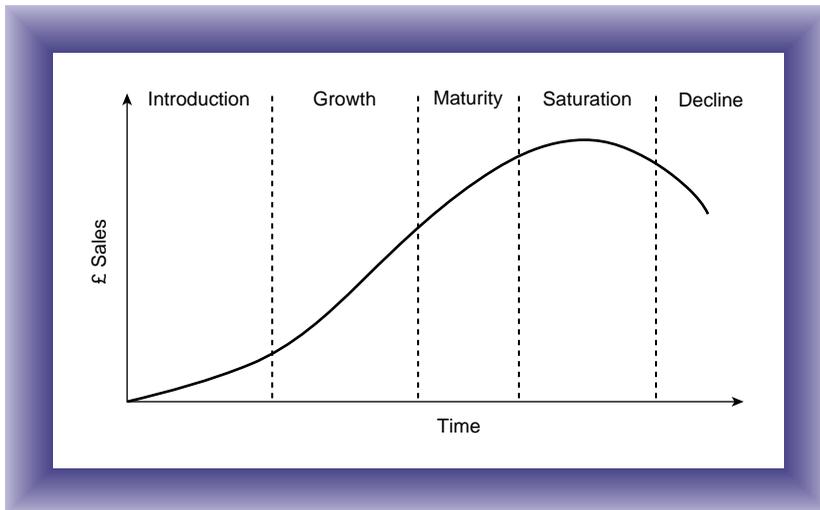
### 5. Implementing positioning

The new or reinforced positioning strategy needs to be communicated in all implicit and explicit interactions with target customers. This involves the service company, its staff, its policies and image all conveying a consistent message which reflects the desired positioning. This has to carry through in all of the tactical marketing and sales activities.

So, for example, for British Airways truly to be ‘the world’s favourite airline’, its entire staff had to refocus on how they viewed the passengers. Staff had to actually care about the customer and, in turn, the airline itself had to demonstrate a caring attitude towards its employees. Its much publicized ‘Putting the Customer First’ campaign was an integral part of a coordinated internal and external marketing strategy. Today, however, British Airways has a massive credibility mountain to climb as a result of the long-running strikes by cabin staff and it remains to be seen whether their positioning strategy will survive.

It must never be forgotten that, like the service itself, a positioning strategy may have a limited lifespan. This means that it should be examined from time to time to ensure that it has not become outdated and that it is still relevant to its target markets.

Because it permits market opportunities to be identified by considering positions which are not met by competitors’ services, positioning helps to influence the improvement and redesign of existing offers



**Figure 7.10**  
The lifecycle curve

and the development of new services. It also allows consideration of competitors' possible moves and responses, thereby providing a further input to strategy formulation.

Above all, positioning involves giving the target market segment the reason for buying your services, which is clearly the whole purpose of marketing.

### ***The concept of lifecycles***

Another key marketing diagnostic tool, which is extremely useful for the purpose of determining appropriate marketing objectives and strategies for the services of an organization, is lifecycle analysis. Historians of technology have observed that many technical functions grow exponentially until they come up against some natural limiting factor, which causes growth to slow down and eventually decline, as one technology is replaced by another. There is empirical evidence which shows that this same phenomenon also applies to products and services.

By plotting the sales of a service over time, the lifecycle curve, shown in Figure 7.10, can be established.

This curve is characterized by five different phases:

1. *Introduction* – Here, there is a slow growth in sales as the new service struggles to get known and accepted.
2. *Growth* – If the service is successful, its sales take off as repeat purchases are made and customers become aware

of it. Not all new services survive long enough to reach this phase. Moreover, the growth potential attracts other companies into this field and so competition also increases.

3. *Maturity* – Since all markets are finite, the rapid growth rate of the earlier phase begins to slow down.
4. *Saturation* – The rate of sales growth eventually levels out. Generally, there are too many firms competing for too little business at this stage. As a result, price wars may break out and there are casualties, or tactical withdrawals, among the competitive companies.
5. *Decline* – Finally, the market itself falls into decline.

These phases in the lifecycle concept suggest that if a product or service is introduced to the market successfully, then the momentum of buying will increase over time. Consumers will try the product or service and will then often repeat their purchase decision. They will also pass on information about the product to others who, in turn, will test the product. However, the market will eventually reach its peak. As the market matures, there are many firms in the market place and price wars are common as competition develops for market share. Eventually, some firms will be forced out of the market, with the most competitive ones surviving. The market will gradually decline as alternative products are offered and fashions change. The market may be sustained for a small volume, with few producers, though this will often be difficult as economies of scale can be lost.

Lifecycle analysis can be a useful diagnostic tool

It is possible to extend the lifecycle by taking tactical actions to combat falling sales such as reducing prices, promoting harder, etc., and also by strategic actions which fundamentally reposition the usage of the service. The 'no frills' airline services in the USA, which have become a viable alternative to motor car travel, are a good example of this.

The lifecycle has been much written about in marketing literature during the last three decades and, from the management viewpoint, can focus attention on likely future sales patterns if no corrective actions are taken. More importantly, the various life phases carry with them implications for changes in the way the service is promoted and priced. Indeed, all aspects of the marketing mix need to be adapted over the life of a service. We shall examine, in Chapter 8, how the marketing strategy for a service should be largely determined by its position in its lifecycle.

An understanding of lifecycles of *services businesses* (as well as their services) is also important. The study of lifecycles in services, in this regard, has been relatively limited to date. However, one study of multisite service firms' lifecycles identified five stages, as follows<sup>7</sup>:

1. *Entrepreneurial stage*: where an innovator offers a service at a limited (often one) number of locations.
2. *Multisite rationalization*: where successful service entrepreneurs add a limited number of locations.
3. *Growth*: where a period of rapid expansion occurs, often through the purchase of competitors or franchising or licensing arrangements.
4. *Maturity*: where the rate of growth is reduced through factors such as changing demographics, increased competition, or changing customer tastes.
5. *Decline/regeneration*: where either successful extension of the service concept occurs, or the service firm enters a stage of decline and degeneration.

The concept of lifecycles is useful, but it should be remembered that products or services do not always follow this idealized pattern. The lifecycle concept is helpful as a descriptive model in trying to understand the dynamics of markets. However, it has less value as a predictive model.

In considering lifecycles, we also need to differentiate between the service category, the service subcategory and the service brand. For example, if we take the overnight accommodation market (a service category) it may have a considerably different life from that of business hotels, or motels (a service subcategory). Individual brands, e.g. Stakis Country Club Hotels (a service brand), within a category may also exhibit their own individual lifecycle behaviour.

The stage where the service firm is in its lifecycle needs to be considered carefully and the firm should be aware of different issues and problems it may encounter during the different lifecycle stages. This process can focus attention on future sales patterns and will have a bearing on the key elements to be emphasized within the marketing mix.

Difficulties with drawing a lifecycle are normally connected to the complex question of market share measurement. *Market share* is the proportion of volume or value of an actual market rather than with a potential market.

• Definition:  
Market share is the proportion of volume or value of an actual, not a potential, market

One of the most frequent mistakes made by companies that do not understand what market share really means is to assume that their company has only a small share of some market. However, if the company is commercially successful, it probably has a much larger share of a smaller market segment.

The point to remember is that the lifecycle concept is not an academic figment of the imagination, but a hard reality that is ignored at great risk. Many commercial failures can be traced back to a naïve assumption on the part of managements that what was successful as a policy at one time will continue to be successful in the future.

### **Diffusion of innovation**

An interesting and useful extension of the product or service lifecycle is what is known as the 'diffusion of innovation'. Diffusion is:

1. The adoption
2. of new products or services
3. over time
4. by consumers
5. within social systems
6. as encouraged by marketing.

Diffusion refers to the cumulative percentage of potential adopters of a new product or service product over time. Everett Rogers examined some of the social forces that explain the product/service lifecycle. The body of knowledge often referred to as 'reference theory' (which incorporates work on group norms, group pressures, etc.) helps explain the snowball effect of diffusion. Rogers found that the actual rate of diffusion is a function of a product's or service's:

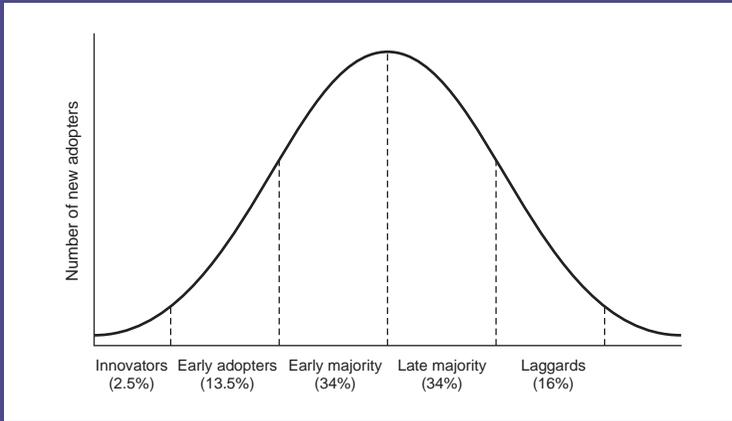
1. Relative advantage (over existing products/services)
2. Compatibility (with lifestyles, values, etc.)
3. Communicability (is it easy to communicate?)
4. Complexity (is it complicated?)
5. Divisibility (can it be tried out on a small scale before commitment?).

Diffusion is also a function of the newness of a product or service itself, which can be classified broadly under three headings:

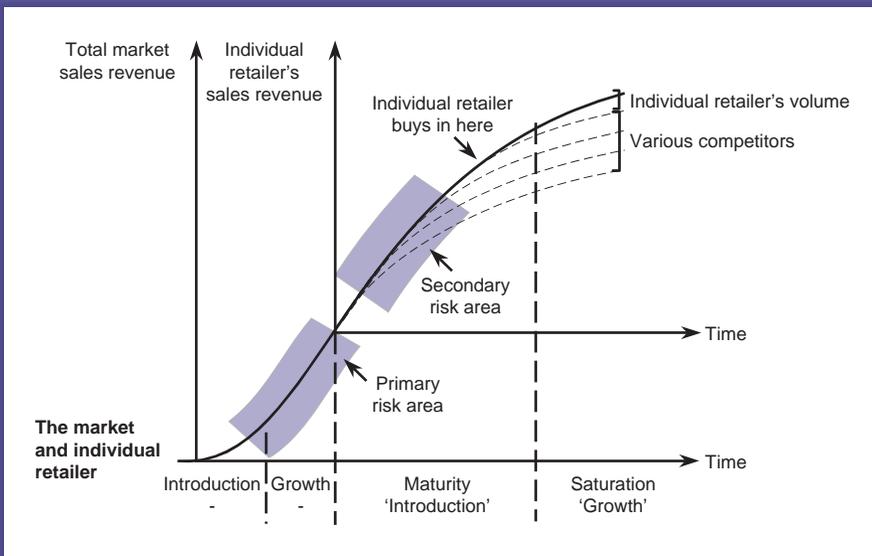
- Continuous innovation, e.g. the new miracle ingredient.
- Dynamically continuous innovation, e.g. a 'do-it-yourself' property conveyancing kit.
- Discontinuous, e.g. space tourism.

However, Rogers found that not everyone adopts new products or service products at the same time, and that a universal pattern emerges, as shown in Figure 7.11.

From the real lifecycle analysis shown in Figure 7.12 it can be seen that this retailer was never particularly innovative in buying in new



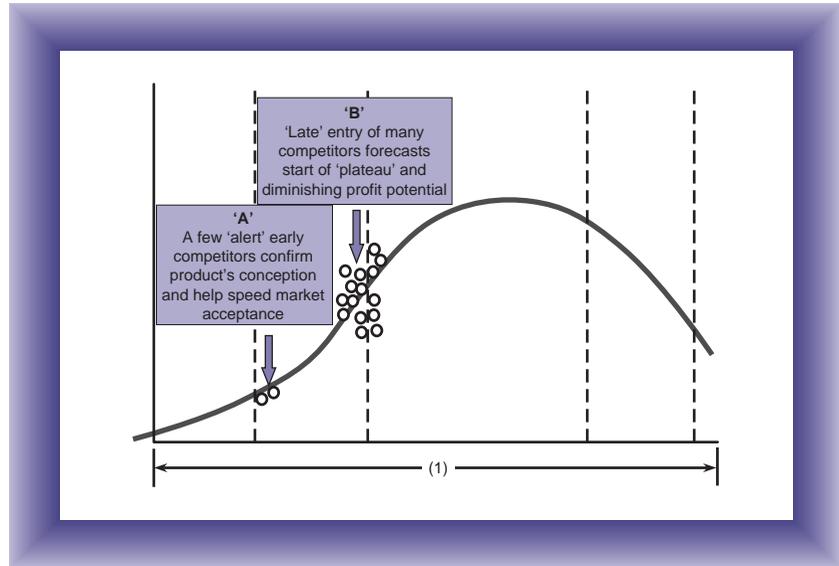
**Figure 7.11**  
Non-cumulative diffusion pattern of innovation curve



**Figure 7.12** Product lifecycle at total market and an individual retailer's level

products. In fact, it shows that he tended to buy in the product at the maturity stage, so giving the market another 'kick'. His policy was then to stock it in depth, price it low, and put a lot of promotional advertising effort behind it. A quick glance at Figure 7.13, however, reveals that, *by mistake*, this retailer occasionally bought into a range of merchandise somewhat earlier in its lifecycle. The trouble was that he still stocked in depth, priced low and promoted heavily, thus giving away margin unnecessarily.

**Figure 7.13**  
 Lifecycle illustrating  
 the potential  
 advantage of entering  
 a market early



In general the innovators think for themselves and try new things (where relevant); the early adopters, who have status in society, are opinion leaders and they adopt successful products, including service products, making them acceptable and respectable; the early majority, who are more conservative and who have slightly above average status, are more deliberate and only adopt products that have social approbation; the late majority, who are below average status and sceptical, adopt products much later; and the laggards, with low status, income, etc., view life through the rear mirror and are the last to adopt products.

This particular piece of research can be very useful, particularly for advertising and personal selling. For example, if we develop a typology for innovative customers, we can target our early advertising and sales effort specifically at them. Once the first 3% of innovators have adopted our product or service, there is a good chance that the early adopters will try it, and once the 10–12% point is reached, the champagne can be opened, because there is a good chance that the rest will adopt the product.

We know, for example, that the general characteristics of opinion leaders show that they are venturesome, socially integrated, cosmopolitan, socially mobile, and privileged. So we need to ask ourselves what the specific characteristics of these customers are in our particular market. We can then tailor our advertising and selling message specifically for them.

It can, however, also be both a practical diagnostic and forecasting tool. There follows a worked example of how forecasts, and eventually strategic marketing plans, were developed from the intelligent use of

the diffusion of innovation curve in respect of computerized business systems for the construction industry in the UK.

| <i>1st estimate of market size</i>  |   |
|---|---|
| 1. Number of contracting firms (Department of Environment, Housing and Construction)  | 160,596                                 |
| 2. Number of firms employing 4–79 direct employees  | 43,400                                  |
| 3. Exclude painters, plasterers, etc.   | 6,100                                   |
| 4. Conservative estimate of main target area  | 37,300 (1) or 23% of total              |
| <i>2nd estimate of market size</i>  |   |
| 5. Using the Pareto (80/20 rule) likelihood that 20% will be main target area, i.e. 160,596 20%                               | 32,000 (2)                              |
| <i>3rd estimate of market size</i>  |   |
| 6. Total number of firms in construction industry (Business Statistics Office)  | 217,785                                 |
| 7. Number of firms classified by turnover from £100,000 to £1,000,000<br>(£K) 100–249<br>(£K) 250–499<br>(£K) 500–999<br>(£K) | 26,698<br>10,651<br>5,872<br>43,221 (3) |
| 8. Company's best estimate of size of target market   | 37,300                                  |
| 9. Company's estimate of the number of micro installations in this segment  | 3,500 (9.4%)                            |

Plotting this on the diffusion of innovation curve shows:

- Penetration of innovators and early adopters has taken four years. Adoption rate will now accelerate. It will probably be complete within one year.

- *One-year* balance of early adopters = 6.6% = 2,462 firms = installed base of 5,968. Sales objective = 360 installations plus present base of 400 = 760 = 12.7% market share.

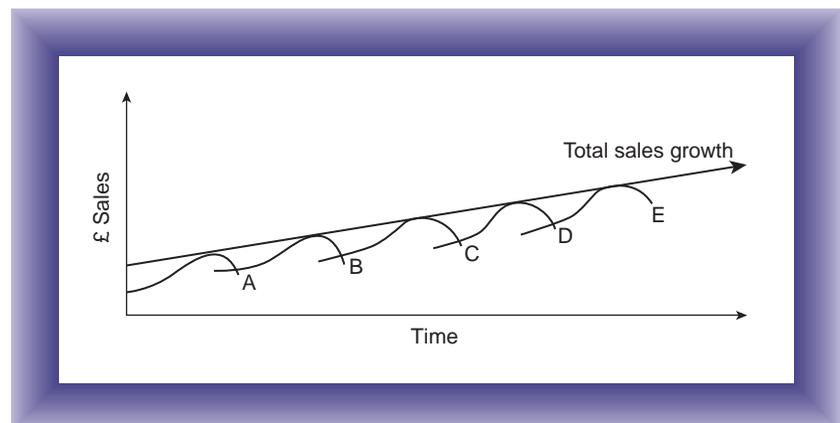
It will be seen from this that three independent estimates were made of the market size in order to establish the current position on the diffusion of innovation curve.

In contrast, a Dutch computer supplier attempted to launch hardware and software into the motor trade using an undifferentiated product at a high sales price. An elementary study would have indicated that this market is already well into the late majority phase, when price and product features become more important. Not surprisingly, the product launch failed.

Retailers need to understand this phenomenon because it relates specifically to the types of customer that frequent their businesses and to the category of products or services in question and where they are on the diffusion of innovation curve. A business not frequented by innovators and early adopters is hardly likely to do particularly well with products or services that are relatively new to the market.

### Portfolio of services

While it is quite feasible for a company to operate with a single service (in fact, most new firms start in this way), the lifecycle concept suggests that in the long term innovation is necessary for services which are in decline. Again, the lifecycle curve can provide useful guidance about the best times to introduce (and remove) services from the company's 'portfolio'. If this is done astutely, then the company can meet its objectives by balancing sales growth, cash flow and risk across its range of services (Figure 7.14).



**Figure 7.14**  
How successive services can add to sales growth

It is, therefore, essential that the portfolio of services is reviewed 'regularly' and that the strategic implications of adding, deleting or promoting existing services are considered in their totality.

How this is done will be covered in detail in the next chapter, since it is central to the setting of marketing objectives and formulating the best strategies to meet them.

## Sub-audit 5 The organizational audit

Most organizations are not equally strong in all parts of their business. The sales force might be second to none in some areas, yet the company may fall down in others. The company might be great at coming up with new ideas for services, yet be slow to exploit them.

The organizational audit sets out to take stock of the company's strengths and weaknesses in terms of how they influence current operations and how they might help or hinder future growth.

The purpose of an organizational audit is to focus on those aspects of organizational performance that have a positive or a negative effect on business performance. There are several areas that should be considered:

### **Skills**

- What skills does the company have?
- How do these compare with competitors?
- What do they best equip the company for?
- What essential skills are lacking or underrepresented?
- What will happen if this skill shortage is not made good?
- If the company heads in a new direction, to what extent will the current skill base be a limiting factor?
- At what organizational level are essential skills in short supply – e.g. strategic, managerial, operational?

There are many questions of this nature which can be asked. In turn, they might focus attention upon the company's recruitment policy and its manpower, training and development.

### ***Resources***

In addition to people, how adequate are the resources of the service organization? A number of questions might be asked which, in turn, reflect on past, present and future investment policy. Indeed, resources such as the working conditions could have a direct bearing on the company's capacity to recruit the right kind of people. Equally, the availability of the right data processing systems and equipment can greatly facilitate the availability of data and information into the planning processing.

### ***Systems and procedures***

In preparing for marketing planning, the adequacy of the company's management and marketing information systems needs to be evaluated. In addition, there are a number of other procedural issues which could have an impact on business success. For example:

- How are sales leads generated?
- How are they followed up?
- How is the service delivered?
- How are queries and complaints handled?
- How is advertising evaluated?
- How is customer service managed?
- How are new services developed?
- How is lost business analysed and evaluated?

Again, this list will be very much longer for some service organizations. The overriding concern should be to evaluate all such relevant systems and procedures and to identify ways of making them more effective in the context of the company's overall performance.

### ***Roles and relationships***

Often organizational problems occur, not because of any of the things listed above, but because people are unclear about the role they are expected to play and how they relate to others. For example, customer contact staff might be unaware of company policy regarding how they should treat customers. Alternatively, interdepartmental rivalry inside the company might get in the way of delivering the best possible service.

Equally, an overreliance on written rules and job descriptions can lead to the organization getting bogged down in bureaucratic 'red tape' and a lack of people empowered to solve customer problems.

## The marketing audit – conclusions

These, then, are some of the issues which have to be addressed in the marketing audit. To find answers to the external factors might result in the company using external market researchers. In some cases, the professionalism and unbiased viewpoint they bring ensures that the information they provide is superior to what might be gathered by the company's own staff.

When a marketing audit is undertaken by internal staff it is useful to have some guidelines, by way of example, to guide the audit process. As an example, a fairly comprehensive marketing audit checklist is shown in Figure 7.15.

Different service organizations from different service sectors will need to develop different guidelines and checklists appropriate to their own businesses. A list of key audit questions developed by an accounting firm is provided in Figure 7.16, as a contrast to the more general list in Figure 7.15.

Those wishing to review more detailed checklists are referred to Wilson.<sup>8</sup> Those interested in reading further on the marketing audit process should see McDonald and Leppard, and Parmerlee.<sup>9</sup>

When the marketing audit is completed, it is possible to move on to the next stage of the planning process.

## Step 4 SWOT analyses

If the previous stage could be likened to providing all the pieces of a jigsaw puzzle, the SWOT analysis takes these and tries to make a picture which makes sense to all those within the company.

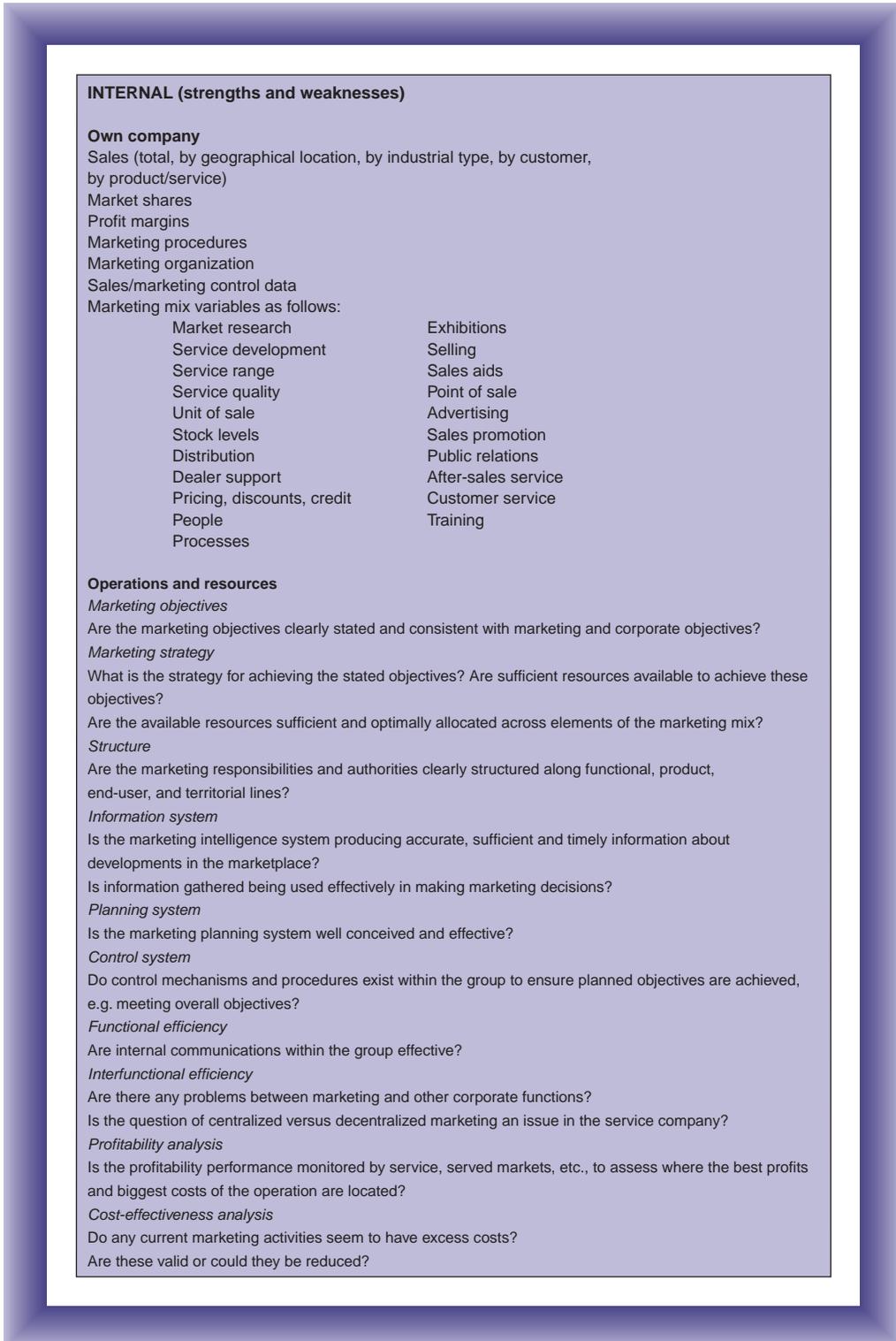
It must be stressed here that it is *only* the SWOT analyses that actually appear in the strategic marketing plan itself. This section is, therefore, extremely important and should be read in conjunction with Figure 4.5 in Chapter 4.

These analyses should highlight internal differential strengths and weaknesses *vis-à-vis* competitors, together with key external

The SWOT analysis is one of the most critical stages in marketing planning

| <b>EXTERNAL (opportunities and threats)</b> |  |                              |
|---|--|------------------------------|
| <b>Business and economic environment</b>    |  |                              |
| <i>Economic</i>                             | Inflation, unemployment, energy, price, volatility, materials availability, etc.   | as they affect your business |
| <i>Political/fiscal/legal</i>               | Nationalization, union legislation, taxation, duty increases, regulatory constraints (e.g. trade practices, advertising, pricing).   | as they affect your business |
| <i>Social/cultural</i>                      | Education, immigration, emigration, religion, environment, population distribution and dynamics (e.g. age distribution, regional distribution), changes in consumer lifestyles, etc.   | as they affect your business |
| <i>Technological</i>                        | Application of technology which could profoundly affect the economics of the industry (e.g. methods and systems, availability of substitutes).   | as they affect your business |
| <i>Intracompany</i>                         | Capital investment, closures, strikes, etc.  | as they affect your business |
| <b>The market</b>                           |  |                              |
| <i>Total market</i>                         | Size, growth, and trends (value, volume).  |                              |
| <i>Market characteristics</i>               | Developments and trends.<br><i>Services:</i> principal services bought; service characteristics.<br><i>Prices:</i> price levels and range; terms and conditions of sale; normal trade practices; official regulations, etc.<br><i>Distribution:</i> principal method of distribution.<br><i>Channels:</i> principal channels; purchasing patterns (e.g. types of services bought, prices paid); purchasing ability; geographical location; profits; needs; tastes; attitudes; decision-makers; bases of purchasing decision; etc.<br><i>Communication:</i> principal methods of communication, e.g. sales force, advertising, direct response, exhibitions, public relations.<br><i>Industry practices:</i> e.g. trade associations, government bodies, historical attitudes, interfirm comparisons. |                              |
| <b>Competition</b>                          | <i>Industry structure:</i> make-up of companies in the industry, major market standing/reputation; extent of excess capacity; distribution capability; marketing methods; competitive arrangements; extent of diversification into other areas of major companies in the industry; new entrants; mergers; acquisitions; bankruptcies; significant aspects; international links; key strengths and weaknesses.<br><i>Industry profitability:</i> financial and non-financial barriers to entry; industry profitability and the relative performance of individual companies; structure of operating costs; investment; effect on return on investment of changes in price; volume; cost of investment; source of industry profits; etc.   |                              |

Figure 7.15 Marketing audit checklist for services (expanded)



**Figure 7.16** Marketing audit checklist for an accounting firm

opportunities and threats. A summary of reasons for good and bad performance should be included. It should be interesting to read, be concise, and include only relevant and important information. The analysis should be highly creative, since a fresh and less obvious approach holds a greater prospect of distancing the company from its competitors.

A well-reasoned SWOT analysis provides the basis for setting objectives and strategies.

Figure 7.17 shows the layout that is recommended for SWOT analyses, which should, of course, be carried out initially on each segment identified in the marketing audit. This is important, because if managers try to do an audit on the overall company, they will only succeed in listing generalities and will fail to get to grips with the real factors that are driving the business. (Guidelines on completing the objectives and strategies part of this form will be given in the next chapter.)

It should be stressed that when inserting CSFs in Figure 7.17 (heading 2), under no circumstances should vague terms such as

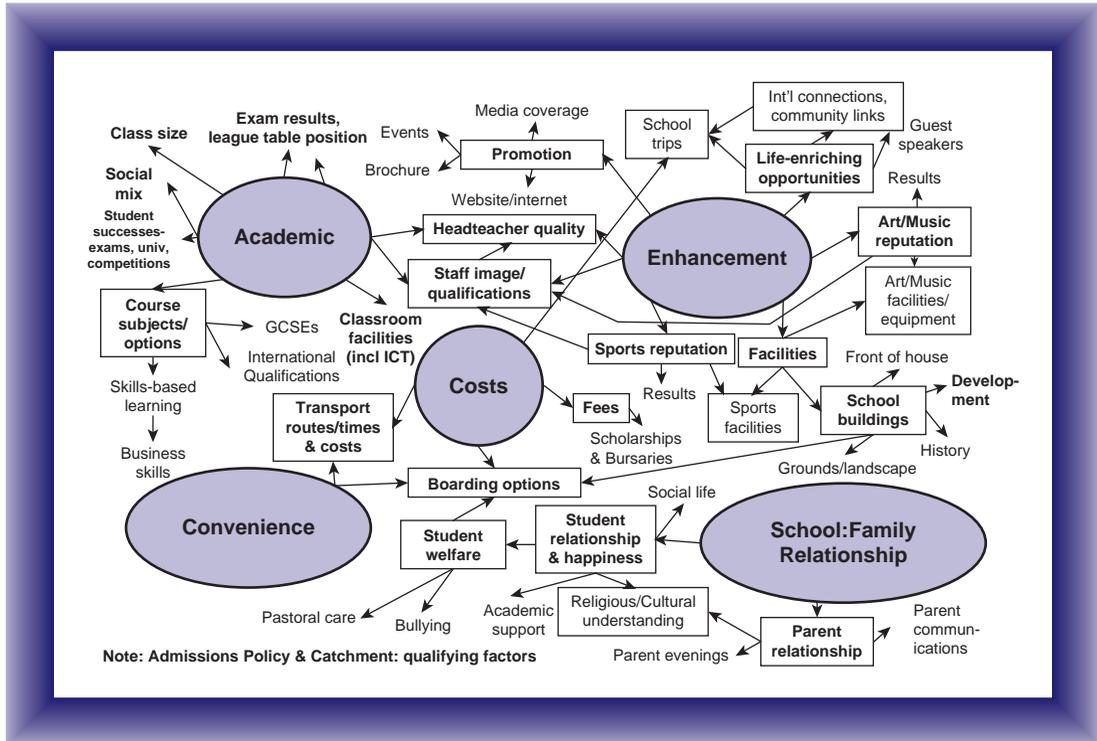
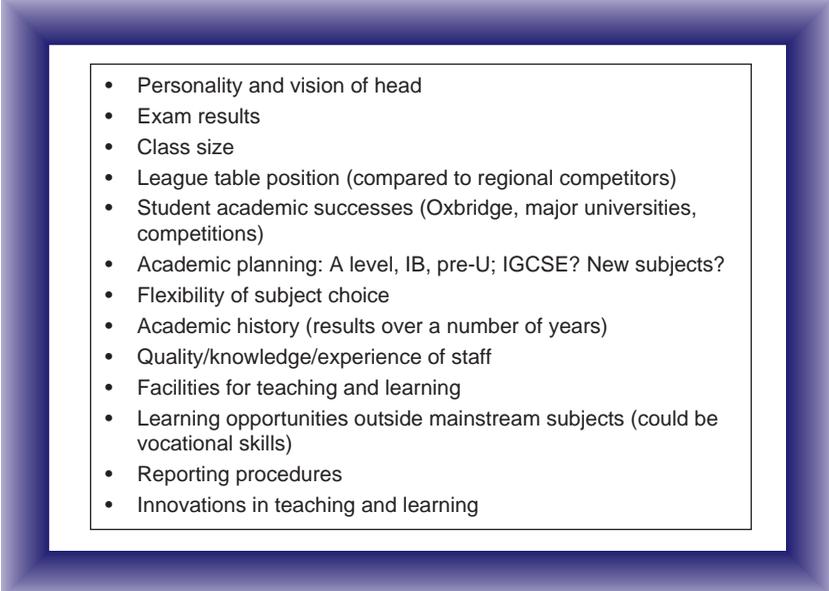


Figure 7.17 Five key buying factors for UK independent schools

- 
- Personality and vision of head
  - Exam results
  - Class size
  - League table position (compared to regional competitors)
  - Student academic successes (Oxbridge, major universities, competitions)
  - Academic planning: A level, IB, pre-U; IGCSE? New subjects?
  - Flexibility of subject choice
  - Academic history (results over a number of years)
  - Quality/knowledge/experience of staff
  - Facilities for teaching and learning
  - Learning opportunities outside mainstream subjects (could be vocational skills)
  - Reporting procedures
  - Innovations in teaching and learning

**Figure 7.18**  
Academic factors

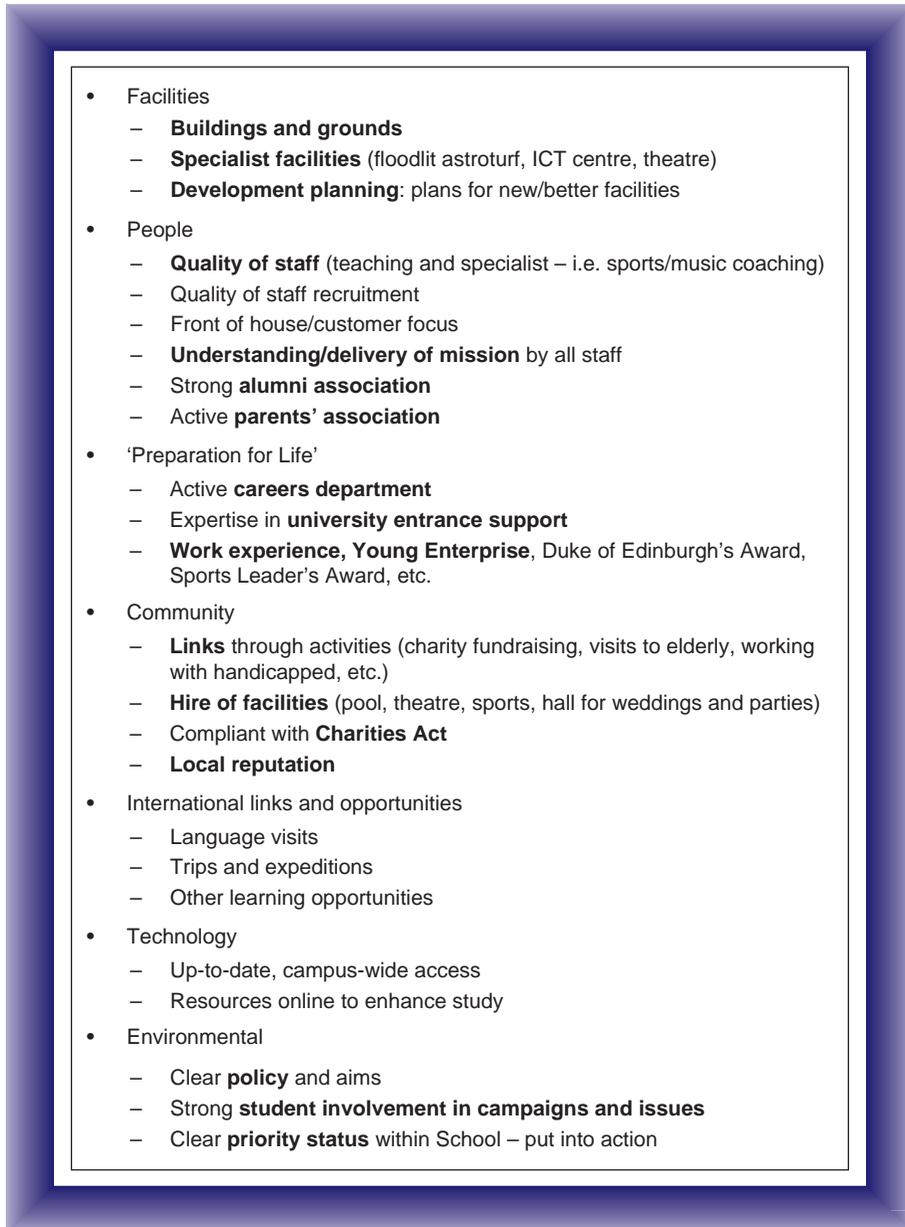
‘customer service’ be entered, as this could mean virtually anything from on-time-in-full delivery to answering the phones in five seconds. It is in order to enter such terms only if the meaning is spelt out clearly elsewhere.

For example, in the independent schools sector in the UK, while Figure 7.18 shows five major headings, Figures 7.19 and 7.20 list in great detail what the components of each are – and of course the relative emphasis on each component will vary by segment.

Figure 7.21 provides a few guidelines on the criteria for the acronym SWOT.

When these have been completed, a summary of the SWOT analysis can be laid out in the traditional manner shown in Figure 7.22. However, it is our view that SWOT analyses performed in this manner, *ab initio*, and only for the organization as a whole, are of relatively limited use. To improve the value of SWOT analysis we make several suggestions.

First, the SWOT analysis can be made more productive by extending it as shown in Figure 7.23. This extended form can be developed like a decision tree where each individual element may have several implications (‘which means’) and each implication may have several recommended actions. It is important to add some explanatory notes, where appropriate, to enable the reader to understand the full portent of the analysis.

- 
- Facilities
    - **Buildings and grounds**
    - **Specialist facilities** (floodlit astroturf, ICT centre, theatre)
    - **Development planning**: plans for new/better facilities
  - People
    - **Quality of staff** (teaching and specialist – i.e. sports/music coaching)
    - Quality of staff recruitment
    - Front of house/customer focus
    - **Understanding/delivery of mission** by all staff
    - Strong **alumni association**
    - Active **parents' association**
  - 'Preparation for Life'
    - Active **careers department**
    - Expertise in **university entrance support**
    - **Work experience, Young Enterprise**, Duke of Edinburgh's Award, Sports Leader's Award, etc.
  - Community
    - **Links** through activities (charity fundraising, visits to elderly, working with handicapped, etc.)
    - **Hire of facilities** (pool, theatre, sports, hall for weddings and parties)
    - Compliant with **Charities Act**
    - **Local reputation**
  - International links and opportunities
    - Language visits
    - Trips and expeditions
    - Other learning opportunities
  - Technology
    - Up-to-date, campus-wide access
    - Resources online to enhance study
  - Environmental
    - Clear **policy** and aims
    - Strong **student involvement in campaigns and issues**
    - Clear **priority status** within School – put into action

**Figure 7.19** Enhancement/attraction factors

Second, the SWOT should be undertaken at several levels:

- For the organization as a whole
- For each major market segment
- For each major service or product
- For the competition.



Figure 7.20  
SWOT

Finally, the value of SWOT analysis can be improved by quantification.

One way of calculating which opportunities and threats should appear in the SWOT analysis is to consider them from the point of view of their impact and their likelihood of occurring. Using these criteria, opportunities and threats can be appraised using a 'risk' matrix as illustrated in Figure 7.24.

Even though there may be an element of subjectivity in positioning either threats or opportunities on this matrix, it is clear that those which appear in the top right-hand boxes (or closely adjacent to them) are emphasized in the SWOT analysis.

## Step 5 Key assumptions

The previous discussion has stressed the need for fact-finding and data gathering to be the foundations upon which the marketing plan is built. However, it is impossible to start with the facts without also starting out with some assumptions. Assumptions establish the basis for objective and strategy setting. Facts and assumptions can become blurred at times, to the extent that one can be mistaken for the other, and it is important to distinguish between them.

To avoid unstated assumptions being ignored, it is important to state them explicitly. By making them explicit, it becomes possible to check and monitor assumptions to be certain that they are, and remain, valid, and if not, to develop contingency plans to deal with them.

It is important to  
make assumptions  
explicit

The purpose of the key assumptions step is to identify explicitly those factors which will be critical to the success or failure of the strategic marketing plan. Key assumptions need to be considered in terms of how they impact on the organization as a whole and

## Strategic planning exercise (SWOT analysis)

(Note: This form should be completed for each product/market segment under consideration)

- 1 SBU description  
Here, describe the market for which the SWOT is being done

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|  |
|  |

- 5 Opportunities/threats

What are the few key things outside your direct control that have had, and will continue to have, an impact on your business?

Opportunities

|   |
|---|
| 1 |
| 2 |
| 3 |
| 4 |
| 5 |

Threats

|  |
|--|
|  |
|  |
|  |
|  |
|  |

- 2 Critical success factors  
What are the few key things, from the customer's point of view, that any competitor has to do right to succeed?

|   |
|---|
| 1 |
| 2 |
| 3 |
| 4 |
| 5 |

- 3 Weighting  
How important is each of these CSFs? Score out of 100

|              |
|--------------|
|              |
|              |
|              |
|              |
|              |
| Total<br>100 |

- 4 Strengths/weaknesses analysis  
Score yourself and each of your main competitors out of 10 on each of the CSFs. Then multiply the score by the weight

| Comp<br>CSF                | You | Competitor<br>A | Competitor<br>B | Competitor<br>C | Competitor<br>D |
|----------------------------|-----|-----------------|-----------------|-----------------|-----------------|
| 1                          |     |                 |                 |                 |                 |
| 2                          |     |                 |                 |                 |                 |
| 3                          |     |                 |                 |                 |                 |
| 4                          |     |                 |                 |                 |                 |
| 5                          |     |                 |                 |                 |                 |
| Total<br>(score<br>weight) |     |                 |                 |                 |                 |

- 7 Key assumptions for the planning period

|   |
|---|
| 1 |
| 2 |
| 3 |
| 4 |
| 5 |
| 6 |
| 7 |

- 8 Key objectives

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- 9 Key strategies

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- Financial consequences

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- 6 Key issues that need to be addressed

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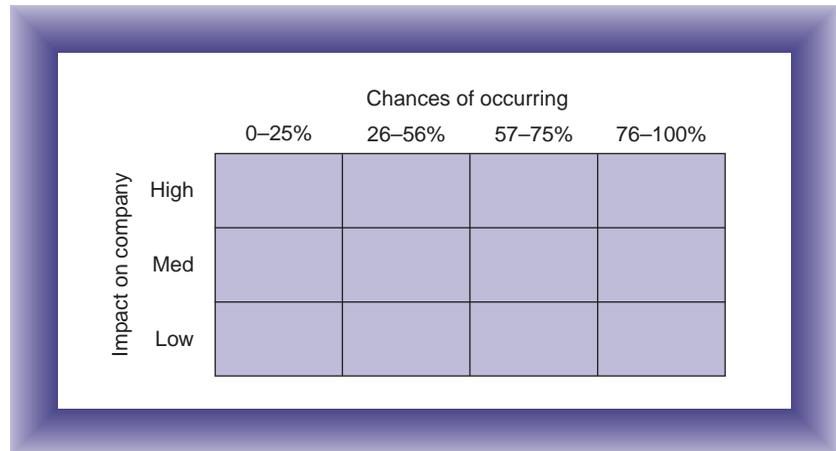
Figure 7.21 Strategic planning exercise (SWOT analysis)

|   |   |
|---|---|
| <b>Strengths</b><br><ul style="list-style-type: none"> <li>•</li> <li>•</li> <li>•</li> <li>•</li> </ul>                | <b>Weaknesses</b><br><ul style="list-style-type: none"> <li>•</li> <li>•</li> <li>•</li> <li>•</li> </ul> |
| <b>Opportunities</b><br><ul style="list-style-type: none"> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> </ul> | <b>Threats</b><br><ul style="list-style-type: none"> <li>•</li> <li>•</li> <li>•</li> <li>•</li> </ul>    |

**Figure 7.22**  
Example of the traditional layout for a SWOT analysis

| <i>SWOT element</i>                  | <i>Which means</i>  | <i>So actions needed are</i>   |
|--------------------------------------|---|--|
| <b>Strengths</b>                     |   |  |
| • Highly qualified personnel         | – Better competence, efficiency and professionalism   | 1 Promote capability to customers<br>2 Staff retention programme<br>3 Incentive package for high achievers   |
| • Larger deposit base                | – Better cost base<br>– Higher average deposit  | 1 Leverage our cost base<br>2 Automate faster to reduce costs further<br>3 Emphasize upper and middle tier in bank positioning   |
| <b>Weaknesses</b>                    |   |  |
| • Low branch management discretion   | – Constant time wasting in referring back to head office  | 1 Develop improved credit scoring at branches<br>2 Better training and communications equipment<br>3 Wider delegation to branch managers<br>4 Approval 'hot line' at head office     |
| • No overseas representation         | – Lost business in key areas  | 1 Urgent feasibility study for Toronto, New York, Los Angeles and Sydney   |
| <b>Opportunities</b>                 |   |  |
| • New Industrial development         | – Increased bank lending in commercial area   | 1 Recruit new industrial team<br>2 Initiate industrial development seminar for branch managers<br>3 Representation on government and industrial bodies                               |
| • Exploit customers' financial needs | – More income from investment and taxation advisory services<br>– Attraction of new customers to bank | 1 Initiate study of new business opportunities<br>2 Survey of banks in four designated countries<br>3 Market research to confirm initial service concepts<br>4 Introduce new service |
| <b>Threats</b>                       |   |  |
| • Increased competition              | – Loss of market share  | 1 Strengthen marketing department<br>2 Develop a marketing plan<br>3 Improve customer service<br>4 Emphasize 'no hidden charges'<br>5 More aggressive advertising                    |
| • Key staff loss                     | – Need to counter aggressive poaching by private sector firms   | 1 Improve pay/conditions<br>2 Introduce staff satisfaction survey<br>3 Lobby to move outside civil service pay structure<br>4 Internal marketing initiative                          |

**Figure 7.23** Summary of a partial SWOT analysis for a bank



**Figure 7.24**  
Risk analysis matrix for opportunities and threats

on each market segment. Since they are an estimate of the future operating conditions of the marketing plan, they may influence not only its formulation, but also its implementation. Key assumptions might include:

- Inflation rates
- Growth of the economy
- Changes in political/legislative framework
- Interest rates
- Demographic predictions.

In order to be systematic, it can be useful to list key assumptions under a number of general headings such as:

- The general economy
- The service 'industry' sector under consideration
- The company's markets
- Competitors
- Internal organizational factors
- Technological and other developments.

| Key assumptions  | Implications for market plan  |
|--|---|
| 1 Price competition will force prices down by 10 per cent across the board | (i) Need to develop USPs<br>(ii) Focus on less price-sensitive segments<br>(iii) Focus on cost reductions |

**Figure 7.25**  
Example of approach  
for analysing key  
assumptions

Key assumptions should be relatively few in number. The acid test is that if the achievement of the marketing plan is possible, irrespective of a particular assumption, then that assumption is unnecessary.

When they are identified, it is important to consider their implications for the marketing plan.

A two-column approach can be a useful way of presenting this analysis (Figure 7.25). By using this approach not only are the key assumptions brought into the open, but their impact on the marketing plan is also made explicit. This can remove potential sources of disagreement between managers involved in the planning process and can also indicate where contingency plans might need to be developed, should an assumption prove not to be true. Their usefulness is shown when measuring if a marketing plan is achieving its objectives, and if not why not. The assumptions can then be considered and if they are found to be untrue or inaccurate they can be modified, which in turn will lead to further modification within the plan.

## Summary

We saw that Phase Two of the planning process consists of three steps: the marketing audit; the SWOT analysis; and key assumptions. Together, they provide an up-to-date situation review. Of these, the marketing audit is the most far-reaching task and, consequently, most of the chapter was devoted to explaining who should do it and what it involved.

Although outside consultants could tackle the audit, we recommended that the company's own managers should be involved in the auditing process, thereby gaining their interest and commitment. The process itself involves five sub-audits and consists of

examining the customers, the services, the business environment, the organization and the competitors in order to identify differential advantages and significant trends. Some tools and frameworks useful in the marketing audit process were also explained.

The mass of auditing information is brought sharply into focus by the SWOT analysis, which identifies all the key factors which will affect the planning period.

Finally, we saw that any plan could only be made in the context of some key assumptions. These need to be put in writing, so that there is no misunderstanding among those who have to contribute to, interpret or implement the plan. They should be few in number and have a direct bearing on the conditions under which the plan is elaborated.