In these exercises, the most critical part of the marketing planning process will be tackled. Exercise 6.1 is concerned with carrying out a gap analysis. Exercise 6.2 is concerned with collecting relevant data about your company and subjecting this to a hard-hitting examination, in summary form, of the opportunities and threats facing your organization. Exercise 6.3 is concerned with competitor analysis, which clearly is an important part of a marketing audit. Exercise 6.4 is concerned with carrying out a SWOT analysis. Exercise 6.5 looks at the assumptions that are made before setting marketing objectives. Clearly, such assumptions should be kept to a minimum, but it is useful to be under no misapprehension regarding what they are, and, just as importantly, the risks attached to making such assumptions. Exercise 6.6 gets to the heart of the matter and is concerned with setting marketing objectives, while Exercise 6.7 addresses the issue of selecting the most appropriate marketing strategies to match the chosen objectives.

Introduction to Chapter 6 exercises
Exercise 6.1 Gap analysis

Revenue
You are asked to complete this two-part exercise. The first part is concerned with revenue, the second with profit.

Objective
Start by plotting the sales position you wish to achieve at the end of the planning period, point E (Figure 6.18). Next plot the forecast position, point A.

Figure 6.18: Gap analysis.
Productivity

Are there any actions you can take to close the gaps under the headings in Table 6.2, point B? (These represent cash and margin focus.)

Ansoff product/market (market penetration)

List principal products on the horizontal axis (in Figure 6.19) and principal markets on the vertical axis. In each smaller square write in current sales and achievable sales during the planning period.

<table>
<thead>
<tr>
<th>Productivity (NB: not all factors are mutually exclusive)</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better product mix (1)</td>
<td></td>
</tr>
<tr>
<td>Better customer mix (2)</td>
<td></td>
</tr>
<tr>
<td>More sales calls (3)</td>
<td></td>
</tr>
<tr>
<td>Better sales calls (4)</td>
<td></td>
</tr>
<tr>
<td>Increase price</td>
<td></td>
</tr>
<tr>
<td>Reduce discounts</td>
<td></td>
</tr>
<tr>
<td>Charge for deliveries</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
</tr>
</tbody>
</table>

Table 6.2: Productivity factors (1).

Figure 6.19: Ansoff matrix.
Next, plot the market penetration position, point C (Figure 6.20). This point will be the addition of all the values in the right hand half of the small boxes in the Ansoff Matrix. Please note, revenue from (1), (2), (3) and (4) from the productivity box should be deducted from the market penetration total before plotting point C.

Ansoff product/market matrix (new products/new markets)
Next, list the value of any new products you might develop which you might sell to existing markets (Figure 6.20). Alternatively, or as well, if necessary, list the value of any existing products that you might sell to new markets. Plot the total value of these on Figure 6.18, point D.

Diversification
List the value of any new products you might develop for new markets until point E is reached. (Steps 3, 4 and 5 represent a sales growth focus.)

Capital utilization
If none of this gives the required return on investment consider changing the asset base. This could be:
(A) Acquisition
(B) Joint venture.

(Continued)
**Profit**

**Objective**

Start by plotting the profit position you wish to achieve at the end of the planning period, point E (Figure 6.21).

Next plot the forecast profit position, point A.

**Productivity**

Are there any actions you can take to close the gap under the headings in Table 6.3? Plot the total profit value of these in Figure 6.21, point B. (These represent cash and margin focus.)

**Ansoff product/market (market penetration)**

List principal products on the horizontal axis in Figure 6.21 and principal markets on the vertical axis. In each smaller square write in current profit and achievable profit value during the planning period.

Next plot the market penetration position, point C, Figure 6.20. This point will be the addition of all the values in the right hand half of the small boxes in the Ansoff Matrix (Figure 6.22).

**Ansoff product/market matrix (new products/new markets)**

Next, list the value of any new products you might develop which you might sell to existing markets (Figure 6.23). Alternatively, or as well, if necessary, list the value of any existing products that you might sell to new markets. Plot the total profit value of these on Figure 6.20, point D.

![Figure 6.21: Gap analysis.](image-url)
**Productivity (NB: not all factors are mutually exclusive)**

<table>
<thead>
<tr>
<th>Productivity Factors</th>
<th>Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better product mix</td>
<td></td>
</tr>
<tr>
<td>Better customer mix</td>
<td></td>
</tr>
<tr>
<td>More sales calls</td>
<td></td>
</tr>
<tr>
<td>Better sales calls</td>
<td></td>
</tr>
<tr>
<td>Increase price</td>
<td></td>
</tr>
<tr>
<td>Reduce discounts</td>
<td></td>
</tr>
<tr>
<td>Charge for deliveries</td>
<td></td>
</tr>
<tr>
<td>Reduce debtor days</td>
<td></td>
</tr>
<tr>
<td>Cost reduction</td>
<td></td>
</tr>
<tr>
<td>Others (specify)</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
</tr>
</tbody>
</table>

Table 6.3: Productivity factors (2).

![Ansoff matrix](image)

Figure 6.22: Ansoff matrix.

**Diversification**

List the profit value of any new products you might develop for new markets until point E is reached. (Steps 3, 4 and 5 represent a sales growth focus.)

*(Continued)*
Capital utilization
If none of this gives the required return on investment, consider changing the asset base. This could be:
(A) Acquisition
(B) Joint venture.

Exercise 6.2 The marketing audit
Stage 1 Collecting the data
All the earlier exercises in this book have been designed to improve your understanding of aspects of marketing planning and to discover information about your company and/or its key products and markets. If you completed all the preceding exercises, you should by now be in possession of a fairly comprehensive marketing audit of your organization. However, since every business is in some ways unique, there is a chance that an important piece of information might have been missed. The marketing audit checklist which follows is provided as a safeguard against this happening. (For convenience this is repeated from Chapter 2.)

Use this list to decide if there is any additional information you would want to add to that you have already collected. When you have completed assembling as much information as you can, you are in a position to progress to Stage 2 of this exercise.
**The marketing audit checklist**

The following is a list of factors that can affect some businesses. You should only be interested in those that will affect your particular business.

This list doesn’t claim to be exhaustive but it is intended to provide fair coverage of most areas thereby acting as a guide and stimulus.

<table>
<thead>
<tr>
<th><strong>External audit</strong></th>
<th><strong>Competition</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Business and economic environment</td>
<td>Major competitors</td>
</tr>
<tr>
<td>Economic</td>
<td>Size</td>
</tr>
<tr>
<td>Political/fiscal/legal</td>
<td>Market shares/coverage</td>
</tr>
<tr>
<td>Social/cultural</td>
<td>Market standing/reputation</td>
</tr>
<tr>
<td>Technological</td>
<td>Production capabilities</td>
</tr>
<tr>
<td>Intra-company</td>
<td>Distribution policies</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>The market</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total market, size, growth and trends (value/volume)</td>
<td>Extent of diversification</td>
</tr>
<tr>
<td>Market characteristics, developments and trends</td>
<td>Personnel issues</td>
</tr>
<tr>
<td>Products</td>
<td>International links</td>
</tr>
<tr>
<td>Prices</td>
<td>Profitability</td>
</tr>
<tr>
<td>Physical distribution</td>
<td>Key strengths and weaknesses</td>
</tr>
<tr>
<td>Channels</td>
<td></td>
</tr>
<tr>
<td>Customers/consumers</td>
<td></td>
</tr>
<tr>
<td>Communication</td>
<td></td>
</tr>
<tr>
<td>Industry practices</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Internal audit</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing operational variables</td>
<td>Marketing information/research</td>
</tr>
<tr>
<td>Own company</td>
<td></td>
</tr>
<tr>
<td>Sales (total, by geographical location, by industrial type, by customer, by product)</td>
<td>Marketing mix variables as follows:</td>
</tr>
<tr>
<td>Market shares</td>
<td>Product management</td>
</tr>
<tr>
<td>Profit margins/costs</td>
<td>Price</td>
</tr>
<tr>
<td>Marketing procedures</td>
<td>Distribution</td>
</tr>
<tr>
<td>Marketing organization</td>
<td>Promotion</td>
</tr>
</tbody>
</table>

(Continued)
### The marketing audit checklist (fuller details)

#### EXTERNAL (opportunities and threats)

**Business and economic environment**

<table>
<thead>
<tr>
<th><strong>Economic</strong></th>
<th>Inflation, unemployment, energy, price, volatility, materials availability, etc. as they affect your business</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Political/fiscal/legal</strong></td>
<td>Nationalization, union legislation, human rights legislation, taxation, duty increases, regulatory constraints (e.g. labelling, product quality, packaging, trade practices, advertising, pricing, etc.) as they affect your business</td>
</tr>
<tr>
<td><strong>Social/cultural</strong></td>
<td>Education, immigration, emigration, religion, environment, population distribution and dynamics (e.g. age distribution, regional distribution, etc.), changes in consumer lifestyle, etc. as they affect your business</td>
</tr>
<tr>
<td><strong>Technological</strong></td>
<td>Aspects of product and/or production technology which could profoundly affect the economics of the industry (e.g. new technology, the internet, cost savings, materials, components, equipment, machinery, methods and systems, availability of substitutes, etc.) as they affect your business</td>
</tr>
<tr>
<td><strong>Intra-company</strong></td>
<td>Capital investment, closures, strikes, etc. as they affect your business</td>
</tr>
</tbody>
</table>

#### The market

**Total market**

Size, growth, and trends (value, volume).

*Customers/consumers*: changing demographics, psychographics and purchasing behaviour.

**Marketing characteristics, developments and trends**

*Products*: principal products bought; end-use of products; product characteristics (weights, measures, sizes, physical characteristics, packaging, accessories, associated products, etc.).

*Prices*: price levels and range; terms and conditions of sale; normal trade practices; official regulations; etc.

*Physical distribution*: principal method of physical distribution

*Channels*: principal channels; purchasing patterns (e.g. types of product bought, prices paid, etc.); purchasing ability; geographical location; stocks; turnover; profits; needs; tastes; attitudes; decision makers, bases of purchasing decision; etc.

*Communication*: principal methods of communication, e.g. the internet, sales force, advertising, direct response, exhibitions, public relations, etc. Industry practices: e.g. trade associations, government bodies, historical attitudes, interfirm comparisons, etc. Industry practices: e.g. trade associations, government bodies, historical attitudes, interfirm comparisons, etc.
**Competition**  
*Industry structure*: make-up of companies in the industry, major market standing/reputation; extent of excess capacity; production capability; distribution capability; marketing methods; competitive arrangements; extent of diversification into other areas by major companies in the industry; new entrants; mergers; acquisitions; bankruptcies; significant aspects; international links; key strengths and weaknesses.

*Industry profitability*: 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.

**INTERNAL (strengths and weaknesses)**

**Own company**
- Sales (total, by geographical location, by industrial type, by customer, by product)
- Market shares
- Profit margins
- Marketing procedures
- Marketing organization
- Sales/marketing control data

Marketing mix variables as follows:
- Market research
- Product development
- Product range
- Product quality
- Unit of sale
- Stock levels
- Distribution
- Dealer support
- Pricing, discounts, credit
- Packaging
- Samples
- Exhibitions
- Selling
- Sales aids
- Point of sale
- Advertising
- Sales promotion
- Public relations
- After-sales service
- Training

**Operations and resources**

*Marketing objectives*
Are the marketing objectives clearly stated and consistent with marketing and corporate objectives?

*Marketing strategy*
What is the strategy for achieving the stated objectives? Are sufficient resources available to achieve these objectives? Are the available resources sufficient and optimally allocated across elements of the marketing mix?

*Structure*
Are the marketing responsibilities and authorities clearly structured along functional, product, end-user, and territorial lines?

(Continued)
Information system
Is the marketing intelligence system producing accurate, sufficient and timely information about developments in the marketplace? Is information gathered being used effectively in making marketing decisions?

Planning system
Is the marketing planning system well conceived and effective?

Control system
Do control mechanisms and procedures exist within the group to ensure planned objectives are achieved, e.g. meeting overall objectives, etc.?

Functional efficiency
Are internal communications within the group effective?

Interfunctional efficiency
Are there any problems between marketing and other corporate functions? Is the question of centralized versus decentralized marketing an issue in the company?

Profitability analysis
Is the profitability performance monitored by product, served markets, etc. to assess where the best profits and biggest costs of the operation are located?

Cost-effectiveness analysis
Do any current marketing activities seem to have excess costs? Are these valid or could they be reduced?

Stage 2 SWOT analyses
From the above list you will see that the external factors are the sources of all opportunities or threats, whereas the internal factors reflect the company’s strengths or weaknesses.

In respect of external factors (opportunities and threats), try the following exercise:

Step 1 List the principal opportunities (we suggest no more than 20).
Step 2 Allocate a code to each of these (e.g. A, B, C, etc.)
Step 3 Allocate a number between 1 and 9 to each of them. The number 1 means that in your view there is little chance of a particular opportunity occurring within the planning timescale (say three years). A 9 would mean that there is a high probability of it occurring within the planning timescale.
Step 4 Allocate a number between 1 and 9 to indicate the importance of the impact each of these opportunities would have on the organization, were it to occur.
Step 5 Now put each of your opportunities on the opportunities matrix (Figure 6.24).
Step 6  You will now have a number of points of intersection which should correspond to your coding system.

Step 7  All those in the top left box should be tackled in your marketing objectives and should appear in your SWOT analysis (Exercise 6.4). All the others, while they should not be ignored, are obviously less urgent. The whole exercise should now be repeated for threats, using the matrix in Figure 6.25.

Figure 6.24: Opportunities matrix.

Figure 6.25: Threats matrix.
**Exercise 6.3 Competitor analysis**

Exercise 6.3 is concerned with summarizing the information gathered about your opportunities and threats in your marketing audit in a more usable format, in the SWOT analysis.

Before moving on to the SWOT analysis (Exercise 6.4), complete the competitor analysis table (Table 6.4) in order to help you to rate yourself more accurately against your competitors.

Guidelines for completing Table 6.4 are given below.

**Guide to competitive position classifications**

<table>
<thead>
<tr>
<th>Classification</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership</td>
<td>Has major influence on performance or behaviour of others.</td>
</tr>
<tr>
<td>Strong</td>
<td>Has a wide choice of strategies.</td>
</tr>
<tr>
<td></td>
<td>Able to adopt independent strategy without endangering short-term position.</td>
</tr>
<tr>
<td></td>
<td>Has low vulnerability to competitors’ actions.</td>
</tr>
<tr>
<td>Favourable</td>
<td>Exploits specific competitive strength, often in a product/market niche.</td>
</tr>
<tr>
<td></td>
<td>Has more than average opportunity to improve position; several strategies</td>
</tr>
<tr>
<td></td>
<td>available.</td>
</tr>
<tr>
<td>Tenable</td>
<td>Performance justifies continuation in business.</td>
</tr>
<tr>
<td>Weak</td>
<td>Currently unsatisfactory performance; significant competitive weakness.</td>
</tr>
<tr>
<td></td>
<td>Inherently a short-term condition; must improve or withdraw.</td>
</tr>
</tbody>
</table>

The following list includes five business directions that are appropriate for almost any business. Select those that best summarize the competitor’s strategy.

**Business directions**

1. *Enter* – allocate resources to a new business area. Consideration should include building from prevailing company or unit strengths, exploiting related opportunities and defending against perceived threats. It may mean creating a new industry.

2. *Improve* – to apply strategies that will significantly improve the competitive position of the business. Often requires thoughtful product/market segmentation.

3. *Maintain* – to maintain one’s competitive position. Aggressive strategies may be required, although a defensive posture may also be assumed. Product/market position is maintained, often in a niche.

<table>
<thead>
<tr>
<th>Main competitor</th>
<th>Products/markets</th>
<th>Business direction and current objectives and strategies</th>
<th>Strengths</th>
<th>Weaknesses</th>
<th>Competitive position</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 6.4: Competitor analysis
4. **Harvest** – to relinquish intentionally competitive position, emphasizing short-term profit and cash flow but not necessarily at the risk of losing the business in the short term. Often entails consolidating or reducing various aspects of the business to create higher performance for that which remains.

5. **Exit** – to divest oneself of a business because of its weak competitive position or because the cost of staying in it is prohibitive, and the risk associated with improving its position is too high.

**Exercise 6.4 The SWOT analysis**

Having completed the marketing audit, your task now is to summarize it into a cogent and interesting analysis of your company’s particular situation in each major segment. The SWOT approach (the word SWOT incidentally being derived from the initial letters of Strengths, Weaknesses, Opportunities and Threats) will enable you to list in simple terms:

1. Your company’s differential strengths and weaknesses *vis-à-vis* competitors.
2. Where the best opportunities exist, i.e. market segments.
3. The present and future threats to your business in the market segments.

The SWOT analysis for each segment should only be a few pages in length and should concern itself with key factors only, supported by relevant data.

Some of the most valuable information for the SWOT analysis will come from the life-cycle analysis and the portfolio matrix you prepared in Chapter 5. The former will give you insights about the prospects for your key products and/or services and this information can then be used on the portfolio matrix, thereby highlighting how the portfolio will change. An example of this is shown in Figure 6.26.

![Figure 6.26: DPM example.](Continued)
In Figure 6.26, clearly the future portfolio is going to be significantly different from the current one. Products/segments B and G will disappear. The sales volume of A, C and D will increase, while that of E will reduce quite dramatically. All this has a tremendous bearing on how funds are generated, and, again, this is where the portfolio matrix can be helpful in letting one understand what is happening. If you recall, the text explained that different quadrants of the matrix had different characteristics when viewed as sources of funds (Figure 6.27). Although this comes from the Boston Matrix, it is just as relevant to the directional policy matrix shown in Figure 6.26.

The significance of this for any company is to have a balanced portfolio, where there are adequate ‘sustains’ to fund research and development and selected ‘opportunistics’.

The effort and costs associated with keeping the market share for ‘invests’ makes them unreliable sources of funds. The benefits will be reaped later when today’s ‘invests’ sink into the ‘sustain’ quadrant.

You can now proceed to complete the pro forma provided in respect of all your key market segments. Thus, if you have six key market segments, you will complete six pro formas. In this book, we have provided you with one. If you need more, just repeat the exercise using duplicate forms. See Figure 6.28.

A more detailed approach to completing the pro forma in Figure 6.28 now follows and we recommend that you read this next section most carefully.

**Exercise 6.5 Assumptions**

Any SWOT analysis should not look like the one given in Figure 6.29.

The problem with these is that they are far too generalized and tend to be conducted on what we describe here as ‘the average customer/consumer’ and, of course, we now understand from the segmentation section in Chapter 4 that there is no such ‘person’. The result of SWOTs like this is that they end up with vapid, meaningless words and the authors have
seen hundreds of such analyses over the years. They represent a kind of ‘My head is in the oven and my feet are in the fridge, so we must be comfortable on average’ sentiment. So, please avoid this at all costs and concentrate on the methodology spelled out below.

At a general level, however, there are some guidelines, which are set out in Figure 6.30. Conducting meaningful, useful SWOTs, however, is still a difficult managerial exercise. For example, on the pro forma provided in Figure 6.28, it will be seen that in Column 2 there are only five spaces. The problem here, however, is a tendency to write in words for critical

(Continued)
success factors (CSFs), such as ‘product’, ‘price’, ‘promotion’ and ‘service’, all of which are meaningless unless accompanied by more detailed explanation.

The following case will explain a methodology for making the summary headings in Column 2 of Figure 6.28 more meaningful.

Figure 6.31 shows five key buying principles for parents who are considering which private school to send their children to. More importantly, however, Figures 6.32 to 6.35 show the details behind each of these headings. In this example, it is in order to put in Column 2 of Figure 6.28 ‘Affordability’, for example, but behind this summary heading, a more detailed analysis will have been completed, otherwise ‘Affordability’ becomes just another vapid, meaningless word.

Finally, for presentation purposes in the actual marketing plan, it is often useful to present the strengths/weaknesses data as a bar chart, as shown in Figure 6.36.

The lessons to be learned from the above example are crucial to conducting a truly powerful SWOT on each important product/market segment.

Often it is forgotten that in conducting the SWOT analysis we have had to make assumptions, or educated guesses, about some of the factors that will affect the business, e.g. about market-growth rates, about government economic policy, about the activities of our competitors, etc. Most planning assumptions tend to deal with the environment or market trends and as such are critical to the fulfilment of the planned marketing objectives and strategies.
Figure 6.31: Independent schools buying criteria.
**Academic factors**

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 6.32: Academic factors.*

**Enhancement/Attractiveness factors**

**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 – ie 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 6.33: Enhancement factors.*
What then are the risks attached to making assumptions? Suppose we get it wrong?

To give some measure of risk assessment, a technique has been developed that looks at the assumption from the negative point of view. It leads one to ask ‘What can go wrong with each assumption that would change the outcome?’ For example, suppose the product was an oil derivative and was thus extremely sensitive to the price of oil. For planning purposes an assumption about the price of oil would have to be made. Using this ‘Downside risk’ technique we would assess to what level the price could rise before increased material costs would make our products too expensive and cause our marketing plans to be completely revised.

Now complete the following ‘Downside risk assessment form’ (Table 6.5) to evaluate some of the key assumptions you used in your SWOT analyses, and which you are now to use as the basis for setting marketing objectives and strategies.

### Relationship factors

<table>
<thead>
<tr>
<th>Pastoral Care</th>
</tr>
</thead>
<tbody>
<tr>
<td>Welfare: support, information, training, awareness</td>
</tr>
<tr>
<td>Responsiveness</td>
</tr>
<tr>
<td>Structures</td>
</tr>
<tr>
<td>Policies: availability, clarity</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ethos</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mission, values</td>
</tr>
<tr>
<td>Tangible, delivered from top down</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Parents’ association</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alumni association</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Communications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet, intranet</td>
</tr>
<tr>
<td>Events</td>
</tr>
<tr>
<td>Printed communications</td>
</tr>
<tr>
<td>Policies and procedures</td>
</tr>
<tr>
<td>Management of problems</td>
</tr>
</tbody>
</table>

Figure 6.34: Relationship factors.

### Cost factors

<table>
<thead>
<tr>
<th>Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fee increases yr-to-yr</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Scholarships</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type? (sports, academic, all-round, music, art)</td>
</tr>
<tr>
<td>% discount</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Bursaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>% range</td>
</tr>
<tr>
<td>Means-testing</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Sibling discounts</th>
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<table>
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<tr>
<th>Transport costs</th>
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| Price relative to regional competitors |

Figure 6.35: Cost factors.
Figure 6.36: CSF barchart.

Table 6.5: Downside risk assessment.
Exercise 6.6 Setting marketing objectives

Marketing objectives are solely concerned with which products go to which markets, and marketing strategies are concerned with how that is done. Therefore, because marketing objectives are only concerned about products and markets, an extremely useful planning aid is provided by the Ansoff Matrix, depicted in Figure 6.37.

This matrix suggests there are four types of marketing objective:

1. Selling established products into established markets (market penetration).
2. Selling established products into new markets (market extension).
3. Selling new products into established markets (product development).
4. Selling new products into new markets (diversification).

Figure 6.37: The Ansoff matrix.

Figure 6.38: The Ansoff matrix.
**Task 1**

Using the blank Ansoff Matrix (Figure 6.38), or perhaps using a larger sheet of paper, draw the matrix for your company's products and markets.

Please note that when you consider whether or not a market is new or established, the question you must ask yourself is ‘How long does it take to get one's distinctive competence known in this market?’ If you have been dealing with the market for anything less than your answer to this question, then that is a new market.

Similarly, new products are those probably at the early stages of their lifecycles, where the company is still ‘learning’ how to make them, i.e. it hasn’t solved all the operational, scheduling, quality, design and technical problems in the same way as it has for the established products.

**Task 2**

Combining the information on the Ansoff Matrix with that of your SWOT analyses, pick out those areas of business that offer the best prospects for your company. For each one, summarize your marketing objective for your longer-term planning horizon, i.e. 2, 3, 4 or 5 years. This must be quite explicit in terms of:

1. The product/service
2. The customer/market segment
3. The volume of sales
4. The market share.

Now repeat the exercise, stating the specific objectives for the first year of your planning horizon.

The marketing objectives should be consistent with the information from the product lifecycle analysis and portfolio matrix, completed in Chapter 5. Further guidance is provided in the notes which follow.

**Guidelines for setting marketing objectives**

Contained within your SWOT analyses will be key information gleaned from your marketing audit. You will know the reasons why customers want your products or services. You will know your best market segments. You will know the ‘life’ of your products or services and, probably most important of all, the portfolio matrix will have shown you how the various items of your range relate to each other in terms of raising funds.

Creative and intelligent interpretation of the portfolio matrix is the secret behind setting the right marketing objectives for your company. For this to happen, it is important to distinguish the essentially different characteristics of products or services falling into the four quadrants of the matrix. Let us take in turn:

**Invest**

Products or services in this quadrant are by implication aimed at those markets most attractive to your company. These will almost certainly be the markets with the higher growth rates.
Marketing objectives for such products should be calculated to match or exceed the market-growth rate and thereby hold or extend the company’s market share. Since these markets are likely to be attractive to others, the company will have to be aggressive to achieve its objectives.

This marketing posture has to be supported by tight budgeting and control processes to ensure that all resources are used effectively. Concern for present earnings should be subordinate to the main thrust of keeping or extending market share.

The increase in sales looked for in these products or services is likely to come from:

1. Possible geographic expansion
2. Possible product line expansion
3. Possible product line differentiation.

These may be achieved by internal development, acquisition or joint ventures.

**Sustain**

In these less attractive markets it doesn’t make sense to go for aggressive growth as with the invest quadrant – it would prove to be too costly and counterproductive. Instead, the objectives should be aimed at maintaining a profitable position with greater emphasis on present earnings.

The most successful products/services should be maintained, while less successful ones should be pruned. Marketing effort should be aimed at maintaining the market share of key market segments with minimum expenditure. Prices should be stabilized except when a temporary aggressive stance is required to maintain market share.

Sustain products must be managed to be the major source of funding for the company.

**Selective**

For products/services in this quadrant there are two broad choices:

1. Invest in the products for future earnings, i.e. groom them to be tomorrow’s invest products and subsequent sustain products; or
2. Manage them for present earnings.

In practice it is only feasible to ‘groom’ a limited number of question marks and so these have to be carefully chosen for their genuine potential. Investment across the range would be prohibitive.

**Cash**

In effect there are two kinds of product/service in this quadrant:

1. Genuine cash products (to the right of the quadrant)
2. Select products (to the left of the quadrant, adjacent to the sustain quadrant).

The marketing objectives for genuine cash products should be to divest where appropriate or to manage for present earnings. Marketing expenditure should be minimized, product lines pruned and prices stabilized or raised where possible, even at the expense of sales volume.

(Continued)
The marketing objectives for *select products* should acknowledge the low growth/attractiveness of these products and services, but still seek to identify and exploit growth segments, not by flying in the face of reason and trying to restore the product to its previous higher growth rate by costly advertising and promotion, but by emphasizing product quality and looking for improvements in productivity. Judicious marketing expenditure might be reasonable in special circumstances, but the emphasis should be on maximizing present earnings.

**Exercise 6.7 Marketing strategies**

Now that the marketing objectives have determined what the company must achieve, you have to decide how that might be done by your marketing strategies. Whereas there are only four types of marketing objective, there are a whole range of possible marketing strategies which can be used either singly or in combination with others. A choice of possible marketing strategies is shown in the list below.

Using this list, identify the broad marketing strategies most supportive to each of the marketing objectives you set for the company. Having done this, you will probably find it helpful to refer back to Figure 6.5. The left hand column of this figure lists the marketing variables that need to be considered, such as pricing, distribution, etc. The other columns represent the key positions on the portfolio matrix and are headed accordingly. Thus it becomes a fairly straightforward procedure to identify the best marketing strategies for your chosen objectives.

Chapters 7–10 will provide you with additional information about advertising, sales promotion, selling, pricing and distribution. Only finalize your marketing strategies after completing these later sections of this book.

**Possible marketing strategies**

1. Change product performance
2. Change quality or features of product
3. Change advertising
4. Change promotion
5. Change pricing
6. Change delivery arrangements
7. Change distribution channels
8. Change service levels
9. Improve operational efficiency
10. Improve marketing efficiency
11. Improve administrative procedures
12. Change the degree of forward integration
13. Change the degree of backward integration
14. Rationalize product range
15. Withdraw from selected markets
16. Standardize design
17. Specialize in certain products/markets
18. Change sourcing
19. Buy into new markets
20. Acquire new/different facilities
21.
22.
23.
24.

Add any other strategies that occur to you in the spaces provided.