

# 3.2

## PRODUCT AND SERVICE DESIGN

- Marketing Strategies
- The External Market Audit
- The Internal Market Audit
- Product Led Versus Market Led Strategies
- The Marketing Mix; Promoting The Business

# MARKETING STRATEGIES

Success with marketing strategies depends on:

- Understanding both your current and potential customers or service-users
- How current strategies affect the market: Are they working? Do they generate a return?
- What are the current and future needs of the market?
- What resources do you have to change your products and implement a new marketing strategy?
- Overcoming internal factors such as lack of skills, confidence and unwillingness to change
- Whether changes will be perceived positively by customers, users, funders, supporters etc.

## Typical Problems

- Getting community groups or social businesses to take marketing seriously
- Failure to review product or service regularly
- Poor budgeting of time and money (wasted resources with little return)
- Poor monitoring (hard to see results and therefore persuade people to change)

## Typical Strategies

Business	Community
Standardising the product range	Concentrating resources on a few activities
Diversifying into new market areas	New services for new groups
Offering special, unique or added value services	Innovation, one-off events
Changing the product	Cutting back or adding services
Regionalising the selling/marketing area	Focusing in on particular user groups or areas
Changing product in ways competition can't	As Business
Change market perception of its needs	Promotion, information, tasters
Joint marketing with other businesses	As Business
Create situations where competitors have no incentive to compete	Staying local, lobbying to keep a monopoly keeping users isolated

## Success And Failure

- Most successful businesses (and this applies to community groups as well) are market-led i.e. they put the needs of the customer or user before the internal organisation or interests of the organisation.
- This can make the organisation over-dependent on market trends but human needs are slow to change (although perceptions of the extent of that need by funders can change very rapidly!).
- Trying too many strategies without adequately monitoring results can lead to resources being wasted or lead to the organisation becoming unclear on which are the key (profitable) parts of the market.

# THE EXTERNAL MARKET AUDIT

Objective-setting or other planning in an information vacuum is pretty pointless. You will need to analyse the external marketing environment to decide:

- Where there might be opportunities
- Which are the attractive growth areas
- Which areas of activity may be in decline
- How to analyse and plan for the various parts of the market

## Areas To Investigate

### 1 : The Global, Regional, National, and Local Environment

What is the current and future situation in the economic, political, legal, financial, technological, social, cultural, natural and business environments in which the organisation will operate. This might include the political parties in power and their policies (both stated and actual); local economic development policies; the socio-demographic make-up of the area (age, gender, health, skills etc); ethnic characteristics; influence of pressure groups; local social needs; unemployment levels and the industrial/commercial base of the economy; strength of the community and voluntary sectors.

### 2 : The Market

What is the market's total size, geographic split or distribution, growth or other trends, technological/social/cultural developments, products or services, prices, distribution networks and customers/users (who they are/how they can be contacted).

### 3 : The Competition

You will need to locate assess potential and actual competitors looking at: size, market share, strengths and weaknesses, reputation, ability to satisfy demand, distribution methods, promotional methods, people involved, profitability/cash reserves.

This information needs to be related to the **purpose** of your market research and tailored to match the needs of the marketing plan. For instance, if you plan to create jobs and have high skill needs, information on the local labour market would be very helpful as would information on competitors who may be shedding workers. If you are planning to change your product, information on buying habits and consumer preferences would be more useful.

The **external market audit** can be used as the basis of the 'opportunities' and 'threats' part of a SWOT analysis, just as the **internal market audit** can provide the necessary information to determine the strengths and weaknesses of the organisation.

# THE INTERNAL MARKET AUDIT

An internal market audit attempts to assess the ability of an organisation to carry out its marketing strategy, identify potential and actual barriers or constraints, decide if it will benefit from change and assess these benefits.

The audit needs to have a clear purpose, analyse the current situation and impact of changes, identify outcomes for each product/service in relation to each market segment or user-group, assess the cost-benefit of change and how the target group will respond to the change in the long-term.

The first stage in an internal market audit is to assess the current situation. This can be done by looking first at the marketing mix: product, price, promotion and place.

## Product

What do we sell (or what service do we provide) and how do our customers and users perceive it? What does it cost in terms of resources to provide the product/service? What effect does the way we provide the product or service have on the organisation?

## Price

What is the cost of the product or service? What price do we charge? What profit do we make? What other costs are there to the customer or user (e.g. travel and parking costs, time, a crowded or unpleasant environment, postage or telephone costs etc.).

## Promotion

How much does promoting the product /service cost? What resources do we devote to promotion? What responses have we had to past promotional efforts? What would be the 'costs' of changing how we promote ourselves?

## Place

Who do we reach? Where do customers /users find out about us? Where do they have to go to access our product /service? Do we reach them directly (e.g. through advertising) or indirectly (e.g. word-of-mouth].

## SWOT Analysis

From this information you should then move on to the first stage of a **SWOT analysis**. A SWOT analysis looks at **strengths, weaknesses, opportunities and threats**. What are the strengths and weaknesses of your organisation in marketing terms? How easy would it be to make changes and improvements? And at what costs?

A similar analysis could be done on competitors. What are their strengths and weaknesses. This is important because it helps you to calculate whether and how they will respond to the changes you propose. If a competitor can make changes quickly and better than you can, watch out!

# PRODUCT LED VERSUS MARKET LED STRATEGIES

## Product Led Strategies

Product led strategies are marketing strategies that emphasise the strengths of the product and try to persuade the market to accept the product on its terms. It is a typical strategy for a new product or for an organisation known for a particular type of product or service.

Product led strategies are more expensive and require more effort but are safer since (so long as people are persuaded that they want your product) they will go on buying it even if the market changes.

## Market Led Strategies

Market led strategies are based on the idea that responding to the market and designing or redesigning your product or service to fit the market guarantees success. More resources are devoted therefore to finding out what the market wants and to being able to quickly and easily change the product and less resources to actually selling it.

Market led strategies depend on good market research and quick development of new products. They offer greater rewards potentially and allow/require higher flexibility, but carry the risk of over-committing to one or other markets or being unable to respond to change quickly enough.

## Exercise 1 : Marketing Strategy

Wood 'N' Tops is a community-based organisation trying to create work opportunities for young, disabled people. It has existed for five years and was initially a church-based initiative. It gets funding from the local authority and Jobcentre Plus. It has discovered that there are not many young disabled women using its service and would like to encourage a higher take-up among this group.

As a team, spend thirty minutes considering the following questions and come up with some answers. Prepare a short verbal report on what you think a product led strategy would require.

- What are the typical strengths and weaknesses of the service Wood 'N' Tops provides?
- What are the opportunities and dangers of a product-led approach for an organisation like Wood 'N' Tops?
- What resources might Wood 'N' Tops want to call on?
- What would be the attractions of such a service to its target group?
- What would be the likely disincentives to its target group?
- In what way could the target group be persuaded to use the service?

**Answers can be found in the appendix on page 407**

## Exercise 2 : Marketing Strategy

Wood 'N' Tops is a community-based organisation trying to create work opportunities for young, disabled people. It has existed for five years and was initially a church-based initiative. It gets funding from the local authority and the Department of Employment. It has discovered that many of its target-group are turned off by its churchy, charitable approach and want more up to date services.

As a team, spend thirty minutes considering the following questions and come up with some answers. Prepare a short verbal report on what you think a market led strategy would require.

- How can Wood 'N' Tops find out just what people want?
- What resources would be most useful to Wood 'N' Tops in carrying out research?
- What sort of changes might Wood 'N' Tops have to make?
- How could Wood 'N' Tops persuade the target group it has changed?
- What are the potential dangers (internally and externally) of a market-led approach?

Compare your findings. Are there significant differences between 'product led' and 'market led' strategies? What are they?

Now try to answer the questions contained within Exercise A and Exercise B for your own organisation or project idea.

**Answers can be found in the appendix on page 408**

# THE MARKETING MIX; PROMOTING THE BUSINESS

A business will succeed if its product and how it is marketed has a close fit with how, when and why the customer makes a buying decision. Put simply, if people never listen to the radio or don't trust credit cards, advertising on the radio won't reach them and selling goods on-line just doesn't work for some customers. Your 'advertising method' must have a match with customer's usual way of making buying decisions.

- Not everyone gets their product information in the same way
- Not everyone trusts the same kinds of information when making a buying decision
- Not everyone makes a buying decision in the same way. Some buy on impulse, some make highly 'rational' decisions

You need to think about your customers and try to categorise them or group them together in some way, designing particular advertising, sales and pricing strategies to suit each category.

This process is called 'Segmenting The Market'.

For instance, if you were planning a CCTV scheme, you might want to group potential customers according to the following questions:

- Do particular kinds of customer have more money to spend than others?

- Are some customers more at risk of theft or vandalism?
- Would some customers be more affected by a break-in than others?
- Do they have security arrangements already or not?

Once this work has been done, it's possible to move on to thinking about how to advertise and sell to potential customers. Your advertising has to create **AIDA**. It must:

- Generate **Awareness** (of your product)
- Create **Interest** (in buying it)
- Stimulate **Desire** (for the product) or **Decision** (to buy)
- Produce **Action** (an actual enquiry or purchase)

But the way you create **AIDA** will be different for each kind or category of customer or 'segment' of the market.

### Marketing Mix Exercise 1 - Community CCTV

You are running a community CCTV service for public and other buildings (such as churches, community buildings, businesses, housing offices, industrial estates etc). You want to increase the number of customers you have. You must decide the best way to advertise your service. Decide first how you think someone running a business or managing premises might buy the service. Tick the boxes where the customer buying decision and the advertising method match. **Note:** as this is a group exercise and social businesses are group-led, the group must discuss and agree how they categorise the customers. **Don't just tick every box, not everyone acts the same.**

Customer Buying Decision	Yes/No?	Advertising Method				
		Yellow Pages	Radio Advertising	Send A Brochure	Unsolicited Phone Call	Fax Campaign
Customer makes impulse buy when hit by advertising						
Customer makes decision and looks for supplier						
Customer buys product regularly						
Customer only buys at certain times						
Customer ask colleagues for recommendations						
Customer takes note of supplier and buys later						
Customer only buys when absolutely necessary						
Customer checks several suppliers before buying						
Customer is at work when decision is made						
Customer buys from first supplier they find						

Look at the pattern. What does this tell you about the way in which the customer should be approached?

Answers can be found in the appendix on page 409

### Marketing Mix Exercise 2 - Childcare

The local Council has approached a local community trust and proposed developing a childcare social business for people in the local area. Access to the service will be partly subsidised for low-income families. You are developing a marketing strategy as part of business planning. What would be the best way to reach prospective customers? Tick the boxes where the customer buying decision and the advertising method match.

Customer Buying Decision	Advertising Method					
	Yes/No?	Yellow Pages	Radio Advertising	Send A Brochure	Unsolicited Phone Call	Fax Campaign
Customer makes impulse buy when hit by advertising						
Customer makes decision and looks for supplier						
Customer buys product regularly						
Customer only buys at certain times						
Customer ask colleagues for recommendations						
Customer takes note of supplier and buys later						
Customer only buys when absolutely necessary						
Customer checks several suppliers before buying						
Customer is at work when decision is made						
Customer buys from first supplier they find						

Look at the pattern. What does this tell you about the way in which the customer should be approached?

Discuss why you think customers act in particular ways and why the advertising methods selected are most appropriate.

Answers can be found in the appendix on page 410