

# “Situation Analysis and Strategic Planning: An Empirical Case Study in the UK Beverage Industry”

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# SITUATION ANALYSIS AND STRATEGIC PLANNING: AN EMPIRICAL CASE STUDY IN THE UK BEVERAGE INDUSTRY

Demetris Vrontis, Alkis Thrassou

## Abstract

Marketing planning is a key function for marketing oriented organisations. The following paper has been compiled in order to develop a marketing plan for a soft drink beverage company. Though out this case, it is illustrated that the stages in planning process are interrelated and cannot work in isolation. They all add to the development of a focus and specific marketing plan that needs to be followed by marketing oriented companies.

**Key words:** Environmental Analysis, Marketing Planning, Strategy, Tactics.

## Marketing Planning – A Theoretical Overview

Marketing planning is defined by Woods (2003) as the structured process of researching and analysing the marketing situation, developing and documenting marketing objectives, strategies, and programs, and implementing, evaluating and controlling activities to achieve objectives. The marketing plan process is illustrated below in Figure 1.

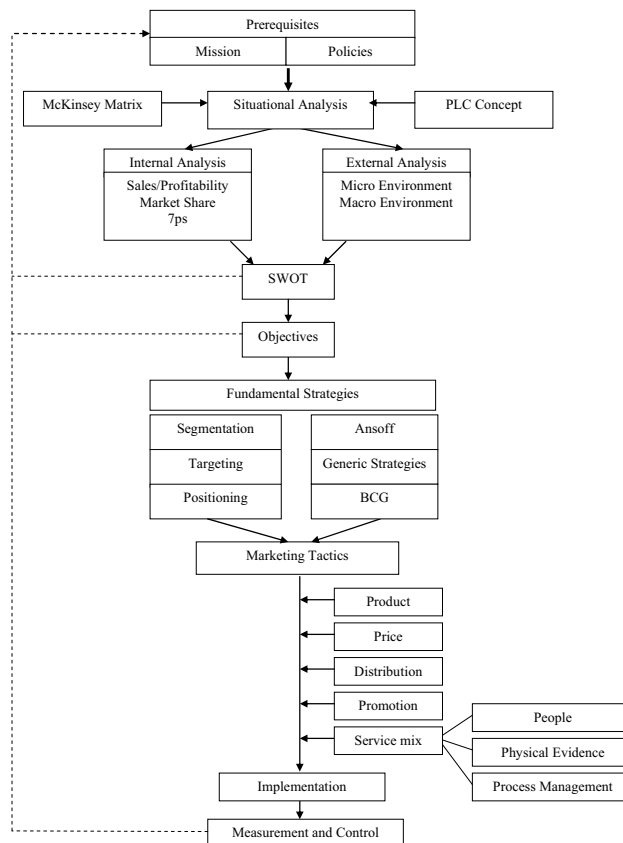


Fig. 1. The STRATICS PROCESS – Marketing Planning

Marketing planning is critical for a company as it evaluates the company, gives directions and guidance, and enables to set objectives and to identify alternatives and strategies. Furthermore, it can help to improve the quality of decision by reducing rushed decisions and associated risks. Dibb (1996) states that marketing planning is very important as it keeps the companies in tune with trends in the market place, abreast of customer needs, and aware of the competition. Planning helps ensure that resources are utilised effectively, and that businesses are ready to respond to the unexpected.

The importance of the internal and external environment and the effect that they have on the development and implementation of strategic planning is crucial and should be highly considered by any organisation wishing to be profitable in the increasingly competitive arena.

This is important as a company's 'strategic fit' with its environment is central to its strategy. Effective strategies cannot be developed without firstly analysing the environment in which the company operates. It is suggested that the environmental scanning of both the organisational internal and industrial external environment is a necessary prerequisite stage to strategic formulation.

Drummond and Ensor (2001) identify that marketing strategies address three elements: the customers, the competition and internal corporate issues, as depicted in Figure 1, which are dynamic and constantly changing. It is therefore important to develop and use processes, procedures and techniques that ensure that marketing strategy is:

- ◆ Relative to the current/future business environment
- ◆ Sustainable
- ◆ Generating optimum benefits to both the organization and customers
- ◆ Correctly implemented, monitored and controlled

Consequently, marketing planning involves assessing marketing opportunities, researching and selecting target markets, determining marketing objectives and developing a plan for implementations and control.

### **Situation Analysis**

The situation analysis or audit, described as the 'where are we now', is the means by which a company can identify its own strengths and weaknesses as they relate to external opportunities and threats. It is thus a way of helping management to select a position in that environment based on known facts.

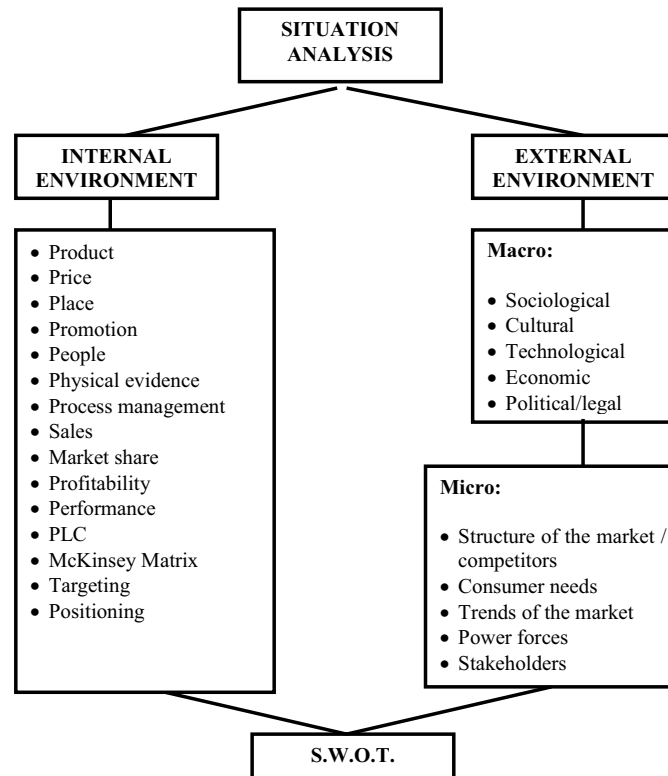
The external environment for a company covers many aspects. It is suggested that the environment covers two main areas: the Macro-environment and the Micro-environment. The Macro-environment consists of forces such as social, cultural, legal, economic, political and technological. Within this factors such as demographics, green issues and larger societal and environmental forces are included. The Micro-environment includes other environmental constraints such as the structure of the market, the suppliers, customers, trends of the market, public and competition.

Equally important is the internal environment incorporating the examination of the company's marketing mix (product, price, place, promotion) and service mix (people, process management, physical evidence). An analysis of the internal environment also covers other factors such as sales, profitability, market share and customer loyalty.

The internal audit examines the company's own resources and supplies suggestions as to the company's strengths and weaknesses. Internal considerations are mainly controllable by the company and therefore companies should make the most to avoid any problems arriving from them. It is evidently proven that product development and strategic formation is based upon the internal organisational capabilities.

Every company, after considering both its internal strengths and weaknesses and the external environmental influences that affect it (opportunities and threats), is in position to develop an effective marketing plan. Failure to understand the external and internal capabilities may lead to complete

failure. A detailed illustration of the factors that need to be considered in the internal and external environment is presented in Figure 2.



Source: Vrontis (2003).

Fig. 2. Situation analysis

Strategic marketing planning is essential in order to devise the most relevant marketing strategy to build and sustain Shloer in a rapidly changing marketplace.

As depicted, both the internal environment of the company (the controllable variables influenced by management) and the external environment in which the company operates (the uncontrollable variables management cannot influence) have to be examined. The information obtained is then structured and analyzed via the SWOT analysis, which allows the environmental threats and opportunities facing the company to be matched with the company's weaknesses and strengths. In doing this, the company can capitalize on its strengths, minimize any weaknesses, exploit market opportunities as they arise and avoid any threats as far as possible.

## Internal Analysis

### *Brief History of the Company*

Founded in 1946 as a cider producer in Heathford, East Sussex, Merrydown PLC acquired production of Shloer in the early 1990's and was the first company to import alcopops, in the form of Two-Dogs, into the UK. However, due to increasing competition within the alcopops market, the company made a pre-tax loss of £516,000 in 1997 and handed distribution of Two Dogs over to Scottish and Newcastle.

The Company re-branded Shloer in 1999, which improved its performance within the soft drinks market. During 2001 sales have increased due to the successful current strategy of increasing the

size and frequency of existing customers purchases and of introducing new consumers to the brand using effective marketing communications.

While the company still manufactures traditional ciders, it aims to capitalize on Shloer’s recent success. By staying true to its original 40-year-old recipe of natural fruit juices and water, it pursues opportunities that will enhance growth for the long-term benefit of shareholders.

***Performance***

*Sales and Profitability*

The overall financial performance of Merrydown PLC has improved over the last 5 years. Table 1 shows that between 2000 and 2001, company sales increased by 12% to £17.63m and pre tax profit increased by 41% to £1.05m. Earnings per share increased by 86% to £2.92, with final dividends increasing to £0.75, to the benefit of shareholders and net cash increased to £2.80m, improving the company’s liquidity. In addition, the company has a £3m committed overdraft facility to ensure all foreseeable working capital requirements can be met and provide scoped for future investments ([www.merrydown.co.uk](http://www.merrydown.co.uk)).

Table 1

Merrydown PLC Financial Performance

| Performance Indicator         | 2001<br>£'000 | 2000<br>£'000 | 1999<br>£'000 | 1998<br>£'000 | 1997<br>£'000 |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|
| Turnover                      | 17,631        | 15,714        | 16,756        | 22,999        | 34,912        |
| Operating Profit (Loss)       | 938           | 746           | 493           | (1,036)       | 1,552         |
| Profit/(loss) before taxation | 1,047         | 742           | (1,336)       | (4,146)       | 821           |
| Profit/(loss) after taxation  | 773           | 416           | (1,142)       | (3,252)       | 428           |
| Net Cash                      | 2,800         | 2,090         | 710           | -             | -             |
| Earnings/(loss) per share     | 2.92p         | 1.57p         | (4.94)p       | (29.78)p      | 3.92p         |
| Ordinary dividend             | 0.75p         | 0.5p          | -             | -             | -             |

Source: [www.merrydown.co.uk](http://www.merrydown.co.uk)

The increased sales performance in 2001 is largely a result of increased Shloer sales, which grew by 47% to reach £8.5m in the previous year. Despite this rapid sales growth, Shloer is currently in the maturity stage of its product life cycle. The Product Life Cycle (PLC) concept portrays four distinct stages in the sales history of ‘life’ of a product, known as Introduction, Growth, Maturity and Decline and depicts how profits rise and fall during each stage. The concept provides a useful guide for assessing the present and future direction of the brand. By identifying here it is in its life cycle, appropriate strategies can be identified that will help to deal with the potential threats and opportunities in its stage (Brassington and Pettitt, 2001).

Shloer’s product life cycle is indicating how sales and profits have and are expected to develop for the years to come. The maturity stage is characterized by low sales growth and fragmented markets, as established competitors seek to gain competitive advantage in niche sectors. Recent strategies have been consistent with those suggested for this stage of the PLC. In the past, product modification strategies, such as improving the range of flavours, packaging style and size were used to relaunch Shloer to expand sales volumes. For the future, market modification strategies, such as promoting new and varied uses through recipes and drinking occasions, have successfully increased sales by attracting new consumers to the brand and encouraging current consumers to purchase more Shloer.

*Market Share*

Shloer’s market performance has improved over the last 3 years as its value share of the adult soft drinks market has increased by 1.5%. The number of households purchasing Shloer has also reached 7.7% of all households, which indicates that there is substantial growth potential for the brand.

### Customer loyalty

Over the last 3 years the company has managed to increase loyalty for Shloer. Independent research conducted in 2000 identified a very positive reaction to its new branding in addition to high consumer awareness and satisfaction levels. Sales have also increased over the summer months, however they remain highest during the Christmas period.

Wind (1982) has identified the following six segments of customer loyalty:

1. Current loyal users who will continue to purchase the brand.
2. Current customers who might switch brands or reduce consumption.
3. Occasional users who might be persuaded to increase consumption with the right incentives.
4. Occasional users who might decrease consumption because of competitors' offerings.
5. Non-users who might buy the brand if it was modified.
6. Non-users with strong negative attitudes that are unlikely to change.

The majority of Shloer's current customers are characteristic of the occasional users segments 3 and 4. Therefore similar products offered by competitors could undermine their loyalty to Shloer, indicating that resources should be invested in a focused marketing mix, to turn them into heavy users.

### Positioning

Shloer is positioned as a grown-up soft drink within the adult soft drink market and largely targeted women over 25 years old. Its current market position can be depicted using the Mc Kinsey Matrix, in order to evaluate the current strategy, based on its business strength in terms of key performance measures and competitive forces in the market.

The model shown in Figure 3 considers two dimensions: the market attractiveness for competitors (in terms of the cash flow it will generate, market size, sales growth rate, competition, etc.) and business strengths relative to those of competitors (in terms of company size, growth, marketing capability, market share, customer loyalty, etc.). Three zones are identified which imply different marketing strategies to be undertaken. In zone 1, when both firm position and market attractiveness are positive, the business should probably invest and attempt to grow. Zone 3 indicated a more negative assessment and recommends to either harvest or divestment strategies should be pursued. Zone 2 indicates selective investment decisions should be made if specific reasons justify their profitability (Aaker, 1998).

|   |        | Market Attractiveness |        |     |  |
|---|--------|-----------------------|--------|-----|--|
|   |        | HIGH                  | MEDIUM | LOW |  |
| Business Position<br>(Ability to compete) | HIGH   | 1                     | 1      | 2   | <ol style="list-style-type: none"> <li>1. Invest/grow</li> <li>2. Selective Investment</li> <li>3. Harvest/divest</li> </ol> |
|   | MEDIUM | 1                     | 2      | 3   |  |
|   | LOW    | 2                     | 3      | 3   |  |

Business Position represented by: product quality, brand reputation, market share and marketing capability.

Market Attractiveness represented by: market size, growth rate, competition and customer loyalty.

Source: Adapted from Aaker (1998).

Fig. 3. Market attractiveness – Business Position Matrix for Merrydown PLC

Shloer is approximately positioned in Zone 1 and denoted by X. The degree of market attractiveness can be expected to fall over the next 3 years, illustrated by the arrow, due to the maturity of the market. Indicating that resources should be allocated to investing for further growth over the near future.

### ***Planning***

The company has a long-term view of Shloer's brand development and it is committed to investing heavily in marketing activities. Additional employees in marketing, category management and sales strategy were employed in 2000 and production and brand management teams are organized into separate operating divisions, to allow management resources to be focused on these main activities. Additionally, all marketing activities are located near a major transportation artery, the M25, to provide easy access to customers and agencies ([www.merrydown.co.uk](http://www.merrydown.co.uk)).

## **Marketing Mix**

### ***Product***

Shloer is a mixture of premium quality fruit juice (approximately 55%) and carbonated water, containing vitamin C and no artificial sweeteners or preservatives. It was re-launched in April 1999 with an improved range of flavours and more contemporary packaging to facilitate development within new trade channels. It is now available in both 1-liter and single-serve 275ml glass bottle formats, in six flavours: red grape, white grape, raspberry & cranberry, white grape & peach, white grape & apple, and white grape & elderflower. Additionally, a flask-shaped 330ml silver sleeved bottle was launched in 2000 under the name Shloer2gO, in three flavours: orange & lemon, apple, and exotic fruits, to target impulse buyers.

Capital expenditure since 1999 in plant and equipment and bottling operations has kept systems up to date and maintained high capacity and production standards. An achievement recognized through the British Retail Consortium Gold Award in 2000 ([www.merrydown.co.uk](http://www.merrydown.co.uk)).

### ***Place***

SHS Sales and Marketing Ltd distribute Shloer throughout the UK in supermarkets, off licenses and public houses. Merrydown PLC has developed a strong relationship with the company and in 2000 SHS invested in additional resources to strengthen their management and representation to major accounts on their behalf, to help extend distribution to the Irish Republic ([www.merrydown.co.uk](http://www.merrydown.co.uk)).

### ***Price***

Shloer commands a premium price consistent with its current image, retailing at between £2-3 for a 1-litre bottle. However, high competition prevents offsetting promotional costs by price increases ([www.merrydown.co.uk](http://www.merrydown.co.uk)).

### ***Promotion***

In line with the current strategy, support behind the brand doubled since 2000, with approximately £2m spent on advertising and marketing. In 2001 priority has been given to pull-strategies, in order to demonstrate Shloer's value directly to consumers, supported by few well-targeted trade promotions. TV and press advertising promote Shloer as 'the adult soft drink', which is 'sparkling, refreshing and more than a little bit fruity'. The brand is portrayed as being ideal for those hazy, lazy days of summer, relaxing in the garden with friends and as a self-indulgent adult refreshment ([www.shloer.com](http://www.shloer.com)). Commercials ran mostly from November on GMTV and Channel 5, in conjunction with women's press advertising in Hello, the BBC Good Food Guide and Elle, supported by in-store promotions, sampling and publicity events, which included the Shloer garden at the Chelsea Flower Show ([www.merrydown.co.uk](http://www.merrydown.co.uk)).

## External Analysis

### *Micro Environment*

#### *Market Structure*

The adult soft drinks market represents 8% of the total soft drink market by volume and 7% by value. It is segmented further by type of drink into the following sectors; clear & flavoured carbonates, flavoured waters, fruit drinks, herbal drinks, RTD iced tea and coffee. Further, it was identified that clear and flavoured carbonates have the largest share of the market at 57% (Mintel, 2002).

The following emerging categories have been identified:

**Organic** – Those drinks certified by an approved body, such as the soil association and have production, processing, packaging and labeling inspected regularly.

**Low calorie/sugar** – Growing slowly as consumers move towards healthier lifestyles.

Tables 2 and 3 show that between 1999 and 2001 the adult soft drink market grew overall, with all categories losing share and sales to the clear carbonates sector which increased dramatically by 264% in volume and 236% by value.

The market is forecast to grow by 20% in real terms between 2001-2006, reaching a market value of £822 million in 2006 and volume sales set to increase by 29% over the same period (Mintel, 2002).

Table 2

UK retail sales of adult soft drinks by type and volume

|                    | 1999<br>m litres | %   | 2001 (est)<br>m litres | %   | % change<br>1999-2001 |
|--------------------|------------------|-----|------------------------|-----|-----------------------|
| Clear carbonates   | 165              | 38  | 600                    | 64  | +263.6                |
| Flavoured waters   | 220              | 50  | 267                    | 29  | +21.4                 |
| Fruit Drinks       | 25               | 6   | 31                     | 3   | +24.0                 |
| Herbal Drinks      | 19               | 4   | 23                     | 2   | +21.1                 |
| RTD tea and coffee | 10               | 2   | 15                     | 2   | +50.1                 |
|                    |                  |     |                        |     |                       |
| Total              | 439              | 100 | 936                    | 100 | +113                  |

Table 3

UK retail sales of adult soft drinks by type and value

|                    | 1999<br>m litres | %   | 2001 (est)<br>m litres | %   | % change<br>1999-2001 |
|--------------------|------------------|-----|------------------------|-----|-----------------------|
| Clear carbonates   | 110              | 32  | 370                    | 58  | +236.4                |
| Flavoured waters   | 84               | 25  | 102                    | 16  | +21.4                 |
| Fruit Drinks       | 55               | 16  | 62                     | 10  | +12.7                 |
| Herbal Drinks      | 65               | 19  | 74                     | 12  | +13.8                 |
| RTD tea and coffee | 25               | 7   | 31                     | 5   | +24.0                 |
|                    |                  |     |                        |     |                       |
| Total              | 339              | 100 | 639                    | 100 | +88.5                 |

Source: Mintel (2002).

### *Competitive Analysis*

The Five forces Model developed by Porter shown in Figure 4, help to define the state of competition within the adult soft drink market.



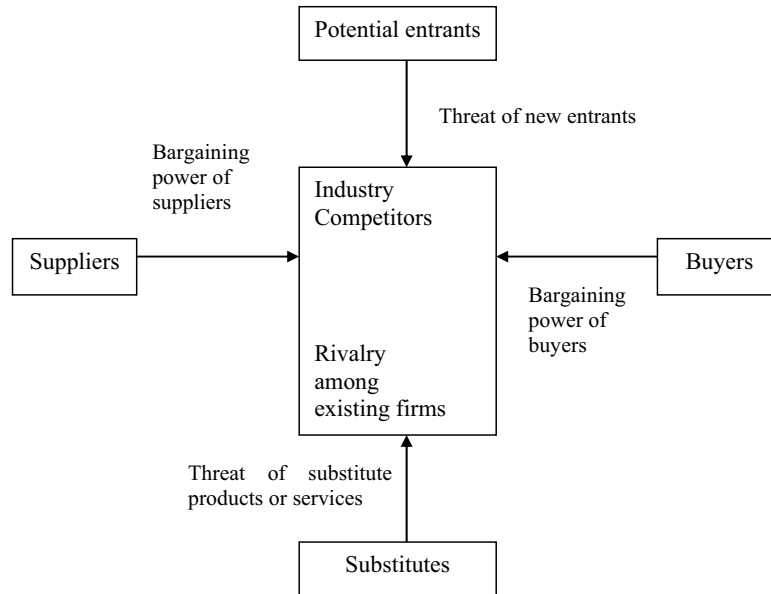


Fig. 4. Porter's Five Forces Model

The model identifies five forces present in an industry that will affect a products competitive position in the market place, being (1) threat of new entrants, (2) bargaining power of buyers, (3) bargaining power of suppliers, (4) threat of substitute products, and (5) rivalry among existing competitors.

*Suppliers*

Despite the high number of suppliers within the market, Britvic Soft Drinks Ltd dominates supply, with the highest share of the market in terms of both volume and value as shown in Tables 4 and 5. In addition, own label retailers, such as Tesco, Sainsbury and Boots, supply a significant proportion of drinks.

Table 4

Estimated UK supplier share of adult soft drinks, by volume

|                       | 1999<br>m litres | %          | 2001<br>m litres | %          | % change<br>1999-2001 |
|-----------------------|------------------|------------|------------------|------------|-----------------------|
| Britvic Soft Drinks   | 198              | 45         | 225              | 24         | +13.6                 |
| Danone                | 4                | 1          | 42               | 4          | +950.0                |
| Coca Cola Enterprises | 25               | 6          | 40               | 4          | +60.0                 |
| Merrydown             | 6                | 1          | 11               | 1          | +83.3                 |
| Nestle                | 6                | 1          | 10               | 1          | +66.7                 |
| Perrier Vittel        | 4                | 1          | 10               | 1          | +150.0                |
| Cadbury Schweppes     | 3                | 1          | 8                | 1          | +166.7                |
|                       |                  |            |                  |            |                       |
| <i>Sub Total</i>      | <i>246</i>       | <i>56</i>  | <i>346</i>       | <i>37</i>  | <i>+40.7</i>          |
|                       |                  |            |                  |            |                       |
| Others                | 156              | 36         | 461              | 49         | +195.5                |
| Own-label             | 37               | 8          | 129              | 14         | +248.6                |
|                       |                  |            |                  |            |                       |
| <b>Total</b>          | <b>439</b>       | <b>100</b> | <b>936</b>       | <b>100</b> | <b>+113</b>           |

Table 5

Estimated UK supplier shares of adult soft drinks, by value

|                       | 1999<br>£m | %         | 2001<br>£m | %         | % change<br>1999-2001 |
|-----------------------|------------|-----------|------------|-----------|-----------------------|
| Britvic Soft Drinks   | 152        | 45        | 166        | 26        | +9.2                  |
| Danone                | 45         | 13        | 70         | 11        | +55.6                 |
| Coca Cola Enterprises | 13         | 4         | 21         | 3         | +61.5                 |
| Merrydown             | 15         | 4         | 21         | 3         | +40                   |
| Nestle                | 2          | 1         | 16         | 3         | +700.0                |
| Perrier Vittel        | 5          | 1         | 10         | 2         | +100.0                |
| Cadbury Schweppes     | 3          | 1         | 7          | 1         | +133.3                |
|                       |            |           |            |           |                       |
| <i>Sub Total</i>      | <i>235</i> | <i>69</i> | <i>311</i> | <i>49</i> | <i>+32.3</i>          |
|                       |            |           |            |           |                       |
| Others                | 63         | 19        | 125        | 20        | +98.4                 |
| Own-label             | 41         | 12        | 203        | 32        | +395.1                |
|                       |            |           |            |           |                       |
| Total                 | 339        | 100       | 639        | 100       | +88.5                 |

Source: Mintel (2002).

Britvic Soft Drinks Ltd currently owned by Britannia and Pepsi Co Ltd has been up for sale since 2001. Mintel (2002) identifies that its sale is likely to result in further consolidation within the market, resulting in more corporate rationalization. Already there has been a joint venture between Coca-cola and Nestle to market RTD tea and coffee products across 24 countries.

#### *Competition*

There is a high number of competing products within the market, which can be categorized into four types as illustrated in Figure 5.

|                     |                        | <b>PRODUCTS</b> |                         |
|---------------------|------------------------|-----------------|-------------------------|
|                     |                        | Similar         | Different               |
| Similar<br>CUSTOMER | DIRECT<br>COMPETITORS  |                 | INDIRECT<br>COMPETITORS |
|                     | PRODUCT<br>COMPETITORS |                 | IMPLICIT<br>COMPETITORS |
| Different           |                        |                 |                         |

Source: Doyle (1998)

Fig. 5. Types of Competitors

Doyle stresses the importance of analyzing direct competitors, known as the strategic group, as they focus on the same target market segments and will pursue similar strategies. It is also important to be aware of incidental competitors providing products, as they can pose a major threat to the brand.

1) *Direct Competitors* – other brands of fruit drinks within the adult soft drink market.

| Manufacturer                       | Brand  |
|------------------------------------|--|
| Belvoir Fruit Farms                | Belvoir Cordials and presses                 |
| Boots                              | Shapers, Citrus Drink                        |
| Britvic Soft Drinks                | J20, Robinson's Fruit Break, Ruby's          |
| Cadbury Schweppes / Snapple Europe | Snapple                                      |
| Cott Beverages                     | Hero Crush                                   |
| Ella Drinks                        | Bouvrage                                     |
| Hall & Woodhouse                   | Rio, Rio Light                               |
| Pago                               | Pago fruit Juices                            |
| Permod Brands                      | Orangina                                     |
| Prince's Soft Drinks               | Ocean Spray cordial                          |
| Tesco                              | Scottish raspberry, morello cherry, lemonade |
| Tropicana                          | Copella                                      |

2) *Indirect Competitors* – other types of drink brands within the adult soft drinks market.

| Manufacturer                            | Brand                                      |
|---|--|
| <i>Iced Tea &amp; Coffee</i>            |  |
| G Costa                                 | Poccino Cool; xpresso                      |
| Nestle                                  | Nestcafe Ice                               |
| Novaritis                               | Options Cool                               |
| Twinings                                | Fruit Iced Teas                            |
| Van den Burgh Foods                     | Liptonice                                  |
| <i>Herbal Drinks</i>                    |  |
| Bottle Gren Drinks                      | Bottle Green presses and cordials          |
| Britvic Soft Drinks                     | Aqua Libra, Ame, Tapestry                  |
| Hall & Woodhouse                        | Alfresco, Alfresco Light                   |
| T & T Beverages                         | Santesse                                   |
| Tesco                                   | English Elderflower                        |
| Thorncroft                              | Thorncroft presses and cordials            |
| Shainsbury's                            | Sparkling grape/peach                      |
| <i>Flavoured water/clear carbonates</i> |  |
| Britvic Soft Drinks                     | 0+   |
| Beverage Brands                         | Caledonian Clear                           |
| Boots                                   | Shapers Flavoured Waters                   |
| Cott Beverages                          | Clearly Canadian                           |
| Danone Waters (UK)                      | Volvic Tuch of Fruit Still                 |
| Glaxo SmithKline                        | Ribena Twist                               |
| Marks & Spencer                         | St Michael Fruit Bliss, Quest Still Thurst |
| Perrrier Vittel UK                      | Perrier with a twist                       |
| Sainsbury's                             | Lemon & Lime Spring Water                  |
| Silverspring                            | Perfectly Clear                            |
| Superdrug                               | Flavoured waters                           |
| Tesco                                   | Clear Carbonates                           |
| Villa soft Drinks                       | Hadrian Clear flavoured waters             |

3) *Product Competitors* – Other carbonated fruit flavoured drink brands such as Tango, 7up and Lilt, aimed at the youth market, which contain lower levels of fruit concentrate and sparkling mineral waters.

4) *Implicit Competitors* – Different drinks competing for the same share of the adult consumers disposable income, for example, hot drinks, alcoholic drinks, and other carbonates such as Coca Cola and Pepsi.

Figure 6 summarises the strengths and weaknesses of direct competitors in comparison to Shloer based on market key performance factors. As Aaker (1998) identifies “a sustainable competitive

advantage is almost always based on having a superior position to that of the target competitors [...] thus information about each competitor’s position with respect to relevant assets and competencies is central to strategy development and evaluation”.

| Brand                           | Shloer (M) | Belvoir Cordial / Presses (BFF) | Robinson Fruit Break (BSD) | J20 (BSD) | Orangina (CS) | Snapple (CS) | Rio (H&W) | Shapers (Boots) | Hints of Range (Tesco) | Oasis (CCC) | Ocean Spray (PSD) |
|---------------------------------|------------|---------------------------------|----------------------------|-----------|---------------|--------------|-----------|-----------------|------------------------|-------------|-------------------|
| Assets & Competencies           |            |                                 |                            |           |               |              |           |                 |                        |             |                   |
| <u>Critical Success Factors</u> |            |                                 |                            |           |               |              |           |                 |                        |             |                   |
| Product quality/range           | •          | •                               | •                          | ••        | ••            | •            | •         | •               | •                      | •           | ••                |
| Brand Awareness/Loyalty         | •          | ••                              | •                          | ••        | ••            | ••           | •         | •               | ••                     | •           | ••                |
| Product Differentiation         | •          | •                               | •                          | •         | •             | •            | ••        | ••              | ••                     | •           | ••                |
| Advertising/Promotion Skills    | •          | ••                              | •                          | •         | ••            | ••           | •         | ••              | •                      | •           | ••                |
| <u>Secondary Factors</u>        |            |                                 |                            |           |               |              |           |                 |                        |             |                   |
| Financial Capability            | •          | ••                              | •                          | •         | •             | •            | ••        | •               | •                      | •           | ••                |
| Growth of target Segment        | •          | •                               | •                          | •         | •             | •            | •         | •               | •                      | •           | •                 |
| Distribution Channels Off Trade | ••         | ••                              | •                          | n/a       | •             | ••           | •         | •               | •                      | •           | ••                |
| On Trade                        | •••        | •••                             | •••                        | •         | ••            | •••          | ••        | n/a             | n/a                    | ••          | •••               |

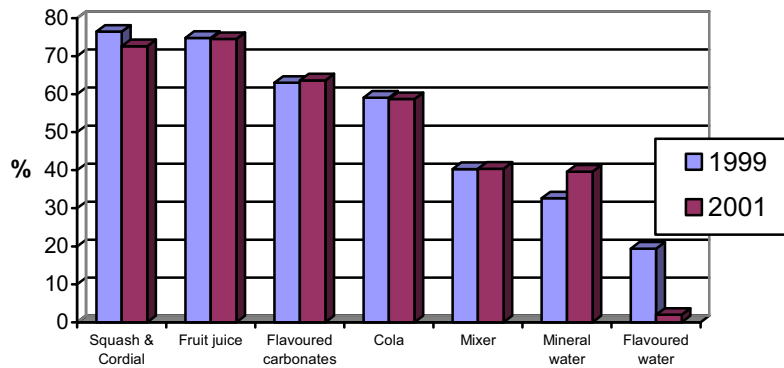
KEY: Strong – • Average – •• Weak – •••

Source: Adapted from Aaker (1998) based on information from Mintel (2002).

Fig. 6. Competitor Strengths and Weaknesses Grid (Fruit Drinks)

*Market Trends*

Figure 7 shows that the overall number of people drinking soft drinks has grown between 1999 and 2001. While the penetration of flavoured carbonates and waters has increased, mineral water’s share has increased dramatically, which suggests that consumer preferences are shifting away from sugar or long life juice drinks, towards products that are perceived as ‘more natural’, especially among women.



Source: Mintel (2002).

Fig. 7. Penetration of soft drink 1999 and 2001

Soft drinks have increased in availability and are now found in a wide variety of outlets, including garage forecourts, vending machines, cinemas and schools. The summer remains the key selling period for soft drinks, followed by Christmas and New Year. Additionally, retail sales of organic food and soft drinks grew by 77% between 1999 and 2001 and it is likely more organic drinks will be launched as companies try to capture a share of this market.

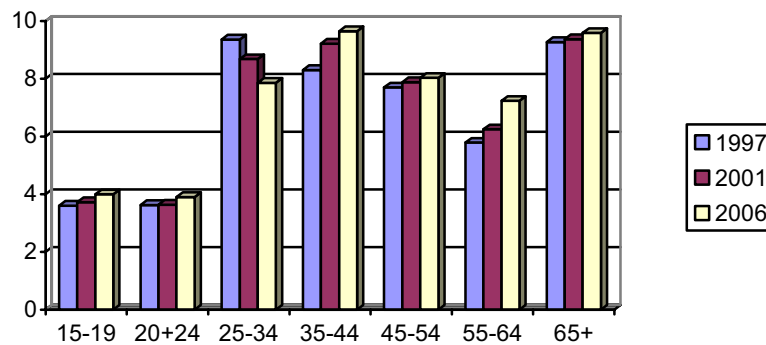
**Macro Environment**

*Political, Economical, Socio-cultural and Technological (PEST) Factors*

Government policies are encouraging consumers to cut down on their alcohol consumption to combat drinking related violence, drunk driving related illness. Boseley (2002) cites a recent report published by Alcohol Concern which estimated that alcohol related diseases and drunk violence costs the NHS approximately £3bn a year. The Department of Health has promised to invest £21m in alcohol education and tightening up of licensing laws.

Consumer expenditure has risen constantly over the last decade. People are spending a lower proportion of their income on food and personal goods than they were 10 years ago, but more on entertainment and travel, which have gained greater importance in people’s lives (Mintel, 2002).

Changes in the composition of the UK adult population will have a fluctuating impact on the drinks industry. Figure 8 indicates that the 15-24’s is expected to grow by 15% between 2001 and 2006, while the number of 24-34’s will continue to decline over the same period. The 35-44s and 55-64 are also projected to increase significantly.



|              |       |       |       |       |       |       |       |
|--------------|-------|-------|-------|-------|-------|-------|-------|
| <b>1997</b>  | 3.602 | 3.628 | 9.360 | 8.294 | 7.696 | 5.783 | 9.272 |
| <b>2001</b>  | 3.727 | 3.635 | 8.679 | 9.213 | 8.877 | 6.248 | 9.369 |
| <b>2006*</b> | 3.995 | 3.903 | 7.857 | 9.645 | 8.028 | 7.229 | 9.585 |

\*Projected

Source: Mintel (2002).

Fig. 8. Trends and projections in UK population aged 15+, by age group

Social attitudes to alcohol are changing and consumption levels have declined since 1995. 14% of the UK population aged 18+ consume no alcohol at all, mainly due to increased health awareness and attitudes towards drink driving. The out-of-home entertainment market has grown by 21% over the last decade, as consumers spend more money on leisure activities such as, eating out, cinema, health and fitness clubs and bars. Trade sales account for around 52% of total soft drink sales in the UK by value (Mintel, 2002).

Due to the increasing trend of ‘drinking-on-the-go’, vending machines, which hold PET’s cans and Tetrabriks will become important in the sale of adult soft drinks, as they can play an important role in inspiring impulse purchases. Many of the large drinks suppliers view are already investing in

vending technology. For example, Coca-Cola and Marconi are pioneering online-vending technology to link over half a million machines worldwide and Pepsi Co is considering linking machines to selected internet sites to allow customers to buy drinks with credit cards (Mintel, 2002).

Deriving from the internal and external environmental scanning, the company should highly consider the development of the S.W.O.T. (Strengths, Weaknesses, Opportunities and Threats) analysis. This is vital if companies want to capitalise on company's strengths, minimise any weaknesses, exploit market opportunities as they arise and avoid, as far as possible, any threats.

*Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis*

**Strengths**

- ◆ Shloer has high brand awareness and a strong image as a premium quality adult soft drink.
- ◆ The company is financially healthy and has the required resources to invest heavily in brand development to the benefit of shareholders.
- ◆ Production facilities are of high quality, recognized by the achievement of the British Consortium Gold Award and recent capital expenditure has increased production capability.
- ◆ Access to distribution channels has been strengthened through the strong relationship with SHS Sales and Marketing Ltd.
- ◆ The company has a highly focused and skilled marketing management team, with easy access to clients and agencies.

**Weaknesses**

- ◆ Despite having the added weight of SHS behind sales efforts, it is now more difficult to arrange trade promotions.
- ◆ Shloer has a relatively low household penetration of the adult soft drink market.

**Opportunities**

- ◆ The forecasted increase in the number of people over 54 years old provides a potentially lucrative market for Shloer. This age groups are likely to be more health conscious, have more sophisticated tastes and more disposable income. They may be less likely to switch brands once purchasing habits are established.
- ◆ The increasing demand for organic products and flavours could provide an opportunity to develop an organic range of fruit flavours at a premium price to target this specific and growing market niche.
- ◆ Changing consumer lifestyles, high number of substitute brands and impulse purchasing, present the opportunity to provide more single-serve formats to help establish higher levels of brand loyalty.
- ◆ Changing consumer tastes and increased health consciousness, has increased demand for more natural drinks such as mineral water and flavoured waters.

**Threats**

- ◆ The growth in the out-of-home entertainment market, combined with the decline in alcohol consumption has lead to demand for soft drinks in the on trade environment where Shloer currently has a weak presence.
- ◆ The high availability of substitute drinks in a variety of outlets such as vending machines can increase levels of brand switching, undermining Shloer's loyalty and market share.

*Marketing Objectives*

1. To increase profit before tax by 50% over the next 3 years.
2. To increase market share in the adult soft drinks market to 6% over the next 3 years.
3. To increase sales volume by 10% by the end of the financial year.
4. Increase customer retention by 10% by the end of March 2003.
5. Expand on-trade distribution by 10% by 31<sup>st</sup> March 2003.

6. Increase brand awareness amongst the over 54 age groups by 50% by 31<sup>st</sup> March 2003.
7. Gain 5% of the developing organic drinks market over the next 3 years.

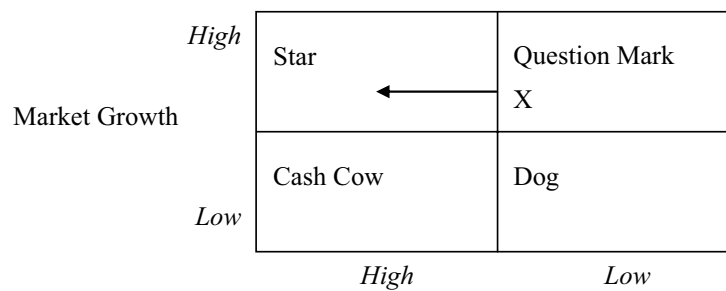
*Strategy and Tactics*

In formulating Shloers marketing strategy, it is important to identify its business unit using the BCG Matrix (Figure 9), in order to assign the correct resources and appropriate strategies required to satisfy the stated objectives. The matrix assesses the level of growth in the market and the product’s market share relative to the competition.

Shloer’s business unit is classified as a Question Mark, denoted by X, due to its low relative market share of the adult soft drinks segment. It will therefore require heavy investment to grow or ‘Build’ its market share and become a Star.

Subsequently growth is the main priority for the marketing strategy and according to Brassington and Pettitt (2001) the product-market matrix proposed by Ansoff provides a useful framework for identifying appropriate growth strategies. Ansoff matrix identifies four possible growth strategies – Market Penetration, Market Development, Product Development, and Diversification – which can be pursued according to the market situation, as each strategy presents distinct opportunities, threats, resource requirements, returns and risks.

Due to the maturity of the market identified earlier, the matrix identifies that the most appropriate growth strategy at this stage is Market Development, by selling more of the existing products to new markets.



Source: Adapted from Kotler (1994).

Fig. 9. BCG Matrix

*Segmentation, Targeting and Positioning*

The following segments have been identified which will provide growth opportunities for the Shloer brand:

- ◆ Demographic Segments – over 54 age groups
- ◆ Lifestyle Segments – health, out of home entertainment
- ◆ Behaviour Segments – impulse buyers, occasional users and loyal customers

To gain a foothold in the emerging organic segment, further information will need to be gathered at this stage, in order to identify possible product extensions or flavours, organic fruit suppliers, distribution outlets, consumer profiles, organic market requirements, etc., for a successful launch campaign.

To increase Shloers market share, a differentiated marketing target strategy will be implemented. This will allow Shloer to tailor its product offering to suit each segment, thereby increasing customer satisfaction and loyalty. It also enables risk to be spread across the market helping it to survive in the highly competitive marketplace.

Shloer can be repositioned to reflect the change in consumer taste and the need to increase awareness amongst the over 54 age groups. As it contains no artificial colourings, preservatives, sweeteners or flavourings, it can be repositioned from being the “grown-up soft drink” to being “naturally refreshing” by highlighting its health benefits rather than its adult image via marketing communications.

#### *Push and Pull Strategies*

Both push and pull strategies should be used. This will, on the one hand, increase awareness of Shloer’s benefits amongst target segments, in order to establish and encourage higher levels of brand loyalty and on the other hand, encourage intermediaries to carry the Shloer brand, increasing its availability within the on trade environment (in association with SHA Sales and Marketing Ltd).

#### *Tactics*

The tactics provide the details of how the strategy will be implemented to achieve set objectives.

In terms of product, Shloer will not require any initial modification for its new market segments. Its availability in 1-litre formats will continue to facilitate sales via supermarkets and off-licenses, and 275ml formats and Shloer 2gO will facilitate sales in new segments.

Research will be conducted into the possibility of new organic-based flavours, which will complement Shloer’s current grape-based recipe for future entry into the organic market.

A price skimming strategy will be implemented in order to achieve these objectives and establish a premium brand image within the market. It will also provide flexibility if prices need to be lowered to compete with increasing competition.

Special adjustments (such as discounts and selected allowances) will need to be established with on trade suppliers in conjunction with SHS Sales and Marketing Ltd to provide incentives to increase Shloer presence in the on-trade environment.

In terms of channels of distribution (place) in order to maximize profits and defend market share, availability of Shloer will need to be increased. To achieve a higher degree of market coverage, an intensive distribution strategy will be implemented that will be well-suited to its current channel structure and can be executed using SHS Sales and Marketing Ltd’s network capability and expertise. The strategy will involve extending current distribution outlets to the trade environments, which complement the brand’s positioning, i.e. selected cinemas, bars, hotels, health clubs, theatres, cafes and restaurants, thus maximizing availability of Shloer and reaching the new target segments identified.

Investment will be made to establish an integrated marketing communications mix that will help to brand Shloer as a ‘natural refreshing’ premium adult soft drink. As Doyle (1998) acknowledges, a successful brand attracts and retains customers, allowing the company to build a stronger market share, maintain good price levels and generate cash flows. In turn this drives up share prices and provides the basis for future growth. The communication or promotional elements will be used in the following ways:

Press advertising will be used throughout the year to generate awareness and reinforce brand benefits amongst target consumer segments. Lifestyle magazines targeting the over 54’s, will be added to current media schedule used and TV advertising will continue to be used to raise awareness around the Christmas period. Consumer promotion that will not jeopardize Shloer’s brand image, such as sampling, on-pack promotions and ‘extra free’ volume, will be used to stimulate trial and increase sales at specific times of the year. Selective trade promotions will need to be implemented to encourage on distribution through new outlets identified.

Moreover, the company’s website will be updated to reflect the needs of its new target segments and direct advertising will be used to provide information on these new markets for future development. Further, a combination of corporate events, press publicity, newsletters and industry journals, will be used to strengthen the company’s image amongst stakeholders in support of the



new strategy. Sponsorship and attendance at community and lifestyle events that reflect the target segments, will provide a credible way of reinforcing the brand benefits directly to consumers. Finally, the company will have to work closely with SHS Sale Ltd and personal sales representatives can help build stronger relationships for the benefit of brand development.

*Strengthening and Solidifying the Schloer Brand*

A core concept underlying the design and implementation of all strategies, tactics and mixes is the construction of the right “brand image” for Schloer in its true and wider marketing sense. This requires a solid, comprehensive and integrated utilisation of all marketing-controlled, as well as macro-environmental elements and forces. The marketing mix components, the specific objectives set, the segments targeted, the positioning concepts, the wider cultural, social, demographic and other forces, and the internal environment of the company itself are all designed or considered within a single context and towards a single purpose. The creation of a strong and distinctive brand image for Schloer that will form the foundation of the company’s longer-term marketing success. In tune with contemporary views on branding, Schloer utilises existing consumer trends and perceptions, reinforcing them and utilising them towards offering a satisfying actual product. Much more than a simple beverage though, Schloer’s branding offers a product whose core benefits extend to a unique consumption experience, a distinct social statement, and a slice of lifestyle involving health orientation, relaxation and luxury. Ultimately, Schloer situates consumers at the core of its marketing strategy, and through branding it influences and shapes both actual and perceived consumer benefits.

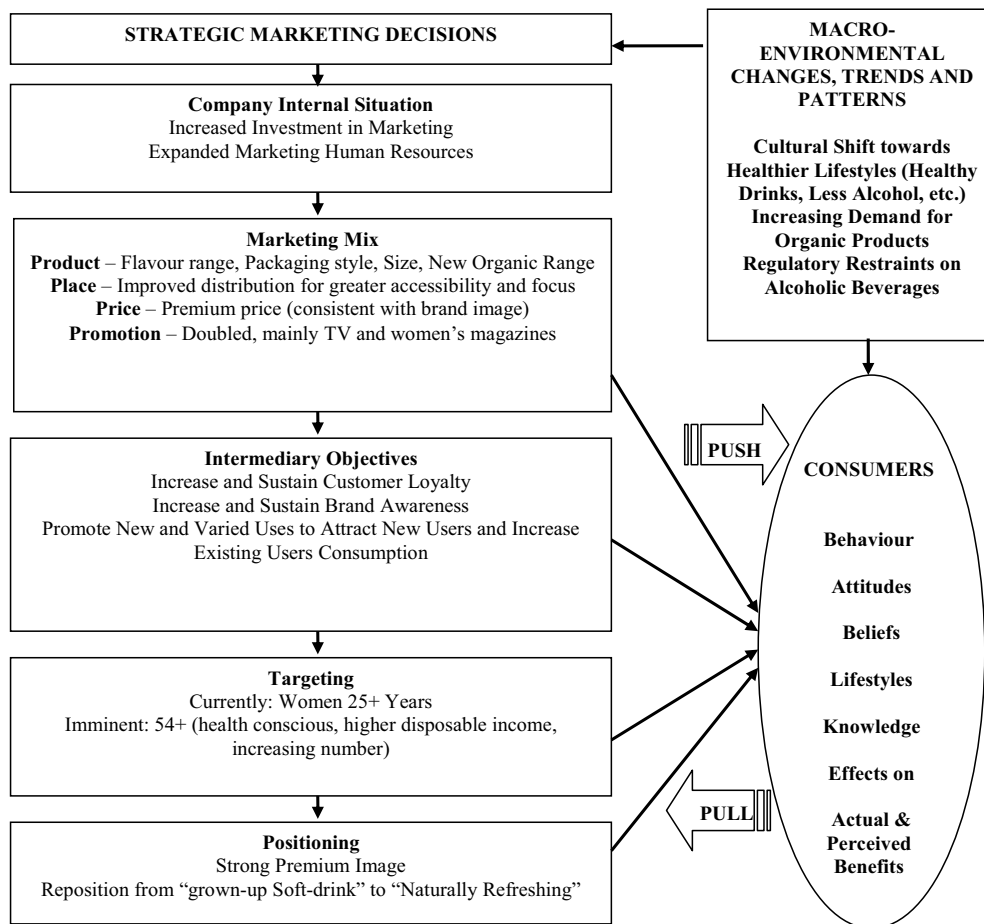


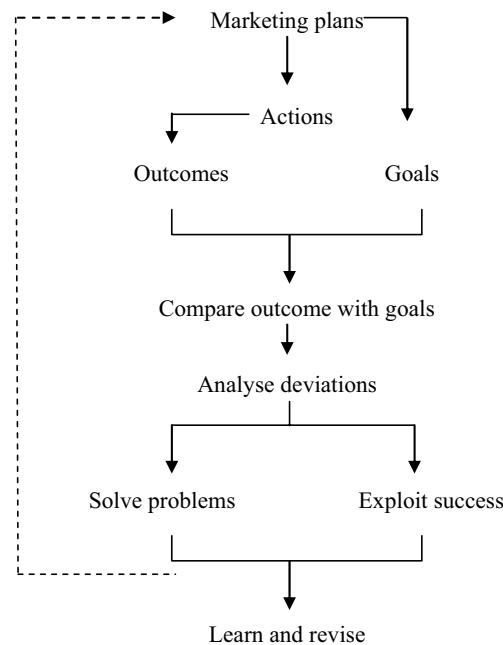
Fig. 10. Developing the Schloer Brand Image

### Implementation and Control

Marketing implementation is, “the process that turns marketing plans into action assignments and ensures that such assignments are executed in a manner that accomplishes the plan’s stated objectives” (Kotler 1994: 738). It is a crucial part of the planning process because the marketing strategy of Shloer will mean very little if it is not implemented effectively. Overall, implementation includes project management, schedules and deadlines, meetings and memos, phone calls, chasing people, careful preparation, constant checking and attention to vast volumes of details.

The internal structure of Merrydown PLC reflects a typical product/brand management organization, which facilitates effective marketing implementation. This is because it allows brand managers (a) to concentrate their efforts on developing cost effective marketing, closely monitoring sales, forecasts and budgets (b) build their specific marketing expertise during their responsibility for brand categories and (c) react quickly to minimize any potential problems that could arise.

As depicted in Figure 11, control is an integral part of the planning process and is vital to the effective implementation of the marketing plan. It ensures that activities happened as planned and provides feedback to determine whether the overall marketing strategy is working in practice.



Source: Brassington and Pettit (2001).

Fig. 11. Marketing Control

It is obvious that this final stage is concerned with controlling and measuring the results. To achieve this, the company has to go back to the objectives and to identify what exactly has the plan achieved and to what extent have the objectives been met. Overall, it should be understood that controlling allows higher management to review the results of the plan and spot businesses, products or processes that are not meeting their goals. This will allow the company to monitor and review our strategic marketing plan and direct possible methods of modification and updating.

Controls will be both strategic and operational to ensure marketing objectives are met.

### Strategic controls

Conducted on an annual basis (usually through the marketing audit) to assess whether overall strategy is driving the organization in the desired direction.

### Operational controls

Will take place more regularly during the year to assess whether the detailed aspects of the plan are working in practice and identify any potential problems for corrective action. Tight budgeting is formalized management control processes will ensure that all resources are used effectively. Performance targets in terms of sales volumes, number of new customers generated, relative market share will be monitored and sales analysis and profitability analysis will be conducted to evaluate marketing performance.

In conclusion, marketing planning is the process of strategically analysing environmental factors (internal and external) affecting business units and forecasting future trends in business areas of interest to the enterprise. Moreover, it involves participating in setting and formulating marketing objectives and developing, implementing and controlling the overall program for meeting target market needs. Marketing planning is of paramount importance as the most frequently cited problems arising from a lack of marketing planning are the following: (1) changing marketing environment is not considered, (2) losing opportunities for profit, (3) setting unrealistic objectives, (4) lack of actionable market information, (5) creating management frustration, (6) lack of management organisation and direction, (7) wasting promotional expenditure, (8) pricing confusion, and (9) losing the control over the business.

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