

## Providing a customer-centric service



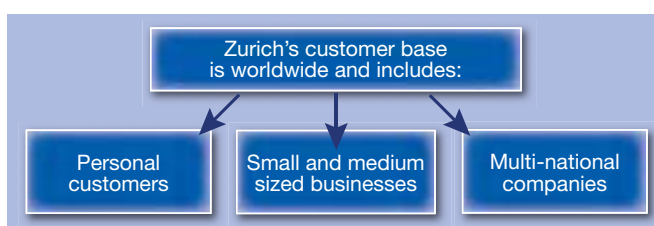
### Curriculum Topics

- Market research
- Primary/secondary research
- Business strategy
- Customer focus

### Introduction

Zurich<sup>®</sup> is a major financial services group that was founded in 1872. Its headquarters are in Zurich, Switzerland. Today, the company employs 60,000 people. It serves customers in more than 170 countries. The company has offices in the Americas, Africa, Europe, the Middle East and the Asia Pacific region.

Zurich operates in a very **competitive marketplace**. It needs to focus on providing the best possible products for its customers in order to compete and grow market share.



Zurich offers a rich mix of services for these customers including:

- motor insurance
- buildings and contents insurance
- risk management
- business insurance programmes
- life insurance
- pensions and investments.

This case study focuses on how Zurich has used **market research** to develop a **business strategy** of 'delivering help when it matters so that customers feel valued and taken care of'. Zurich summarises this as 'customer centricity'. This means the customer is placed at the centre of all business activities. This approach helps Zurich to maintain a competitive advantage. The company has developed the concept of Zurich HelpPoint<sup>®</sup> to communicate and summarise this business strategy to customers.

Insurance can be taken out to cover, for example, loss or damage to vehicles or property. Customers pay a premium each year to obtain this cover. In the event of loss or harm occurring, they can claim for the cost of repairs, replacements, loss of profits or other necessary services. HelpPoint started out as a free helpline for customers with motor insurance claims. Today it is far more than that. HelpPoint is an expression of the many ways in which Zurich delivers for its customers every day, all around the world – helping to meet their needs. This includes providing practical advice and solutions, information, support services and help at the point of claim. It is an attitude that Zurich staff around the world take very seriously – to deliver relevant help, when it matters. HelpPoint is not just about dealing with external customers – those insuring with Zurich. It is also about serving internal customers – people who work for Zurich. For example, effective IT and Human Resource services are required to support all Zurich employees. All workers are encouraged to think about and implement practices that will give their customers the best possible service.

**Competitive marketplace:** Market for a product or service in which there are many providers of similar goods.

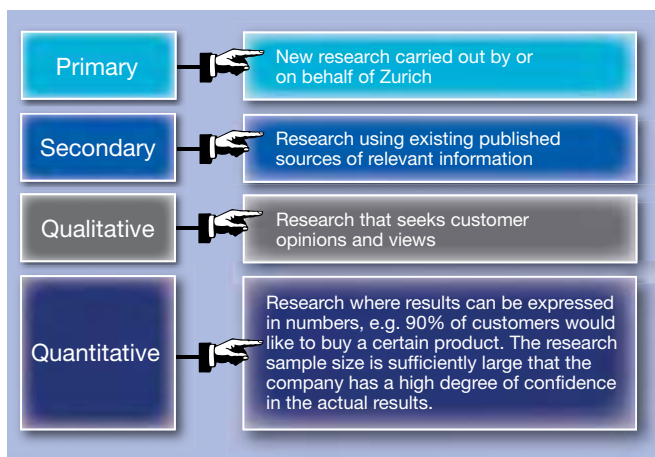
**Market research:** The systematic process of collecting and analysing primary and secondary data about customers and their relationship with products and brands.

**Business strategy:** A business plan covering the whole organisation.

## Market research

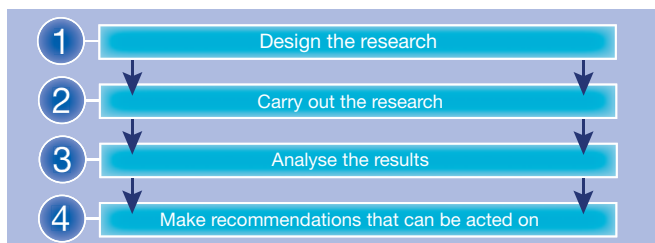
Market research is the systematic gathering of data about what customers want. It also includes the analysis of this data to provide information to aid marketing decision making. Firms can use their market research findings to improve their product offer or the support provided to customers. A customer-centric firm will use the research findings to improve all aspects of its **proposition**. Zurich uses market research in order to understand what potential customers want from their insurance company. Research can also be used to find out how Zurich and its services are perceived by existing customers.

Zurich uses the following types of research:



Primary research is research that is carried out for a specific purpose. It aims to find new information. For example, Zurich commissions research into the types of personal insurance that people are seeking. Primary research can be expensive and time-consuming. The main benefit is that it provides the answers to specific questions that are relevant to Zurich. Another benefit is that Zurich's competitors will not have access to this information.

Primary market research involves four stages:



As part of developing its **brand** strategy, Zurich carried out detailed **quantitative** and **qualitative** research. This focused on over 70 different features and aspects of its service.

- A **sample** of 7,000 customers, non-customers and insurance intermediaries from 8 countries were interviewed. This provided valuable quantitative information. It showed what people thought of the company, what they expected from Zurich and the insurance industry. A range of questions were asked such as: 'Are convenient opening times more important than a rapid payment of a claim?'
- Quantitative data showed that fewer than 15% of customers trusted any insurance company.
- Research showed that customers wanted to feel valued and understood and to be treated as individuals. Focus groups (qualitative research in which customers talked about their feelings in relation to insurance) showed that many consumers feel that insurance has become a **commodity**, rather than a relationship with a trusted insurance provider.

Internal primary research also took place within Zurich. This involved 45 workshops with staff to identify what the business could do to **differentiate** itself from rivals.

The results of Zurich's research clearly indicated certain recommendations. It was essential for Zurich to:

- understand its customers
- provide insight and/or advice
- be fair, fast and easy to do business with
- engage with customers in a way that makes them feel valued
- deliver on promises.



## Secondary research

Secondary research draws on information which already exists. Examples include reports by market research firms or sales data within a company.

**Proposition:** The total mix of benefits represented by a product and offered to the customer at a price.

**Brand:** A name, design or symbol that gives a product, product range or company an identity that is distinct

from competitors.

**Quantitative:** Information expressed in numerate terms.

**Qualitative:** Concerned with qualities rather than quantities - feelings, perceptions, attitudes and opinions.

**Sample:** A group of people who represent the target customers.

Sampling methods include random, stratified and quota.

**Commodity:** Any product that cannot be differentiated and is therefore traded

at a ruling market price. Typically includes agricultural produce, raw materials or standardised industrial components.

**Differentiate:** Distinguish a product or organisation from its competitors.



Sources of secondary data include British Council country reports and government reports. Some of the best secondary data is expensive to purchase. This is because it has been collected for commercial purposes by specialist market research companies. Some research is gathered by industry sources. It is available to businesses in return for an annual fee. This is termed 'syndicated research'.

Secondary research is quicker and easier to collect. Its weakness, however, is that it may not have been collected for the specific purposes required. In this case, the secondary research was not directly related to how Zurich could differentiate itself from its competitors.

In researching the insurance market, Zurich was able to make use of some secondary data about the industry. For example, it used a study produced by the market research company Nielsen. The data showed that 61% of internet users rely on online communities to recommend products and services. This suggested that Zurich's website needed to change to become a communication vehicle for HelpPoint. Secondary research therefore provided valuable data to enhance Zurich's own primary research.

## Business strategy

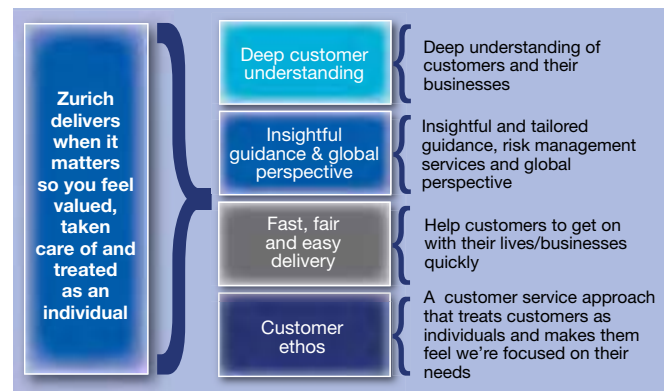
Business strategy is the means by which a firm seeks to achieve its aims and objectives. Zurich's aim is to be the leading insurance provider, as measured by customer satisfaction, shareholder returns and employee engagement. All of Zurich's primary and secondary research had led to the conclusion that customers want relevant, reliable help from their insurance provider. No other insurance company was trusted by customers to provide this level of support. These research findings helped Zurich to identify the position it should take in the market. The strategy was to make the Zurich brand synonymous with 'help'.



The illustration below shows how Zurich has responded to its research findings to position the brand. This is a deliberate attempt to create an image or identity for a particular brand or product.

Zurich's position involves:

- giving customers what they need
- in the right place and at the right time
- in a fast, fair and easy way
- with Zurich's people focusing entirely on customer requirements.



For the brand positioning to be effective it needed first to be explained in detail to Zurich employees. This was done through an extensive internal communications campaign and training. The new position was also communicated to customers, investors and the media through a brand promotion campaign. This campaign included:

- advertising across the globe, e.g. in television adverts, airports and outdoor billboards
- online through the Zurich website
- sponsoring sporting and arts events
- direct mail and email marketing.

## Implementation of a customer-centred strategy

Market research showed that customers want one thing more than anything else – 'help'. To deliver help Zurich has developed the solution HelpPoint. HelpPoint is the name Zurich uses to describe the many ways in which Zurich delivers what customers need when they need it.

Zurich refocused and adapted its existing HelpPoint service to provide an all-embracing help service.

HelpPoint was originally set up in 1997 as a resource to support motor insurance claims, including, in some countries, a dedicated recovery service and nationwide repair centres. In 2001 it was extended to become a free telephone service for all types of claims, not just for motor. Today Zurich HelpPoint provides advice and service across all dealings with customers – not just claims.

HelpPoint goes further than providing a range of solutions for customers. It represents an attitude and way of working with customers. Through working helpfully with customers on every aspect of insurance, Zurich is able to provide innovative solutions to customer problems and a first-class level of service.

Development took place in three stages:

1. Upgrading and re-launching existing services that were already customer-centric under the HelpPoint name.
2. Expanding HelpPoint into new divisions of Zurich. This included working with **insurance brokers** and other partners.
3. Developing and launching innovative new customer-focused services.

The **strapline** that Zurich uses to promote HelpPoint is '*delivering when it matters*'. This means that each country and business unit within Zurich identifies the best ways in which they help their customers. For example, these might include providing financial planning or risk management services. They also included special product features such as providing a courtesy car within 60 minutes if a customer's car is damaged in an accident or replacement locks if a customer's keys were lost.

Other features included helpful online tools and calculators to help customers understand how much insurance cover they need. Each of these 'help' ideas were then shared across the whole of Zurich. Teams began to design new ways to help customers based on ideas from Zurich's people around the globe. A new generation of products has now been developed. To date (2010) over 170 new HelpPoints have been created to give Zurich customers better service.

Zurich believes that these changes will lead to:

- customer loyalty and retention
- increased value of the Zurich brand
- market leadership (i.e. being the Number 1 supplier of insurance)
- financial returns (e.g. higher profits)
- energised employees (who suggest new ideas and enjoy their work).

Zurich has also set in place measures to track and evaluate the effectiveness of the HelpPoint programme. These include customer satisfaction surveys and measuring the volume of repeat business by existing customers. These are further methods of market research.

In order to make the strategy a success it has been essential to get managers and employees to 'buy in' to the change. This has involved training sessions, leadership meetings and web conferences for all managers. Other employees have been included through awareness raising workshops, online training courses, features on the company intranet, emails and posters. A number of employees are designated as champions for the 'HelpPoint' strategy. They are provided with extra training and responsibility to share ideas about being customer centred.

## Conclusion

Differentiating Zurich from rivals involves constantly listening to customers and generating new ideas. Market research carried out by Zurich indicated that customers want more 'help' with their insurance. This is a prime consideration in choosing an insurance provider. Zurich therefore set out to create a strategy of providing help throughout the organisation.

Market research revealed the types of areas where customers sought help. The development of HelpPoint was the logical way to transform the service. Originally HelpPoint was simply a very useful phone line support service. Research revealed that the concept of HelpPoint could be much broader. In fact, it could include every aspect of helping customers.

All employees within Zurich have been encouraged to come up with good ideas for providing better help. A range of innovations has now been developed, all of which have a customer-centric emphasis. All of these carry the Zurich HelpPoint logo, which has been **trademarked**. The best examples are included in Zurich's advertising campaigns. Zurich continues to use market research to find out more about customer needs and requirements and launch new ways to help.

1. What is meant by the term 'customer-centric'? How has Zurich's primary research helped it be even more customer-focused?
2. Explain the difference between primary and secondary market research. How could secondary data support primary research?
3. Analyse how Zurich positioned itself in a customer-focused way.
4. Evaluate to what extent HelpPoint has enabled Zurich to differentiate itself in the insurance market.

QUESTIONS





# The marketing process

## 01\_Introduction

McDonald's is one of the best-known **brands** worldwide. This case study shows how McDonald's continually aims to build its brand by listening to its customers. It also identifies the various stages in the marketing process.

Branding develops a personality for an organisation, product or service. The brand image represents how consumers view the organisation.



Branding only works when an organisation behaves and presents itself in a consistent way. Marketing communication methods, such as advertising and promotion, are used to create the colours, designs and images, which give the brand its recognisable face. At McDonald's this is represented by its familiar logo - the Golden Arches.



Marketing involves identifying customer needs and requirements, and meeting these needs in a better way than competitors. In this way a company creates loyal customers.

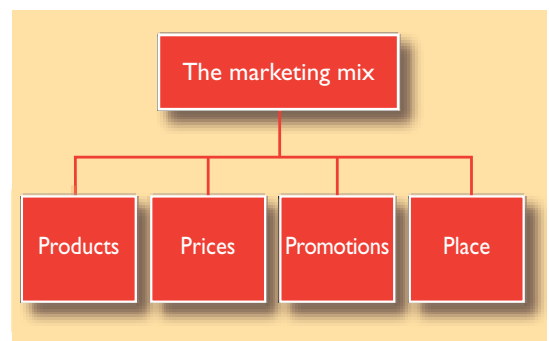
The starting point is to find out who potential customers are - not everyone will want what McDonald's has to offer. The people McDonald's identifies as likely customers are known as **key audiences**.

## 02\_The marketing mix and market research

Having identified its key audiences a company has to ensure a **marketing mix** is created that appeals specifically to those people.

The marketing mix is a term used to describe the four main marketing tools (4Ps):

- product
- price
- promotion
- and the place through which products are sold to customers.



Using detailed information about its customers, McDonald's marketing department can determine:

1. What products are well received?
2. What prices consumers are willing to pay?
3. What TV programmes, newspapers and advertising consumers read or view?
4. What restaurants are visited?

**Market research** is the format which enables McDonald's to identify this key information. Accurate research is essential in creating the right mix to win customer loyalty.



In all its markets McDonald's faces competition from other businesses.

Additionally, economic, legal and technological changes, social factors, the retail environment and many other elements affect McDonald's success in the market.



Market research identifies these factors and anticipates how they will affect people's willingness to buy. As the economy and social attitudes change, so do buying patterns. McDonald's needs to identify whether the number of target customers is growing or shrinking and whether their buying habits will change in the future.

Market research considers everything that affects buying decisions. These buying decisions can often be affected by wider factors than just the product itself. Psychological factors are important, e.g. what image does the product give or how the consumer feels when purchasing it.

These additional psychological factors are significantly important to the customer. They can be even more important than the products' physical **benefits**.

Through marketing, McDonald's establishes a prominent position in the minds of customers. This is known as branding.

### 03\_Meeting the needs of key audiences

There are a limited number of customers in the market. To build long-term business it is essential to retain people once they have become customers.

Customers are not all the same. Market research identifies different types of customers. For example:

|  |  |
|--|--|
| A parent with two children might visit | Visits McDonald's to give the children a treat.  |
| The children want to visit McDonald's  | As it is a fun place to eat.   |
| A business customer                    | Visits McDonald's during the work day, as service is quick, the food tastes great and can be eaten in the car, without affecting a busy work schedule. |
| Teenager visit McDonald's              | The Pound Saver Menu is affordable, and there is Internet access in some restaurants.  |

These examples represent just a few of McDonald's possible customer profiles. Each has different reasons for coming to McDonald's.

Using this type of information McDonald's can tailor communication to the needs of specific groups. It is their needs that determine the type of products and services offered, prices charged, promotions created and where restaurants are located.

To meet the needs of the key market it is important to analyse the internal marketing strengths of the organisation. Strengths and weaknesses must be identified, so that a **marketing strategy** which is right for the business can be decided upon.

The analysis will include the:

- company's products and how appropriate they are for the future
- quality of employees and how well trained they are to offer the best service to customers
- systems and how well they function in providing customer satisfaction e.g. marketing databases and restaurant systems
- financial resources available for marketing.

Once the strengths and weaknesses are determined, they are combined with the opportunities and threats in the market place. This is known as SWOT analysis (Strengths, Weaknesses, Opportunities, Threats).

The business can then determine what it needs to do in order to increase its chances of marketing successfully.

| Strengths (Internal)  | Weaknesses (Internal)   |
|---|---|
| E.g. the brand, and detailed market research to create the right marketing mix.                   | McDonald's has been around for a long time. (therefore important to keep innovating). |
| Opportunities (External)  | Threats (External)  |
| E.g. increasing numbers of customers looking for food that is served in a quick and friendly way. | New competitors. Changing customer lifestyles.  |



## 04\_Marketing Objectives

A marketing plan must be created to meet clear **objectives**.

Objectives guide marketing actions and are used to measure how well a plan is working.

These can be related to market share, sales, goals, reaching the target audience and creating awareness in the marketplace.



The objectives communicate what marketers want to achieve.

Long-term objectives are broken down into shorter-term measurable targets, which McDonald's uses as milestones along the way.

Results can be analysed regularly to see whether objectives are being met. This type of feedback allows the company to change plans. It gives flexibility.



Once marketing objectives are set the next stage is to define how they will be achieved. The marketing strategy is the statement of how objectives will be delivered. It explains what

marketing actions and resources will be used and how they will work together.

## 05\_The 4Ps

At this point the marketing mix is put together:

### i. Product

The important thing to remember when offering menu items to customers is that they have a choice. They have a huge number of ways of spending their money and places to spend it.

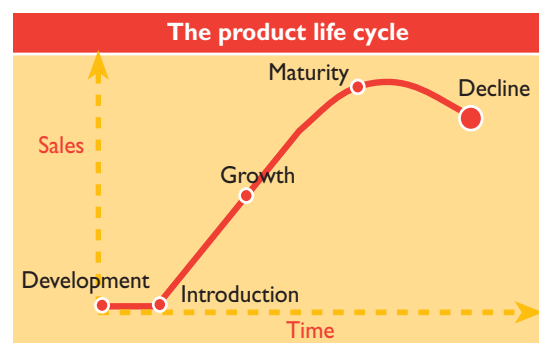
Therefore, McDonald's places considerable emphasis on developing a menu which customers want. Market research establishes exactly what this is.

However, customers' requirements change over time. What is fashionable and attractive today may be discarded tomorrow. Marketing continuously monitors customers' preferences.

In order to meet these changes, McDonald's has introduced new products and phased out old ones, and will continue to do so.

Care is taken not to adversely affect the sales of one choice by introducing a new choice, which will cannibalise sales from the existing one (trade off). McDonald's knows that items on its menu will vary in popularity. Their ability to generate profits will vary at different points in their life cycle.

Products go through a life cycle, which is illustrated below:



The type of marketing undertaken and the amount invested will be different, depending on the stage a product has reached. For example, the launch of a new product will typically involve television and other advertising support.

At any time a company will have a portfolio of products each in a different stage of its lifecycle. Some of McDonald's options are growing in popularity while arguably the Big Mac is at the 'maturity' stage.

### ii. Price

The customer's perception of value is an important determinant of the price charged.

Customers draw their own mental picture of what a product is worth. A product is more than a physical item, it also has psychological connotations for the customer.

The danger of using low price as a marketing tool is that the customer may feel that quality is being compromised. It is important when deciding on price to be fully aware of the brand and its integrity.

A further consequence of price reduction is that competitors match prices resulting in no extra demand. This means the profit margin has been reduced without increasing sales.

### iii. Promotions

The promotions aspect of the marketing mix covers all types of marketing communications.

The methods include advertising, sometimes known as 'above the line' activity. Advertising is conducted on TV, radio, cinema, online, poster sites and in the press (newspapers, magazines).

What distinguishes advertising from other marketing communications is that media owners are paid before the advertiser can take space in the medium.

Other promotional methods include sales promotions, point of sale display, merchandising, direct mail, telemarketing, exhibitions, seminars, loyalty schemes, door drops, demonstrations, etc.

The skill in marketing communications is to develop a campaign which uses several of these methods in a way that provides the most effective results. For example, TV advertising makes people aware of a food item and press advertising provides more detail. This may be supported by in store promotions to get people to try the product and a collectable promotional device to encourage them to keep buying the item.

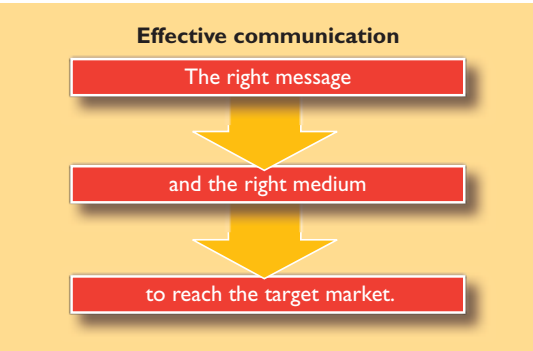
It is imperative that the messages communicated support each other and do not confuse customers. A thorough understanding of what the brand represents is the key to a consistent message.

The purpose of most marketing communications is to move the target audience to some type of action. This may be to: buy the product, visit a restaurant, recommend the choice to a friend or increase purchase of the menu item.

Key objectives of advertising are to make people aware of an item, feel positive about it and remember it.

The more McDonald's knows about the people it is serving the more it is able to communicate messages which appeal to them.

Messages should gain customers' attention and keep their interest. The next stage is to get them to want what is offered. Showing the benefits which they will obtain by taking action, is usually sufficient. The right messages must be targeted at the right audience, using the right media.



For example, to reach a single professional woman with income above a certain level, it may be better to take an advertisement in Cosmopolitan than Woman's Own. To advertise to mothers with children, it may be more effective to take advertising space in cinemas during Disney films.

The right media depends on who the viewers, readers or listeners are and how closely they resemble the target audience.

iv. Place

Place in the marketing mix, is not just about the physical location or distribution points for products. It encompasses the management of a range of processes involved in bringing products to the end consumer.



06\_Conclusion

Once the marketing strategy is in place various responsibilities are given to different individuals so that the plan can be implemented. Systems are put in place to obtain market feedback which measure success against short-term targets. McDonald's has to ensure that this is done within the confines of a tightly controlled, finite marketing budget.

|                   |  |   |
|-------------------|--|---|
| GLOSSARY OF TERMS | <b>Benefits:</b> aspects of products and services designed to meet specific customer needs.              | <b>Marketing mix:</b> an appropriate combination of the 4 Ps – product, price, promotion and place. |
|                   | <b>Brand:</b> representations of a product or company.   | <b>Marketing strategy:</b> plan designed to meet needs of customers.                                |
|                   | <b>Key audiences:</b> customers identified as being likely purchasers of specific products.              | <b>Objectives:</b> ends that a business seeks to achieve.   |
|                   | <b>Market research:</b> a systematic process of asking questions to find out about customers and market. |   |

For more information about McDonald's please browse:  
[www.mcdonalds.co.uk](http://www.mcdonalds.co.uk)





# Developing a marketing plan

## Introduction

The NIVEA® brand is one of the most recognised skin and beauty care brands in the world. NIVEA creme was first introduced in 1911 and the NIVEA brand now extends to 14 product ranges worldwide from suncare to facial moisturisers, deodorant and shower products.

In 1980 when Beiersdorf, the international company that owns NIVEA, launched its NIVEA FOR MEN® range internationally, it broke new ground with its aftershave balm product. It was the first balm on the market that did not contain alcohol, which can irritate the skin. It proved to be very popular with consumers.

In 1993, NIVEA FOR MEN developed a fuller range of male skincare products. This reflected the growing social acceptance of these products with male consumers. The brand was able to exploit its knowledge of the skincare market. The company's research showed men mainly wanted skincare products that protected the face after shaving. Men were willing to buy products that helped calm and soothe irritated skin caused by shaving.

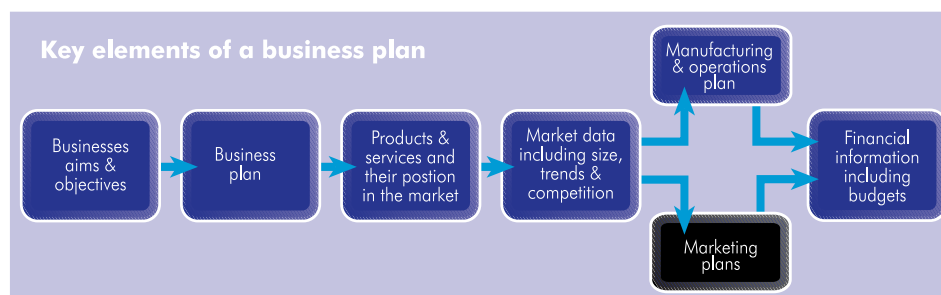
The NIVEA FOR MEN brand was launched in the UK in 1998. At that time total annual sales of men's skincare products (facial and shaving preparations) in the UK were only £68 million with the male facial product sector worth only £7.3 million.

Sales of male skincare products have grown steadily since the launch of NIVEA FOR MEN and the market in 2008 was worth over £117 million with male facial products worth £49 million.

NIVEA FOR MEN wanted to increase its share of the UK male skincare market. This case study examines how NIVEA re-launched the NIVEA FOR MEN range in 2008. This was part of its overall plan to develop the range in the UK. It shows how the company developed a **marketing plan** for the relaunch and organised its marketing activities to achieve its **aims** and **objectives**. The study focuses on how a company can respond to changes in consumer expectations, **external influences** and business aims to achieve those objectives.

## What is a marketing plan?

A business needs to set its overall direction for the company through a **business plan**. This plan sets out how the company is to achieve its aims. The aims and objectives of a business inform and shape its business plan. A vital part of the overall business plan is the marketing plan. The relationship between the two plans is shown in the diagram.



### CURRICULUM TOPICS

- Marketing plan
- SWOT analysis
- Marketing strategies
- SMART objectives

### GLOSSARY

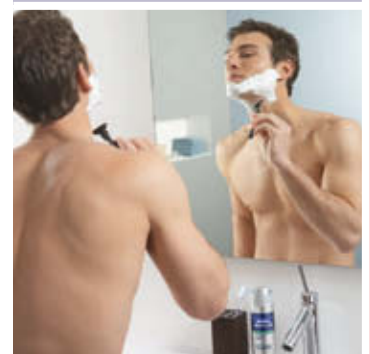
**Marketing plan:** A plan to identify and then meet consumers' requirements.

**Aims:** The general end purposes towards which an organisation focuses its activities.

**Objectives:** The end purposes that an organisation or individual seeks to achieve.

**External influences:** activities beyond the control of the business that affect its performance and shape its market. These are a combination of social, legal, political, economic, environmental and technological factors.

**Business plan:** describes the future activities of the business, across financial, production, and resourcing issues.



Marketing involves identifying, anticipating and satisfying customer needs. A marketing plan takes the stated aims and objectives and then puts in place a series of marketing activities to ensure those objectives are achieved. Marketing plans can cover any time period, but normally set out activities for the next one to five years at either a business or brand level.

The main sections of the plan cover:

- SWOT and competitive analysis – to assess where the business or brand is currently and what competitors are doing
- objectives – what the plan needs to achieve
- the marketing strategy – how the objectives will be achieved
- sales forecast – by how much sales are likely to increase
- budget – how much the marketing activities will cost and how the plan will be financed
- evaluation – how outcomes will be monitored and measured.

There is no set model for a marketing plan. The structure of the plan – and the amount of detail – will depend on the size of the brand, the timescale involved and how the market and economy is behaving. However, NIVEA's marketing plan for the relaunch of NIVEA FOR MEN follows closely the outline described here.

## Assessing the market

The first step in devising a marketing plan is to conduct an evaluation of the business, its brands and products. This should include an assessment of the **brand's** position and the state of the market. NIVEA FOR MEN needs to know what its male customers want and what competitor products exist. As well as targeting the male consumer, women are also an important target market for NIVEA FOR MEN. This is because women often buy male grooming products for their partners as well as helping them choose which products to buy. NIVEA FOR MEN used a **SWOT analysis** to help it assess the market. This takes a detailed look at the internal strengths and weaknesses of the business, as well as external opportunities and threats in the marketplace.

### GLOSSARY

**Brand:** A name, symbol or design used to identify a specific product and to differentiate it from its competitors.

**SWOT analysis:** Identification and evaluation of the strengths and weaknesses inside a firm and the opportunities and threats in its external environment.

**Return on investment:** The return on the funds invested in the business.

**Profits:** money that is earned in trade or business, after paying the costs of producing and selling goods and services.



### NIVEA FOR MEN identified several strengths

- NIVEA FOR MEN was the UK market leading male facial skincare brand\* which gave it strong brand recognition.
- The company had a sound financial base, so it had the resources to put together a strong marketing campaign.
- It also had staff with relevant skills – researchers with the scientific skills to develop products that men want and marketing staff with the skills to help promote these products effectively.

### As the leading male facial brand, NIVEA FOR MEN needed also to be aware of any weaknesses

- Was the product range still relevant for the target audience?
- Did it have the right sales and distribution outlets?
- Was its market research up-to-date?

### One clear opportunity was that the market was growing

- NIVEA FOR MEN had seen an increase in the sales of male skincare products and it wanted a greater share of this market.
- The company wanted to take advantage of changing social attitudes. Men were becoming more open, or certainly less resistant, to facial skincare products.

### However, as the market for male skincare products grows, there are threats

- Consumers were becoming more knowledgeable and price conscious. They often expect sales promotions such as discounts and offers.
- The risk of competitors entering the market. NIVEA FOR MEN needed to differentiate its products in order to ensure that, in an increasingly competitive market, its marketing activity gave positive **return on investment** in terms of sales and **profits**.

\* NIVEA FOR MEN the UK's leading male skincare brand (IRI Data to 27th Dec 2008).

## Setting objectives

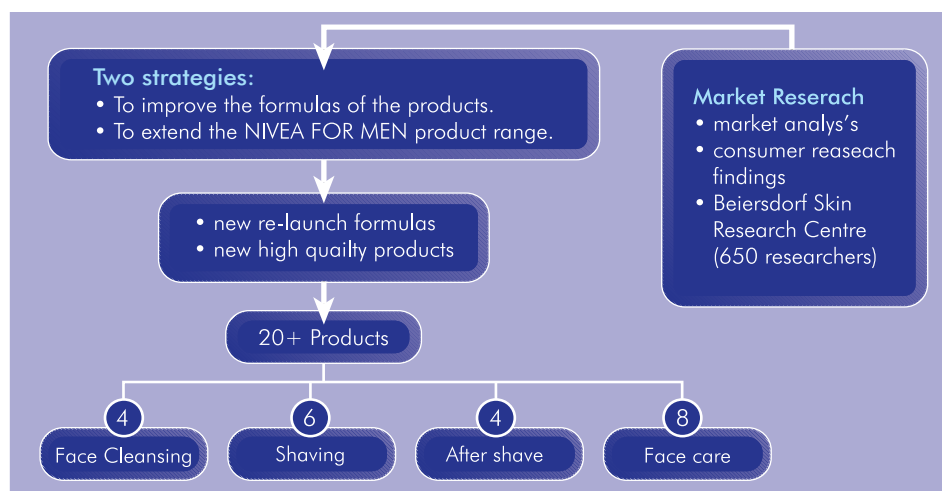
A successful marketing plan relies on setting clear and relevant objectives. These must relate directly to the business' overall aims and objectives. In other words, the marketing plan must fit with the overall company strategy that is set out in the business plan. Beiersdorf states its goal as *'...to increase our market share through qualitative growth. At the same time we want to further improve our sound earnings performance so that we can fulfil our consumers' wishes and needs with innovations today and in the future. This will give us a strong position within the global competitive environment.'*

The marketing team set **SMART objectives** for the NIVEA FOR MEN relaunch. These are Specific, Measurable, Achievable, Realistic (given the available resources) and Time constrained (to be achieved by a given date). The marketing team used research data to forecast market trends over the next three-to-five years. This helped them set specific targets for increasing sales, growing market share and improving its brand image.

Beiersdorf wanted to increase its UK market share for NIVEA FOR MEN, but also wanted greater market penetration for male skincare products. In other words, it wanted not just a greater share of the existing market; it wanted to expand that market. It wanted more men buying skincare products. One key aim was to move men from just considering skincare products to making actual purchases. It also aimed to sell more male skincare products to women. Research had indicated that women were often the initial purchaser of skincare products for men. NIVEA FOR MEN used this key fact as a way to increase opportunities for sales. Another objective was to develop the NIVEA FOR MEN brand image. The NIVEA brand has always stood for good quality products that are reliable, user-friendly and good value for money. The brand's core values are security, trust, closeness and credibility. These values would be strengthened and expanded on with the re-launch, to get more men and women to think of NIVEA as first choice for skincare.

## Marketing strategies

The NIVEA FOR MEN team devised **marketing strategies** to deliver its objectives. These strategies set out how the objectives would be achieved within the designated budget set by the management team.



This focus on product development combined with an emphasis on consumer needs is a key differentiator for NIVEA FOR MEN. It is a major reason why in the UK the brand is still the market leader in the male facial skincare market\*.

Another cornerstone of the UK marketing strategy for the re-launch was **promotion**. NIVEA sought to build on and develop the approach it had used in the past. In the 1980s, advertising in men's style and fashion magazines along with product sampling was a major promotional tool. In the 1990s, the company used radio, television and press advertising together with sampling. Since 2000, there has been a greater emphasis on consumer needs and an increasing use of experiential activities in the promotional mix. Experiential marketing is about engaging consumers through two-way communications that bring brand personalities to life and add value to the target audience. This helps build an emotional connection between the brand and the consumers.

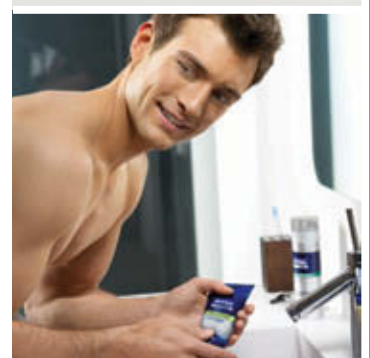
\* NIVEA FOR MEN the UK's leading male skincare brand (IRI Data to 27th Dec 2008).

### GLOSSARY

**SMART objectives:** Framework for constructing objectives in a way that meets a business aim.

**Marketing strategies:** Long-term plans designed to enable an organisation to identify and meet the wants and needs of its customers.

**Promotion:** Making products and services better known through a range of activities.



## GLOSSARY

### Above-the-line promotions:

Direct expenditure on advertising, such as for a TV commercial.

### Below-the-line promotions:

Indirect expenditure on promotion, such as through free gifts, PR or competitions.

**Brand affinity:** How well customers identify with the brand.

**Evaluation:** A systematic process that seeks to determine the worth, value or meaning of something.

### Key performance indicators:

Financial and non-financial measures to monitor performance across a range of activities within a function, department or role.

It is important to get the promotional balance right. NIVEA FOR MEN promoted the new launches of its products through a mixture of **above-the-line** and **below-the-line** promotion. The use of sport was a key element here. NIVEA FOR MEN supported football events at a grass-roots level through its partnership with Powerleague to build positive relationships with men. This helped create stronger **brand affinity** for NIVEA FOR MEN among men. It also allowed the brand to build and maintain a consistent dialogue with men, which helps to drive sales.

Above-the-line promotion included television and cinema adverts, which reached a wide audience. By using links with sport, NIVEA FOR MEN aimed to build a positive male image associated with male facial skincare. The brand also benefited from press advertorials in popular men's magazines, making the daily usage of their products more acceptable.

Promotions were used to attract new customers. For example, the distribution of free samples encouraged trial of NIVEA FOR MEN products which drove purchase. These promotions have helped build up brand awareness and consumer familiarity which reinforce the NIVEA FOR MEN brand presence. There is a dedicated NIVEA FOR MEN website to support its products and provide information to educate men on their skincare needs. To enhance the brand a tool called a 'Configurator' was created on the website to help customers specify their skin type and find the product that best suits their needs.

## Conclusion - evaluating the plan

The marketing plan is a cycle that begins and ends with **evaluation**. The final stage in the marketing plan is to measure the outcomes of the marketing activities against the original objectives and targets. Continuous evaluation helps the marketing team to focus on modifying or introducing new activities to achieve objectives.

NIVEA FOR MEN adopted a range of **key performance indicators** to assess the success of the NIVEA FOR MEN re-launch in the UK. It looked at:

- market share - Did the re-launch accelerate this growth and help achieve its market share objectives? NIVEA FOR MEN is market leader in many countries and is consistently gaining additional market share.
- overall sales - Was this in line with objectives? Internationally, NIVEA FOR MEN skincare products grew by almost 20%. Its sales in the UK market at retail in 2008 were nearly £30 million and in line with expectations.
- brand image ratings - NIVEA FOR MEN was the Best Skincare Range winner in the FHM Grooming Award 2008 for the fifth year running. This award was voted for by consumers. It illustrates that NIVEA FOR MEN has an extremely positive brand image with consumers compared to other brands.
- product innovation - In response to consumer feedback and following extensive product innovation and development, the NIVEA FOR MEN range has been expanded and the existing formulations improved.

These results show that, in the UK, the NIVEA FOR MEN re-launch met its overall targets, which was a significant achievement, considering the difficult economic climate. The marketing plan for the re-launch used past performance and forecast data to create a new marketing strategy. This built on the brand and company's strengths to take advantage of the increasing change of male attitudes to using skincare products.

## Questions

1. Describe two pieces of data that NIVEA used when preparing its marketing plan to relaunch NIVEA FOR MEN.
2. Explain why NIVEA used football sponsorship to help increase its sales of NIVEA FOR MEN products.
3. Using the case study, put together a SWOT analysis of NIVEA's position just before the relaunch of NIVEA FOR MEN.
4. Discuss how effective you think the marketing plan for NIVEA FOR MEN has been.

**FHM**  
GROOMING  
AWARDS  
2008  
**WINNER**



[www.niveaformen.co.uk](http://www.niveaformen.co.uk)



## How the role of marketing drives business forwards



### Curriculum Topics

- Purpose of marketing
- Market research
- Product and price
- Promotion and place

### Introduction

*Portakabin* designs and delivers modular buildings. It provides clients with inspiring buildings of outstanding quality. Its original **market** was the construction industry, with its portable buildings providing on-site storage and accommodation. In the last 40 years its portfolio of modular buildings has extended to include offices, medical centres and schools.

The two main *Portakabin* markets are both in the building sector. It produces both modular buildings and single module buildings. Modular buildings are permanent, all-steel 'kits' that can be used to construct almost any size and shape of large building as required. These are made in a factory and transported to sites to be built. For example, schools, call centres and office space can all either be extended or created as a new build. Single module buildings include toilets, office space, shower blocks and storage units. These can be transported directly to the client on a lorry, extremely quickly.

*Portakabin* operates in a highly competitive market. There are now other businesses producing similar buildings. *Portakabin* needs to provide products and services that satisfy customers' needs. *Portakabin* must also ensure that customers understand the difference between *Portakabin* products and competitors' products in terms of quality and levels of service. To keep its

leading position and **market share**, *Portakabin* focuses on two areas: it seeks new customers and provides exceptional service to retain existing ones.

This case study shows how *Portakabin* uses marketing to identify and anticipate customer needs and then meet them.

### The purpose of marketing

The Chartered Institute of Marketing (CIM) defines marketing as: *'The management process responsible for identifying, anticipating and satisfying customer requirements profitably.'*

Marketing is therefore about finding and keeping customers. Business writer Peter Drucker points out how important good marketing is to a business:

*'Because the purpose of business is to create a customer, the business enterprise has two - and only two - basic functions: marketing and innovation. Marketing and innovation produce results; all the rest are costs. Marketing is the distinguishing, unique function of the business.'*

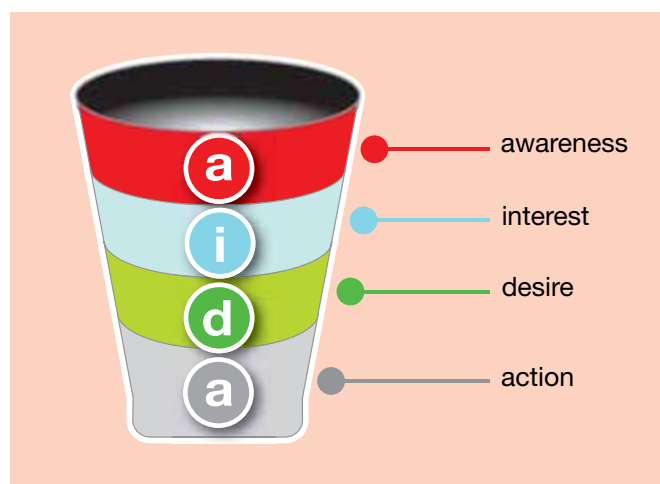
*Portakabin* demonstrates innovation in its exciting range of products and new ideas.

**Market:** Any medium through which sellers and buyers can negotiate a sale.

**Market share:** The percentage of sales within a market that is held by one brand or company.

Customers can choose from a range of applications. These may be for nurseries and children's centres or classrooms, surgeries, clinics and hospital wards. These differ from competitors' products through their high quality specifications and the outstanding service provided to the customer.

*Portakabin* divides the market into different **market segments** to enable it both to identify and meet the needs of customers in those areas. Three of its main segments are Manufacturing, Education and Health. The business must understand what its customers in each segment need and then provide goods and services to meet needs. Marketing activities inform customers about products and services and persuade them to buy. An effective marketing campaign takes account of the AIDA model principle - that it should raise Awareness of the product, excite Interest in it, create a Desire for it and encourage Action to buy it.



Raising awareness and creating interest may involve the use of promotional techniques such as exhibitions, websites, direct mail, email and telemarketing campaigns. The sales force will then capture the demand that has been generated and turn this into sales. Satisfied customers then come back for more products but also recommend the business to friends. Such **customer loyalty** and word-of-mouth recommendation is essential to a business like *Portakabin*. *Portakabin* regularly scores more than 9 out of 10 for customer satisfaction and this translates into increased recommendations. These, in turn, drive sales growth. This high rate is one of the reasons why approximately 50% of the *Portakabin Group's* business is from past customers.

## Market research

*Portakabin* uses both primary and secondary **market research** to find out what its customers need.

- Primary research is first-hand research, such as interviews and focus groups. Such research often gives better qualitative data in the form of opinions, views and comments. *Portakabin* held focus groups with customers and found that they wanted more light in office buildings as this increased productivity. *Portakabin* was able to respond with the *Ultima Vision* range, which lets in more light through its increased window space.
- Secondary research uses data and information that has already been published. It may provide market and industry quantitative data, often in the form of statistics. Brand Vision quantitative research showed the importance of 'on time and on budget' delivery. In 2009, *Portakabin* delivered 99.6% on time and on budget. This compares very well against a construction-industry average of 59% on time and 46% on budget.\*

*Portakabin* also uses market research to find out what new products or services customers may want. Sometimes it carries out one-off research projects. This is called 'ad hoc research'. These may focus on developing a specific new product or finding out how to develop an existing one. For instance, *Portakabin* developed the new *Ultima Vision* range in response to the need to provide existing buildings with more light. *Portakabin Datakom* has met the need to deliver data cabling to office buildings by providing telecoms systems, computer access points and air conditioning already installed. This allowed customers to move in and begin work straightaway.

*Portakabin* market research focuses on two **key performance indicators (KPIs)** - customer satisfaction and **Net Promoter Score (NPS)**. Using over 2,000 customer surveys a year, *Portakabin* finds out if clients are happy and what issues affect them. It asks customers to rate *Portakabin* on a scale of 1 to 10 on aspects such as administration, delivery and installation, the quality of the building and their overall experience. The results are used to target and improve customer satisfaction. The average score has risen from 8.2 per customer in 2003 to 9.1 in 2009.

*Portakabin* also uses mystery shopping, where researchers pose as normal customers. The results of mystery shopping show that clients are impressed with the 'human' skills of *Portakabin* staff. These include courtesy, being helpful, building rapport and professionalism. Such skills are a key factor in building customer satisfaction, creating loyal customers and generating repeat business.

\*Construction Statistics Annual 2009, Office for National Statistics

**Market segments:** A recognisable consumer group consisting of people with similar needs and characteristics.

**Customer loyalty:** The action of a customer in returning to a business due to a good previous experience.

**Market research:** The systematic process of collecting and analysing primary and secondary data about customers and their relationship with products and brands.

**Key performance indicators (KPIs):** Any significant variable that can be used to monitor how well an organisation is fulfilling its objectives.

**Net Promoter Score (NPS):** A way to measure customer loyalty through those who would recommend the business to colleagues.

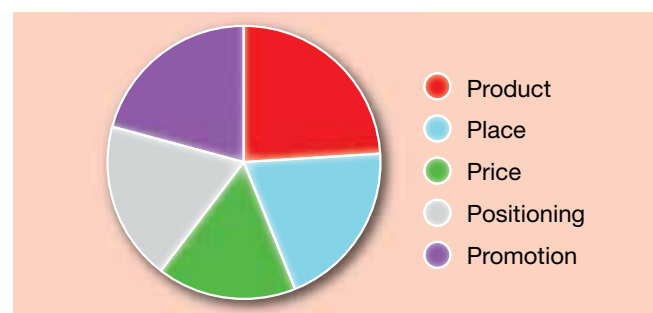
Business writer Frederick Reichheld, who devised the Net Promoter Score tool, claims that the only real question a business needs to ask its customers is: 'How likely are you to recommend us to a friend or colleague?' The NPS score shows how popular *Portakabin* is with existing customers. This is important as procuring a building is a large and often long-term commitment. A high score shows that customers are happy with *Portakabin* and ready to recommend them. NPS also predicts sales growth – the higher the score, the faster the business grows. *Portakabin* uses NPS to measure the strength of this customer loyalty. The results are extremely positive. On average, across the UK hire and sales businesses, *Portakabin* achieves an NPS score of 89. That compares very well with the scores of other industry leaders, such as Google (78), Waitrose (73), Nokia (60), and Starbucks (56). Customers are clearly happy with the quality of *Portakabin* products and the service they receive. This is vital in the competitive industry *Portakabin* operates in as repeat business is an important and cost-effective way of generating sales.



## The marketing mix: product and price

Traditionally the marketing mix – the balance of elements needed for effective marketing – is referred to as the 'four Ps'. These are Product, Price, Promotion and Place. *Portakabin* adds a fifth 'P' to this mix with 'Positioning'. This shows how the business intends to position itself to customers so that it is different from its competitors. It is closely linked to its **Unique Selling Point (USP)**. *Portakabin* has positioned the **brand** at the top end of the market, offering high quality buildings and high levels of service. It gives customers added value in terms of confidence and peace of mind. This is supported by the *Portakabin* Customer Charter which promises buildings will be delivered on time and on budget.

This promise gives *Portakabin* a significant competitive edge over traditional-build suppliers. The *Portakabin* Hire Customer Charter has built in penalties of one week's free hire for every day that the project is late. The *Portakabin* Sales Customer Charter gives an additional 12 months product warranty free of charge if there is delay. Since the launch of its innovative warranty package in January 2004, *Portakabin* has sold over 2,000 buildings and only 0.17% of customers have made a claim against the warranties.



*Portakabin* assures product quality through a process called the '3 stage gate'. This is the planning, manufacturing and delivery of the solution. Its **external accreditation** process also demonstrates approval of its standards by an independent body.

An example of getting the product right can be seen in its *Portakabin* Decant School concept. The process of moving a school into new buildings is often a difficult and lengthy one. Many short-term buildings may be needed during the move. The *Portakabin* Decant School provides a total accommodation solution designed to enable a school to transfer with minimum disruption. To understand what teachers and students needed, *Portakabin* referred to government recommendations for standards of space and light in schools. The buildings it provided exceed government standards for space per pupil. A variety of other products and services such as access ramps and steps, security and fire alarms, air conditioning, interactive whiteboards and data cabling mean that *Portakabin* provides a 'one-stop-shop' for all the needs of a school. This makes the transition from old to new buildings quicker and minimises disturbance to students' learning.

The price of *Portakabin* buildings is set at a competitive level. However, this may be higher than rivals to reflect the better levels of building quality and service that are offered. High quality, support services and the Customer Charter mean that *Portakabin* can charge a premium price for its premium service.

**Unique selling point (USP):** A specific benefit of a product or service that competitors do not or cannot offer.

**Brand:** A name, design or symbol that gives a product, product range or company an identity that is distinct from competitors.

**External accreditation:** When an outside body is used to ensure quality, usually up to preset industry, national or international standards.

*Portakabin* has moved away from its original focus of construction site accommodation (now only a small part of the business) to office, education and health environments. For example, it was able to replace the health centre facilities destroyed by floods in Cockermouth, Cumbria in 2009 in just 15 days. It provided 21 consulting rooms, patient waiting areas and ample office space. The new building offered a standard which, according to the clinical director 'exceeded expectations'.

## Promotion and place

Promotion helps to turn 'prospects' (i.e. possible customers) into actual customers. Research shows that it takes around five 'touches' to turn a prospect into a customer. A 'touch' can be a communication, such as advertising, or a sales contact.

*Portakabin* uses both **above-the-line** and **below-the-line** methods. Above-the-line involves paid-for advertising through targeted channels such as trade magazines.

Below-the-line promotion is generated in other ways. *Portakabin* methods include direct mail, public relations and open days. Its website (www.portakabin.co.uk) is also a point of promotion as it gives customers immediate access to the scale and capability of *Portakabin* product and services. It seeks to persuade them to buy its products and services through detailed information and product images on the website.



In the case of the launch of the new Decant School product, *Portakabin* targeted local education authorities (LEAs) and education contractors. It used several methods to reach them. For instance, it placed a double-page spread advertisement in relevant education and construction magazines. It also used several methods of below-the-line promotion:

- Direct mail. This was a letter, with a printed leaflet that showed a decant school complex.

- Email. Promotional emails were sent out to a key database of prospects.
- Public Relations. This took the form of press releases to appropriate education and construction publications.
- An additional targeted web page was added to the *Portakabin* website to support the campaign.
- Time lapse construction videos showed the stages of a project on the *Portakabin* website and on YouTube.
- Special school open days were organised through *Portakabin* hire centres.

Place refers to where customers can buy products or to distribution channels. *Portakabin* is a business-to-business (**B2B**) operation, which has 45 hire centres across the UK. This means no customer is more than a one-hour drive away. Service teams are therefore close to customers so can resolve issues quickly.

## Conclusion

*Portakabin* supplies premium working environments to clients who demand ever-higher standards. It maintains its leading position in a competitive market with a balanced marketing mix. This is designed to provide clients with quality products and highest service levels. It has developed as a trusted brand.

Market research is particularly important in helping to measure the effectiveness of the marketing mix. Customer loyalty is measured by how likely a client is to recommend the business to colleagues. High satisfaction scores show that *Portakabin* is providing goods and services which continue to delight customers.

1. Describe how a business such as *Portakabin* uses marketing to drive business.
2. Explain how *Portakabin* uses different types of market research, both primary and secondary, and different methods within these.
3. Analyse the balance of price, product, promotion and place in *Portakabin*. Explain why the balance of the marketing mix is more important than any single element.
4. Evaluate the contribution of customer feedback to the success of *Portakabin*. Suggest at least one other way by which *Portakabin* could collect feedback and give reasons for your suggestion.

QUESTIONS

**Above-the-line:** Promotion through advertising: TV, radio, internet, press etc.

**Below-the-line:** Indirect sales promotion other than advertising e.g. price promotions and point-of-sales displays.

**B2B:** Sales by one business to another, rather than B2C which involves selling directly to the final consumer.





# Identifying and creating new markets – a new strategy for a global leader

## 01\_Introduction

Nearly everyone is aware of Intel®. It is the world's fifth most valuable brand valued at around \$35 billion. Most of the world's personal computers are driven by Intel® **microprocessors**. By concentrating on producing great microprocessors Intel® was able to leave its competitors behind. The company invested billions of dollars in highly productive manufacturing plants that could produce more processors in a day than some of their rivals could produce in a year.



Today Intel® is continuing to raise the bar. In January 2006 the company launched its new **strategy** based on identifying and creating new markets. Instead of just focusing on personal computers (PCs) Intel® will play a key technological role in a range of fields including consumer electronics, wireless communications and healthcare.



Intel® has been one of the world's high achieving businesses. Its global appeal is not surprising.

In recent years almost every time you opened up a laptop you would see that it was labelled 'Intel® Inside'. Seeing this, the user knew that they had a high performing and reliable computer. We all want to be able to use more powerful technology, which is simple to operate, and helps us to do things without having to think about it. However, Intel® has moved on. The problem with simply being a producer of processors is that other firms can move into your market. Once they produce similar products the only way you can differentiate is by offering lower prices.

Intel's new strategy is to create lots of different types of chips and software and then combine

them together into **platforms**. A platform is an integrated set of proven technologies designed to work together. They provide people and businesses with improved communications and computing capabilities. These platforms will enable Intel® to bring added value for consumers, win a larger share of consumer expenditure and increase revenue. Platforms will make life easier for people in a range of settings from the home, to business, and medical settings. Intel's vision involves giving people access to easy-to-use technologies through these platforms. It is seeking to continually satisfy customer requirements by producing a range of new and exciting products.

## 02\_Developing a new strategy

Organisations live or die as a result of the strategies they choose. A business strategy is a plan for the whole organisation. The strategy must fit with the business environment – the changing world in which the business exists. Intel® has been at the centre of a growing industry for over thirty years. However, the growth in the sales of personal computers is slowing down in a very competitive environment. In addition, mobile phones and hand held devices have become increasingly important alternatives. Since 2003 Intel's **sales revenue** has grown by an average of 13% a year. However, as the market matures, laptop sales are growing whilst desktop sales are slowing down. As a result Intel® generated record revenues of \$38.8 billion in 2005.

Intel® is an **'ingredient brand'**. Its products and processors form part of the products that consumers purchase. Building key relationships with leading electronic firms such as Sony and Philips is an important strategy. The aim is to provide the manufacturers of products such as laptops, mobile phones and entertainment personal computers with integrated packages of chips and software - in other words a complete solution.

A key part of Intel's more integrated platform strategy involves the development of several technologies. These improve processor efficiency and allow computer users to take better advantage of:

- multi-tasking
- security
- reliability
- manageability
- wireless computing capabilities.

Understanding how people actually use technology and then driving the power of **Moore's Law** to deliver increased capabilities, means that end users obtain more benefits and increased usefulness from the technology.

Systems are continually updated giving the user greater freedom. Intel's strategy is to be at the heart of new developments in home entertainment, security, medical care, etc. Its new strategy is about:

- working with customers to share a vision of future technologies
- developing new customer focused technologies
- giving people new products that are easy to understand and use
- communicating clear messages about these new products.

### 03\_Launching a new strategy

When an organisation changes, it is important to communicate the nature of that change so that everyone knows about it. Typically, this means:

- externally to customers, partners, suppliers, the media, etc
- internally to staff.

On January 5th, 2006 Intel® launched its new strategy at the Consumer Electronics Show in Las Vegas. The high-profile launch featured the hip-hop band Black Eyed Peas, with the hit single *'Let's get it started'*. A key part was the unveiling of a new corporate logo:



Intel's old logo

Intel's new logo



A logo is a visual representation of what a company stands for. The new logo sets out clearly that Intel® is moving forward. The swirl around it signifies movement. The strapline *'Leap ahead™'* has been introduced. The launch was backed by a multi-million dollar advertising and **marketing** campaign.



Today Intel's communication messages show it is at the leading edge of technology. Intel's marketing focus is on helping consumers to understand in a clear way how new technologies can help them to live better lives.

Intel's **values** are straightforward, they involve:

- being prepared to take risks
- operating in a disciplined way
- focusing on achieving great results e.g. high performance, sales, and profits.

Great results are achieved through developing the right products for the right markets before competitors do so.

### 04\_Developing new products

In our fast changing modern world, it is essential to find out what consumers want and need. It is possible to predict trends and developments. Because Intel® is at the leading edge of technological developments it is well placed to anticipate consumer requirements.



In addition, it uses customer focus groups to find out what they think of the scenarios for the future that Intel® anticipates e.g. lifestyle developments.

A focus group consists of a relatively small number of consumers representing a market Intel® is targeting. For example, lifestyle trendsetters who are very knowledgeable

about home entertainment developments or medical professionals interested in improving patient record systems. There is huge scope for intelligent organisations like Intel® to increase their presence in the health industry. This industry has been slow in adopting IT applications because healthcare primarily involves person to person contacts. However, health professionals are increasingly recognising the benefits of IT.

New product development to meet anticipated needs involves a considerable outlay of capital e.g. building new factories to build the products of the future. Being market focused therefore lies at the heart of Intel's success and direction. Intel's digital home division is part of the Digital Living Network Alliance, an alliance of over 250 companies. Their aim is to create joint standards, improve interoperability and ease of use between different products in the home. Intel® was one of the key founders and still sits on the Board of Directors.

In 2006 Intel® is rolling out a series of new products reflecting its innovative strategic approach.

Examples include:

Intel® Viiv™ technology – a home entertainment platform.

Intel® Centrino® Duo mobile technology – a dual core processor notebook platform.

Intel® Viiv™ technology is a new home entertainment platform. Viiv™ rhymes with five. It can play/pause TV, download films, music and games, and will develop to enable easier movement of content around the home.

## 05 Restructuring Intel® around its markets

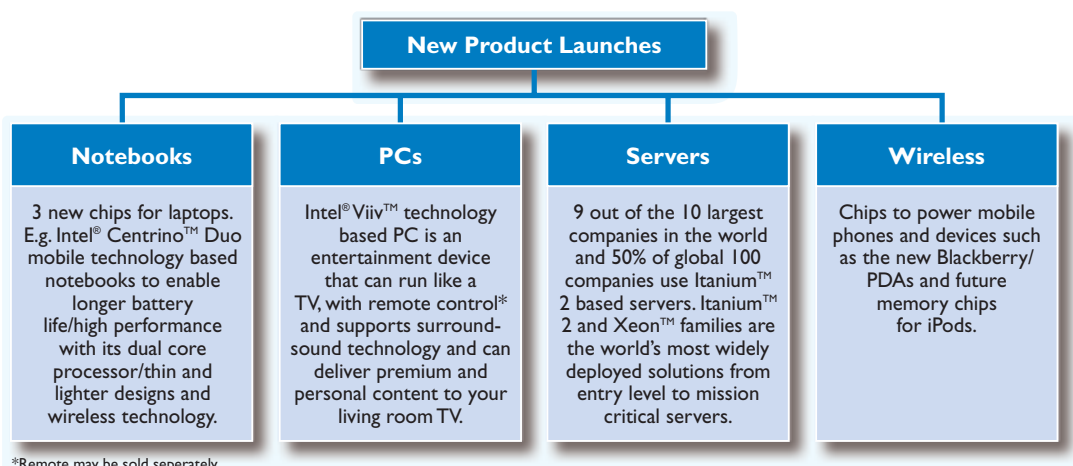
Intel® built its early success on providing ingredients for personal computers with its prime driver being technology. It was dominated by engineers and worked closely with Microsoft and PC manufacturers such as Dell, Compaq and IBM.

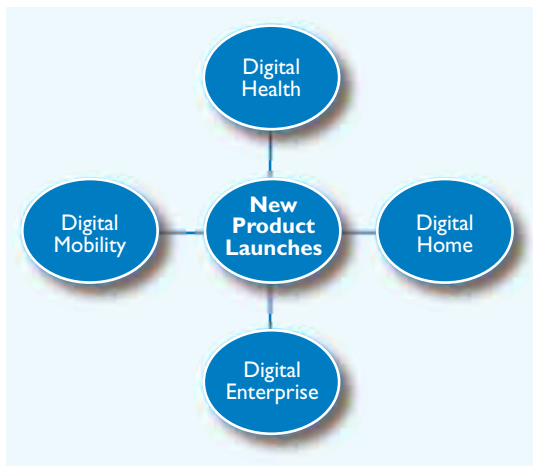
The new strategy continues the emphasis on producing excellent products. However, there is now a strong focus on marketing – finding out what customers want and then meeting their requirements. Customers need to know what these new products can do for them. Clear communication is therefore essential.

The company has been restructured from top to bottom affecting over 90,000 employees. The emphasis is on marketing and communicating with customers about what the new technologies can do for them. In the words of the new Chief Executive Officer *'To sell technology now you have to do it in a way which is much more simple. You can't talk about the bits and the bytes'*. In other words it is about what people make possible with Intel® products.

Today Intel® is working with a broad range of fellow travellers e.g. with Motorola for mobile devices and with hospitals for digital health.

The market for high-tech products and systems is broken up into discrete segments. Intel® recognises this and has therefore created four divisions representing these segments.





Although different target groups have common needs for information, the types of information they want at home or work will be different. For example, a recording of a romantic movie or thriller is watched at home whilst at work it will be a training video or video conferencing facility. Digital home is committed to providing the ultimate entertainment experience, whilst digital health will work directly with hospitals and health care professionals.

New product development focuses on specific markets. For example, in hospitals paper records are replaced with electronic tablets giving immediate access to patient records, appropriate drug prescriptions etc. In business Intel® has developed a range of chips for personal organisers, servers and a range of other applications. In mobility it has provided the processing applications that drive new products for people who want to keep in touch whilst on the move.

Within product divisions there is a strong emphasis on team building to share expertise. Chip engineers, software developers, marketers, and market specialists work to develop new and exciting products.

## 06 Conclusion

Intel® is one of the success stories of the high-tech world. It provides vital components for personal computing. Now the company is moving forward into a range of new and exciting products and markets with a much stronger focus on marketing.



### GLOSSARY OF TERMS

**Ingredient brand:** a brand representing components or parts that go inside or into making other products.

**Marketing:** anticipating, identifying and meeting customer requirements.

**Microprocessor:** an integrated circuit that contains the entire central processing unit of a computer on a single chip.

**Moore's law:** observation by Gordon Moore the co-founder of Intel® that the number of transistors per square inch on an integrated circuit has and will double every year since the transistor's invention.

**Platform:** integrated set of chips and software that are designed to make new technological developments easy to operate.

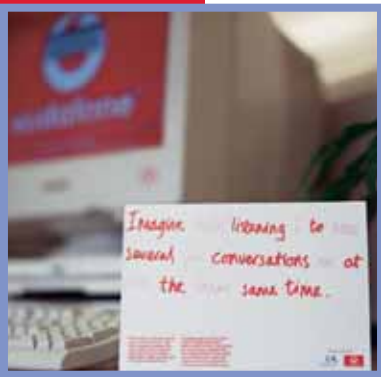
**Sales revenue:** the total value of the sales of a company or product in a given time period.

**Strategy:** an overall plan leading to specific achievement.

**Values:** what a company stands for e.g. enterprise, honesty, willingness to take risks etc.

For more information about Intel® please browse:  
[www.intel.com](http://www.intel.com)





# Cause Marketing - Vodafone's partnership with The National Autistic Society

## 01\_Introduction

Successful companies act as role models to other businesses and the wider community. To achieve this role model status they must be committed to **Corporate Responsibility** (CR). CR involves three aspects:

1. Running a successful business. A business must first make a profit if it is going to be able to make a wider contribution to society.
2. Being committed to ethical behaviour across its operations.
3. Being committed to improving society.

A visible aspect of its CR programme is **Cause Marketing**.

This case shows how Vodafone has formed a Cause Marketing partnership with The National Autistic Society (NAS).

Vodafone is the third largest company in this country by **market capitalisation**. This is remarkable because Vodafone is a relatively new company. Most of the other companies in the **FTSE 100** (largest 100 companies in the UK) have been around considerably longer.

Most people in this country instantly recognise the Vodafone logo and know what the company does. Vodafone supplies customers with mobile telephone facilities including text, games, music, mobile TV, and Internet services.

In 2005 Vodafone had around 16 million UK customers, employed over 11,500 people across call centres, offices and retail shops.

The NAS is less well-known. It is a national charity working with children, adults, and families affected by **autism**, and those professionals who work alongside them. Autism is a complex life long developmental disability affecting an increasing

number of children in the UK. The term autism covers a wide range of behavioural and communication difficulties. For example people with autism find everyday social interaction very difficult. Their ability to develop friendships is generally limited as is their capacity to understand other people's emotional expression. People with autism can often have accompanying learning disabilities but everyone with the condition shares a difficulty in making sense of the world.

The NAS champions the interests of people with autism and provides services appropriate to their needs. Around 535,000 people in the UK have autistic spectrum disorders and 2 million parents, carers and friends are affected. Understanding of the condition remains limited.

## 02\_The nature of marketing and role of Cause Marketing

**Marketing** involves finding out what your customers want and then providing it. At the heart of marketing lies the **market research** process. This involves identifying customer requirements and then meeting their needs.

As a minimum this involves asking customers such questions as:

- What size and shape mobile phone would you like to see us provide?
- What services do you want our phones to provide?

However, responsible companies go beyond that and ask:

- How would you like our company to behave?
- What part do you want us to play in building a better society?

It is the latter questions which translate the concept of being a responsible company into a visible reality via a Cause Marketing programme.

Cause Marketing can be defined as: 'a commercial activity by which businesses and the wider community derive direct societal and commercial benefits through marketing led activity'.



### 03\_Appropriate Cause Marketing

Cause Marketing makes sense and is supported by a range of **stakeholder** groups.

- Consumers and the public increasingly demand it.
- Employees are inspired by it.
- Government and industry regulators actively support it.
- Investors recognise the benefits of it.
- Causes benefit directly from it.



Just as with any other form of marketing a great deal of research needs to be carried out to identify Cause Marketing that naturally fits with customers' perceptions of what 'their' company should be doing. Therefore a fit between Cause Marketing and the overall vision and **goals** of a company is vital. A vision is a picture, set out in words, of what a business is seeking to achieve.

Vodafone's vision is: 'Enriching customers' lives, helping individuals, businesses and communities to be more connected in a mobile world'.

Goals are the end targets that an organisation seeks to achieve through its plans. Vodafone has six goals. Two of the most important of these are to '*delight our customers and be a responsible business*'.

The vision and goals therefore give important direction to the Cause Marketing programme.

As communication lies at the heart of everything that Vodafone does, it made sense to partner with a cause that is closely related to communication. As the leading provider of mobile communications, Vodafone has a unique opportunity to employ its strengths, size and marketing power to:

- help the NAS improve the lives of people with autism
- bring the issues to a wider audience
- increase the capacity and accessibility of NAS services.

### 04\_Research and stakeholder engagement

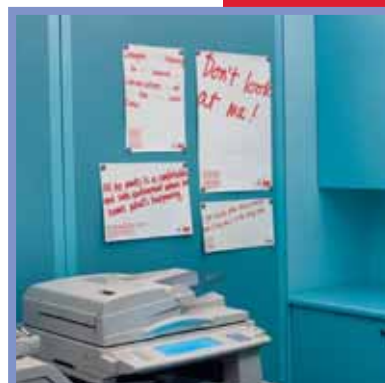
As with any partnership, Vodafone was rigorous in researching an appropriate cause to partner. The research was carried out with a number of groups:

- customers
- employees
- public
- opinion formers (e.g. the press, CR experts)
- Cause Marketing experts.

A variety of research techniques were used, including:

- in-depth interviews with customers
- discussions with 60 charities
- identifying the best examples of Cause Marketing programmes
- testing of a number of propositions to see what customers, employees and members of the public thought.

The results of the research showed that partnering with an organisation dealing with communication disabilities was a clear choice.





Three charities from the original 60 were identified as having the closest fit. These three charities were then rigorously assessed in relation to 15 **criteria**, which included:

- impact on society
- clear fit with the Vodafone brand
- impact could be measured
- employees and customers felt that it would be an appropriate partnership
- fit with communication theme.

As a result of this research it became clear that the NAS provided the best fit. Communication is at the heart of Vodafone and people with autism find communicating with others very difficult. At the time, the NAS were not well-known, nor were they receiving significant support from other companies.

## 05\_The partnership

Brand positioning involves creating an image that is understood by the wider public of what a brand stands for. Vodafone's brand positioning is:

*'Vodafone helps people enjoy richer communication, anywhere, anytime. Always reliable, always easy, always great value ...passionately delivered'.* The 3-year partnership programme with NAS fits neatly with this brand positioning.

A programme is a set of organisational activities that have clear **objectives** and timescales. A vision was created for the programme which was to: *'create a best in class partnership between Vodafone and the NAS that breaks down barriers and makes more things possible for people affected by autism'.*

The programme covers a 3-year period. There are 3 main elements of the programme:

Help! is an intensive programme for parents and carers whose child has been recently diagnosed with an autistic spectrum disorder. The programme explains what autism is, how to explain the

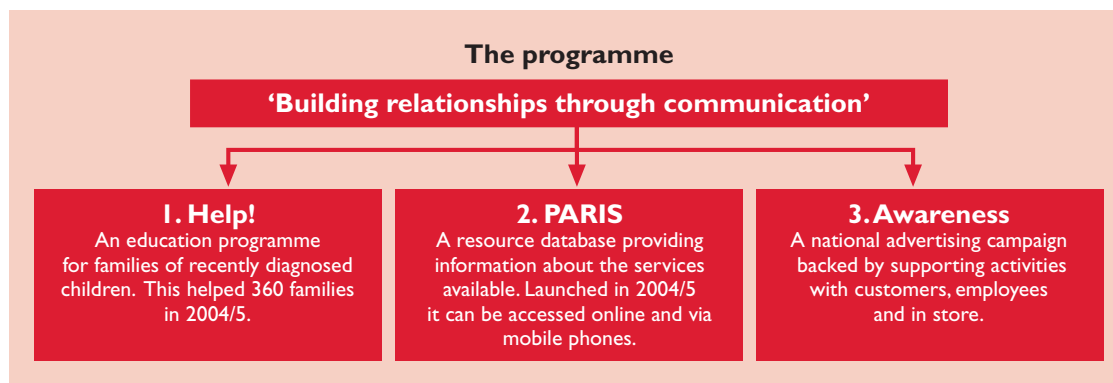
condition to siblings, teachers and relevant professionals. It also covers practical advice including techniques for improving communication and behaviour, specialist information on education, rights, entitlements and local support services. Help! provides parents with an opportunity to meet other parents and discuss their thoughts and emotional concerns in an informal manner.

PARIS (Public Autism Resource and Information Service) is an online, interactive database of services for people with autism, their parents and carers. The service can be accessed in a variety of ways including by computer and mobile phone. This is a very useful service for parents with autistic children. For example, the database identifies services such as local playgroups or schools with specialist support for autistic children or a more practical service such as a hairdresser or dentist who has been trained in understanding autism and is aware of how to provide a more specialised service.

Awareness is a media campaign sponsored by Vodafone which is designed specifically to raise public awareness of autism and the work of NAS. The posters used promote both the NAS and Vodafone brands.

Cause Marketing is not a form of corporate philanthropy, there are clear commercial objectives for both partners. However there is an element of raising money for the NAS, but utilising mechanisms which are embedded in Vodafone's 'business as usual' activities. Vodafone has made it possible for customers to donate money to the NAS via text messaging and over the web. Vodafone's handset recycling scheme, which is a key element of its CR programme, helps customers to recycle their unwanted handsets and ensures that all the money raised from the recycling process, almost £800,000, goes to the NAS.

The programme includes other ways for customers to engage with the charity such as sales of 'Thomas the Tank Engine' zip pulls and Christmas cards which are promoted through its retail stores.



Staff have also been very enthusiastic in taking part in voluntary activities and in raising funds for the NAS. At the start of the programme one of the goals was to engage and inspire staff to raise £50,000 over the 3-year life of the relationship. During the first year, staff raised £106,000. One of the reasons that staff have been so engaged and supportive is because they were involved early on in helping to determine what sort of Cause Marketing programme there should be.

Before starting the programme Vodafone set out a number of objectives which could be used to measure the success of the partnership. Typical examples of these were to:

- make Help! available to 2,710 families
- launch PARIS
- increase awareness of autism to 60% of the population
- raise £50,000 through staff fund raising activities
- raise awareness of Vodafone's Charity work to 20% of the population
- increase employee enjoyment of work by encouraging at least 5% of employees to get involved in the partnership.

Having clear objectives makes it possible to measure the success of a programme.

## 06\_Conclusion

Cause Marketing is a commercial arrangement. Cause Marketing helps Vodafone to humanise its brand in the eyes of stakeholders while providing much needed support for the NAS and those with autism.

Vodafone believe that Cause Marketing objectives must fit closely with their vision and overall business goals.

**Metrics** (measurements) are therefore used to see how successful their Cause Marketing has been. In independent research carried out by MORI (a market research company) it has been shown that 55% of Vodafone customers identified the company as being a responsible business and this figure has risen by 10% in a year. At the same time awareness of autism has increased and there is more and more coverage in the media (particularly on television and in the press). Clearly this is not just as a result of the programme, but it has helped significantly.

Results have shown that Vodafone customers now have an increased awareness of NAS.

In addition to achieving its key metrics, the Cause Marketing programme received an Award for Excellence from Business in the Community. This award recognises companies for integrating responsible business practice into their mainstream operations resulting in a positive impact in the marketplace, the workplace, the environment and the community.



## GLOSSARY OF TERMS

**Autism:** complex life long disability, characterised by lack of response to people and limited ability to communicate.

**Cause marketing:** a commercial activity by which businesses and the wider community derive direct societal and commercial benefits through marketing led activity.

**Corporate responsibility:** the wider responsibility of a business or organisation. Responsibility to a range of stakeholders including the community and society at large.

**Criteria:** standards by which something can be judged or decided.

**FTSE 100:** The Financial Times Stock Exchange list of the top 100 companies in this country by value of shares in these companies.

**Goals:** the objective towards which an endeavour is directed.

**Market capitalisation:** the value of all the shares in a company. In the UK this will be measured in pounds sterling.

**Market research:** a study of influences on customer behaviour and the analysis of market characteristics and trends.

**Marketing:** the process involved in anticipating, identifying and meeting customer needs and requirements.

**Metrics:** measurements.

**Objectives:** a goal to be aimed at.

**Stakeholder:** individual or group with an interest in the decisions made by an organisation.

For more information about Vodafone please browse:  
**[www.vodafone.co.uk](http://www.vodafone.co.uk)**



## Marketing strategy for growth

### Introduction

Businesses must respond to change in order to remain competitive. Developing appropriate strategies which allow them to move forward is essential. Wilkinson is a prime example of a business that has responded to changing customer needs throughout its history. It is one of the UK's long-established retailers of a wide range of food, home, garden, office, health and beauty products.

James Kemsey (JK) Wilkinson opened his first Wilkinson Store in Charnwood Street, Leicester in 1930. After the Second World War, the 1950s saw a rise in the use of labour-saving devices and DIY. Wilkinson responded by making this type of product the focus of its sales. In the 1960s customers wanted more convenience shopping. Wilkinson started selling groceries and supermarket goods and created the Wilko brand. In the 1980s Wilkinson extended its range of low-cost products to include quality clothing, toys, toiletries and perfumes. In 1995 it opened a



central distribution centre in Worksop, serving stores in the north of England and in 2004, a new distribution centre opened in Wales. In 2005 Wilkinson launched its Internet shopping service, offering over 800,000 product lines for sale online. Wilkinson currently has over 300 stores, which carry an average of 25,000 product lines. 40% of these are Wilko 'own-brand' products. The company's target is to see this element grow and to have over 500 stores by 2012.

Wilkinson's growth places it in the top 30 retailers in the UK. Recently it has faced increasing challenges from competitors, such as the supermarket sector. Wilkinson needed to combat this and identify new areas for growth. Over two years it conducted extensive market research. This has helped it create a **marketing strategy** designed to continue growing by targeting a new **market segment** - the student population. This case study focuses on how Wilkinson created and implemented this **strategy**, using the findings of its market research to drive the strategy forward.

### Marketing strategy

To grow, a business needs to give consumers what they want, at a price they are satisfied with, when they want it and make a profit for the company. Wilkinson commissioned market research which identified key potential for growth in the student sector. It had to develop a strategy for growth that not only covered the specific requirements of this target group, but also linked closely with the company's overall **aims** and **objectives**.

The key elements that need to be in place for business planning are:

- **aims** - describe the overall goals of a business
- **objectives** - are steps which managers decide need to be taken in order to achieve the overall aims
- **strategy** - is a plan which outlines all the medium and long-term steps that need to be taken in order to achieve a given target
- **tactics** - are what the business does in the short-term - these respond to opportunities and threats identified when preparing the original strategy.

#### CURRICULUM TOPICS

- Market research
- Marketing strategy
- Ansoff's matrix
- Evaluating strategy



#### GLOSSARY

**Marketing strategy:** plan set up to meet customer requirements. It involves the price, product, promotions and place.

**Market segment:** dividing up large markets with similar needs into smaller markets (segments) according to shared characteristics.

**Strategy:** long-term business plan of an organisation.

**Aims:** the general end purposes towards which an organisation focuses its activities.

**Objectives:** the end purposes that an organisation or individual seeks to achieve.

**Tactics:** decisions taken or a move made with a short-term objective in mind.



Strategies may be to combat competition, to improve the position of the company in the market or to grow the business. The type of strategy required will depend upon several factors but the main influences include:

- number and power of competitors
- company strengths
- size of business
- financial position
- government influences.

Marketing strategy aims to communicate to customers the added-value of products and services. This considers the right mix of design, function, image or service to improve customer awareness of the business' products and ultimately to encourage them to buy.

An important tool for helping develop an appropriate marketing strategy is Ansoff's Matrix. This model looks at the options for developing a marketing strategy and helps to assess the levels of risk involved with each option. Marketing strategies may focus on the development of products or markets. Doing more of what a business already does carries least risk; developing a completely new product for a new audience carries the highest risk both in terms of time and costs.

|                  | Market driven   | Product driven   |
|------------------|---|--|
| SAFEST           | Existing products   | New products   |
| Existing markets | <b>Market penetration</b><br>Trying to take a greater share of an existing market with an existing product. This could involve product re-launch or increasing brand awareness. | <b>Product development</b><br>Using the base of existing products to grow. For example, once a range has been established, new types of product can be developed within that range – such as introducing Wilko own brand paints and other product lines. |
| New markets      | <b>Market development</b><br>Finding or creating new markets by targeting new parts of the market or by expansion into different markets.                                       | <b>Product diversification</b><br>Seeking to create or develop new products, lines or product ranges for new markets.  |
|                  |   | MOST RISKY   |

Based on its research, Wilkinson committed to a market development strategy to sell its products to a new audience of students. This is a medium risk strategy as it requires the business to find and develop new customers. It also carries costs of the marketing campaigns to reach this new group. The main focus of the strategy was to increase awareness of the brand among students and encourage them to shop regularly at Wilkinson stores.

## Market research

Market research is vital for collecting data on which to base the strategy. Market research takes one of two main forms – **primary research** and **secondary research**. Primary research (also called field research) involves collecting data first hand. This can take many forms, the main ones being interview, questionnaires, panels and observation. Secondary research (also called desk research) involves collecting data which already exists. This includes using information from reports, publications, Internet research and company files.

Both methods have advantages and disadvantages. The advantages of primary research are that it is recent, relevant and designed specifically for the company's intended strategy. The main disadvantage is that it is more expensive than secondary research and can be **biased** if not planned well. Secondary research is relatively cheap, can be undertaken quickly and so enables decision-making sooner. However, secondary research can go out-of-date and may not be entirely relevant to the business' needs.

Wilkinson undertook primary market research using questionnaires from students across the UK and secondary research using government and university admissions data. The statistics revealed that there were three million potential student customers.

### GLOSSARY

**Primary research:** research that is carried out for the first time to meet a specific objective.

**Secondary research:** desk research involving the collection of information that is already published.

**Biased:** having a preference towards a particular subject or thing.



They had a combined annual spend of around £9 billion per year. This research confirmed that the choice of focusing on the student market as a means of growth was valid. Wilkinson undertook further research to identify how to reach students and persuade them to start shopping at Wilkinson stores. This information was used to formulate a **focus strategy**. This was aimed specifically at the needs of the student 'market segment'.

## Marketing to students

Wilkinson involved 60 universities in research, using questionnaires distributed to students initially in Years 2 and 3 of a range of universities and then to 'freshers' (new students) through the University and Colleges Admission Service. This ensured the widest range of students was included to eliminate bias. It also gave a wide range of responses. From this initial group, students were asked a second set of questions. Participants were rewarded with Amazon vouchers to encourage a good take-up. The research focused on two areas:

1. student awareness of the Wilkinson brand and
2. reasons why students were currently not using the stores regularly.

The market research enabled Wilkinson to put together its marketing strategy. The aim was to ensure the student population began shopping at Wilkinson stores early in their student experience. This would help to maintain their customer loyalty to Wilkinson throughout their student years and also to develop them as future customers after university. **Repeat business** is key to sustained growth. Wilkinson wanted to create satisfied customers with their needs met by the Wilkinson range of products. A marketing campaign was launched which focused on a range of promotional tactics, specifically designed to appeal to university students:

- Wilkinson being present at freshers' fairs – and giving free goody bags with sample products directly to students
- direct mail flyers to homes and student halls, prior to students arriving
- advertisements with fun theme, for example, showing frying pans as tennis racquets
- web banners
- offering discounts of 15% with first purchase using the online store
- gift vouchers
- free wallplanners.

The challenge was to get students into Wilkinson stores. The opportunity was to capture a new customer group at an early stage and provide essential items all year round. This would lead to a committed customer group and secure repeat business.

## Outcomes/evaluation

Wilkinson wanted to know what would inspire students to shop at Wilkinson more and what factors would help to attract non-customers. The research provided significant primary information to analyse the effects of the campaign. Wilkinson used questionnaires collected from the first year undergraduates to gather **qualitative data**. In addition, Wilkinson obtained **quantitative data** from various other sources, including:

- **redemption rates** – how many people used the discount vouchers when buying
- sales analysis – how much extra business did the stores handle
- **footfall** in stores analysis – how many extra people went into stores.

This information helped Wilkinson to develop its plans for future marketing campaigns. It identified **motivation factors** for the student audience which would help to encourage future purchase. Key factors included products being cheaper than competitors and easy access to stores. 23% of students questioned gave 'distance from university' as a reason for not regularly visiting the store. The layout of the store was another major problem affecting repeat visits. These findings have been taken on board by Wilkinson in its future planning of store locations and layouts.

Researching students' opinions after the campaign showed that:

- awareness of Wilkinson brand had significantly risen from 77% to 95% of those interviewed. This brought it in line with Morrison supermarkets, a key competitor.

### GLOSSARY

**Focus strategy:** concentrating planning on a few narrow market segments in order to meet the needs of the selected segment.

**Market segment:** dividing up large markets with similar needs into smaller markets (segments) according to shared characteristics.

**Repeat business:** the proportion of consumers who make further, subsequent purchases.

**Qualitative data:** research associated with consumer responses, feelings, attitudes and descriptions usually from a limited number of respondents (people).

**Quantitative data:** research associated with figures or numbers that help to make the research more objective usually from a large number of consumers.

**Redemption rates:** the percentage of vouchers cashed in and used.

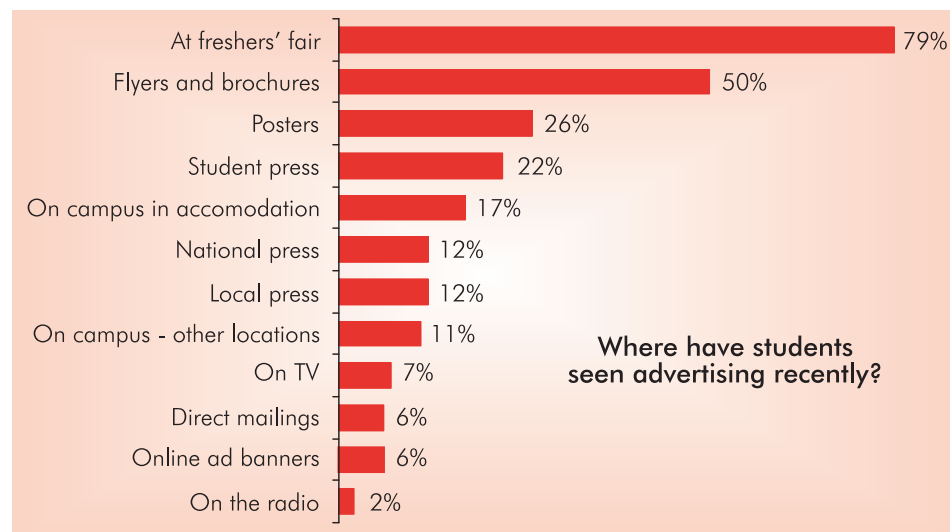
**Footfall:** a measure of the number of people who enter a store.

**Motivation factors:** factors that to encourage people to do something.



- 17% of students who received a goody bag at freshers' fairs used the 15% discount voucher. A further 58% intended to use the voucher. The campaign had either got students to enter the Wilkinson stores or increase their intention to visit the store.
- Of particular importance to Wilkinson was that the campaign had made the company more appealing to 67% of students interviewed. This fulfilled one of the main objectives of the campaign and was reinforced by figures from existing students. Prior to the campaign 13% shopped at Wilkinson at least once a month. After the campaign this had risen to 33%.

The results of interviews with fresher students two months after the campaign shows which of the various marketing tactics Wilkinson used with the students had the greatest impact on their awareness.



## Conclusion

Wilkinson's marketing strategy began with its corporate aim to grow and increase stores across the UK. It was facing increased competition from supermarkets and needed to identify an area to focus on. To pursue a growth strategy, Wilkinson used market research to identify new target customers. This enabled it to prepare marketing strategies to fit the audience.

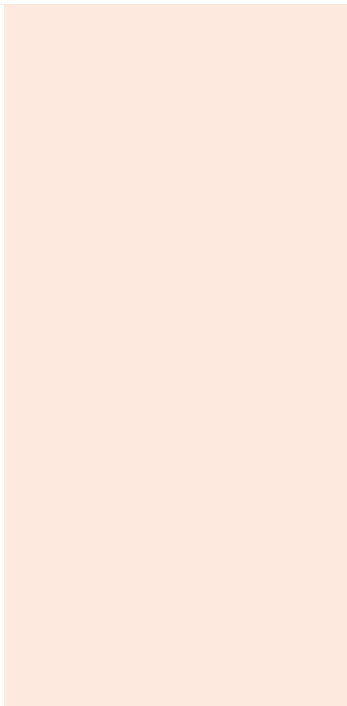
Primary and secondary research was used to find out customer views regarding its brand. Data indicated the student market segment was a significant area to focus on to achieve market development. A marketing campaign using data from a follow-up survey was put in place. The campaign showed significant increase in students' levels of awareness about Wilkinson and its products. It encouraged them either to shop more or to try Wilkinson for the first time. The campaign helped to achieve many of the business' aims, creating increased brand awareness and repeat visits. It also helped to inform the company's future strategies for growth. Market research gathered will help to formulate future plans for new stores. These will be in line with Wilkinson commitment to providing communities with affordable products across the country.

## Questions

1. What is the difference between primary and secondary research? Identify one example of primary and secondary research carried out by Wilkinson.
2. Explain why Wilkinson needed a marketing strategy to help them to grow.
3. Evaluate the benefits of the marketing campaign to Wilkinson.
4. Analyse how effective the marketing campaign was in helping Wilkinson respond to competitive pressures.

**Wilkinson**

[www.wilkinsonplus.com](http://www.wilkinsonplus.com)

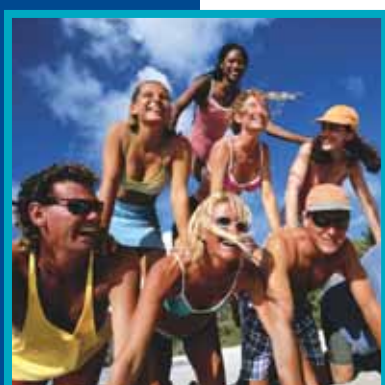




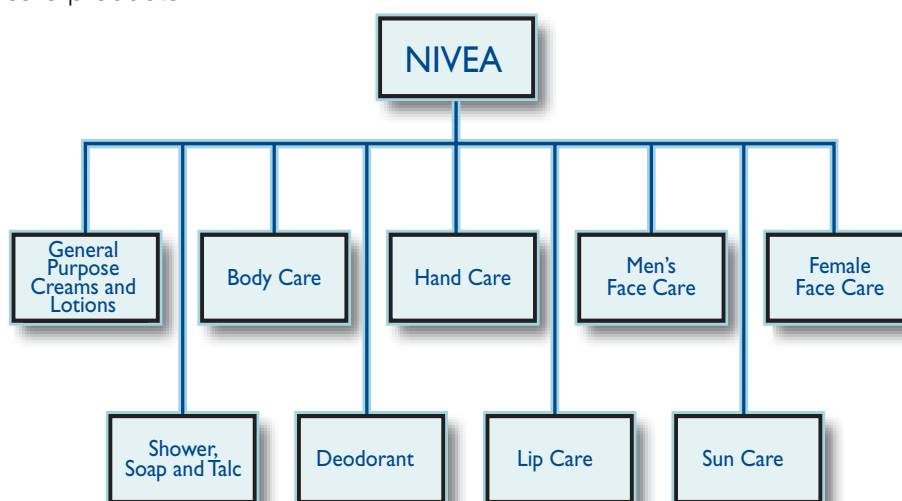
# Segmentation

## 01\_Introduction

Beiersdorf is the international skin care company behind the leading brands NIVEA, ELASTOPLAST, ATRIXO and EUCERIN. Over the past 10 years the company has grown rapidly in the UK by developing a balanced and well managed **portfolio** of brands. A brand portfolio should consist of a range of products which support each other, irrespective of which categories they operate in.



The NIVEA range includes product types ranging from female face and body products to men's shaving gels, through to deodorants and sun care products.



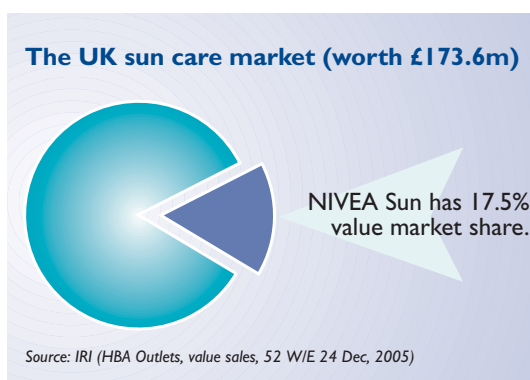
NIVEA identifies market **segments** that meet individual consumer needs. Segmentation occurs when a market is split into sub-markets (segments) which can respond in similar ways to different marketing activities. Each segment:

- contains consumers with similar needs or tastes
- is best satisfied by products targeted to meet their specific needs.

This can be at a macro level (e.g. total health and beauty market) and at a micro level (i.e. within a specific category).

NIVEA Sun is a major international sun care brand, recognised worldwide as a leader in sun care research and development. The UK market is worth £173.6m with an overall category **purchase penetration** of 33% (**usage penetration** is higher).

Sun care is a serious issue for all and the protection message is key to the NIVEA Sun brand proposition. NIVEA Sun appeals to, and is used by men, women and children with quality products to meet all needs. The brand also aims to bring fun to the market through recognising situations when sun care products are applied.



## 2006 NIVEA Sun Range

| Protection | Moisturising Sun Lotions SPF4, 8, 12, 15, 20, 30, 40, 50+ | Moisturising Sun Sprays SPF6, 10, 15, 20, 30, 50+ | Firming Sun Lotion SPF6, 15<br>Satin Sheen Sun Lotion SPF8, 15<br>Sun Oil SPF4 | Sensitive Sun Lotion SPF30, 50+                     | Pampering Protection Mousse SPF 8, 15 | Children's Sun Lotion SPF25, 40, 50+<br>Sun Spray SPF20, 30, 40, 50+,<br>Baby Sun Lotion SPF50+ |
|------------|---|---|--|---|---------------------------------------|---|
| After Sun  | Moisturising After Sun Lotion 200/400ml                   | Cooling After Sun Spray                           | After Sun Tan Prolonger  | Regenerating After Sun Balm                         |                                       |   |
| Self Tan   | Sun Touch Lotion Normal to Dark or Fair Skin              | Sun Touch Caring Spray                            | Sun Touch Face Cream Normal to Dark or Fair Skin                               | Sun Touch Aerosol Spray Normal to Dark or Fair Skin | Sun Touch Wipes                       |   |

## 02\_The three main product segments

The diagram above shows the three main product segments that make up the NIVEA Sun range. As you will see, there are a variety of products in each, which can also be segmented as shown.

### 1. Protection

It is vital that skin is adequately protected against the sun's harmful effects (although no sunscreen can provide total protection). NIVEA Sun provides products that enable people to be as safe as possible. NIVEA Sun also encourages the use of other forms of protection (e.g. wearing a sun hat and avoiding midday sun).

Protection is the largest segment in the sun care market with a purchase penetration of 28%. NIVEA Sun is the protection segment market leader by value (i.e. more money is spent on NIVEA Sun protection products than any other sun care brand in the UK).

#### When choosing sunscreens there are two important factors to consider:

##### i. skin type

The chart below shows segmentation by skin type. The level of protection required for each segment will vary according to generalised skin types (as seen below):

| Skin Type   | Very Light   | Fair    | Normal      | Dark         |
|-------------|--------------|---------|-------------|--------------|
| Hair Colour | Reddish      | Blonde  | Dark Blonde | Brown        |
| Freckles    | Many         | Some    | Few         | None         |
| Sunburn     | Very Quickly | Quickly | Regular     | Slow         |
| Tanning     | Slowly       | Slowly  | Quickly     | Very Quickly |

Skin type applies to children, as well as adults. Children's skin is thinner and its repair mechanism is not yet fully developed. As a result they require extra protection and sun screens that are specifically developed for their skin.

##### ii. location

NIVEA Sun provides a range of lotions and sprays targeted at different climates and to users with different skin types. Someone with fair skin may be well protected with a SPF 20 product when in England, but if they were in Barbados they would need SPF 40.

| Skin Type  | Moderate Temperature | Hot Temperature | Very Hot Temperature |
|------------|----------------------|-----------------|----------------------|
| Very Light | SPF 30               | SPF 40          | SPF 50+              |
| Fair       | SPF 20               | SPF 30          | SPF 40               |
| Normal     | SPF 15               | SPF 20          | SPF 30               |
| Dark       | SPF 15               | SPF 15          | SPF 30               |
| Children's | SPF 30               | SPF 50+         | SPF 50+              |

### 2. After Sun

NIVEA Sun is the market leader within this segment in the UK, which has been growing rapidly.

### 3. Self-tan

In contrast to protection and after sun, the self-tan category is concerned mostly with cosmetic appeal. Many adults use self-tan to have an all year round sun kissed glow.



## 03\_Brand Vision

A vision paints a picture of what you are trying to achieve with your brand in a simple sentence. NIVEA Sun's vision is "To be the Number 1 brand in the UK sun care market in penetration, sales and likeability."



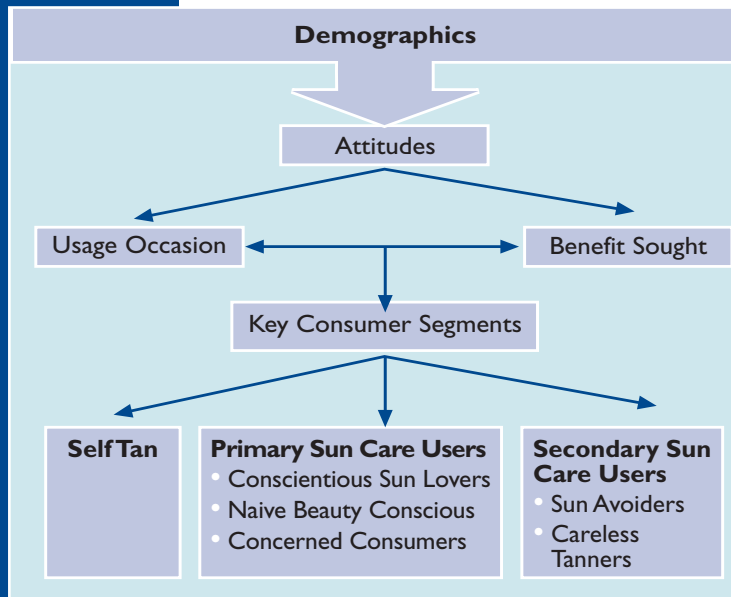
Penetration relates to the percentage of potential customers that purchase a product. Sales relate either to value (the money spent on the product) or volume (the quantities sold). Likeability is all about enjoyment. If people like a brand/product they will continue to buy it.

One key way to achieve the vision is to provide innovative solutions to market needs. This has been a key success factor for NIVEA Sun. As a brand it has achieved this through continually segmenting its consumers in order to:

- effectively meet consumers' needs
- identify new market opportunities.

## 04\_Consumer segmentation

Segmentation has been vital to the success of NIVEA Sun and allowed the brand portfolio to grow to over 40 products, all meeting clear consumer needs. The following factors are used to develop and define the sun care segments:



- **Demographics** - different groups of consumers behave differently (factors relate to age, gender, etc). **Demographic** differences relevant to NIVEA Sun include different buying behaviours between men/women and adults with children. There is a stark contrast between awareness and usage of sun care products between men (who prefer convenience) and women (who enjoy more luxurious sun care products). Similarly, adults with children are another broad segment with differing needs.

Demographic segments are broad. As research shows, the level of awareness of sun care transcends income and social class.

- **Attitudinal** – this is the most important segmentation variable. Consumers' attitudes towards sun care influences their purchases. NIVEA Sun conducts market research to understand user **attitudes**. This involves questionnaires using a nationally representative sample, and more intensive research with small groups, to discuss individual skin protection habits and preferences. This has identified 5 distinct groups for protection and after sun:
- **Concerned Consumers** – 'a good tan is not important'. These consumers are conscious of the harmful effects of the sun and purchase sun protection products that are most likely to offer high sun protection factors.

- **Sun Avoiders** - avoid sunbathing and using sun protection when in the sun - it is seen as a chore. These are unlikely to purchase a sun care product. Through education, this segment may be convinced to protect using more easy-to-apply products such as sprays.
- **Conscientious Sun Lovers** - adore sunshine and like to use a trustworthy brand with suitable protection factors. They know about sun care and use this knowledge to purchase suitable products for their skin.
- **Careless Tanners** - adore the sun but don't protect against harmful dangers. Tanning is important to this group, not protection. They don't worry about the long-term damage to their skin and may purchase a low SPF product, if any at all.
- **Naive Beauty Conscious** - like to have a good sun tan. They recognise that sun protection is important but fail to understand about Sun Protection Factors (SPFs). These consumers may still be interested in the core features of a sun protection product (e.g. SPF) and be more inclined to purchase an added-value offering such as a mousse.

Consumer segments were identified by analysing answers to questions about attitudes.

The two main aspects of attitudes relate to:

- **Usage occasion (when)** – e.g. holiday, outdoor sports, gardening, working etc. This relates to the Sun Protection Factor (SPF) required, e.g. the SPF required for a holiday in Egypt differs greatly to outdoor work in the UK. This is one of the reasons why NIVEA Sun produce a wide range of sun protection from SPF 4 to 50+. Research has shown that consumers often purchase a variety of SPF's for differing needs and occasions. This factor alone however is not an accurate means of segmenting markets.
- **Benefit sought** - protection is the primary benefit but the preference by which this is delivered will vary by segment, e.g. convenience is important to men (so they choose spray applicators). Parents want to provide maximum protection for children (high SPFs and coloured products are therefore important).



The benefit sought differs across the attitudinal segments. Whilst '*Concerned Consumers*' want a very functional product providing 'adequate protection' (e.g. SPF 30), '*Naive Beauty Conscious*' may want a more luxurious sun protection product (e.g. mousse).

This also applies to consumers with special skin types, who require a more specialised product. Recognising that this is a separate segment, NIVEA Sun has formulated sensitive skin products.

#### Self-tan Segmentation

The segmentation variables will differ considerably for the self-tan range of products. This is concerned primarily with providing cosmetic benefits.

## 05\_Brand strategy

The key proposition of the NIVEA Sun brand is protection. The main elements of this proposition include:

- making sun care simple
- educating that protection can lead to safer tanning
- reinforcing the immediate protection message.

This last point relates to the immediate protection formula which was developed by NIVEA Sun and launched in 2005 to provide proven instant and full UVA and UVB protection. This was researched and developed following consumer studies which found that consumers often failed to apply sun screens 20-30 minutes before sun exposure (despite packaging instructions).

NIVEA Sun follows a strategy of product innovation, in order to achieve its long-term objectives. This takes the form of timely new product launches to enable the brand to more closely meet the needs of different types of consumers.

Some good examples of innovative launches include:

- spray products that are easy to apply (particularly appealing to men)
- a coloured formulation for children's sun products (making application more fun)
- reformulation of the products to offer immediate protection.

For 2006, NIVEA Sun has developed 'Long Lasting Water Resistance' for children, a product which has increased the water resistance of sun protection from 80 minutes to 120 minutes. This allows children to be safer in the sun for longer.

In addition NIVEA Sun creates innovative marketing communication. Women are the main purchasers of sun care for the family. This is reflected in above-the-line (advertising) communications, generally targeted towards a female audience. However, in 2005, NIVEA Sun targeted male consumers with its immediate protection message in press advertising. This was presented in a fun and 'non-serious' way in order to appeal to a male audience.

Children are not purchasers of sun care. However, NIVEA Sun recognises it can play an important part in educating children from a young age to be safer when in the sun. Every year, a 'Sun Sense' primary school resource pack is distributed to over 10,000 teachers to communicate this key message.

Continual segmentation is vital to fully understand consumer needs and changing habits. This helps provide appropriate products to meet their needs.

## 06\_Conclusion

Segmentation is the tool that enables NIVEA Sun to identify different groups of customers, and provide the best possible products to meet individual requirements. The sun care market consists of different consumers with differing needs. The UK has the biggest sales of NIVEA Sun across Beiersdorf within Europe. Understanding segmentation enables NIVEA Sun to maintain a Number 1 value position in protection and after sun in the UK.



## GLOSSARY OF TERMS

**Attitudes:** beliefs and views of consumers that affect the way they behave/purchase.

**Demographics:** features of different population groups e.g. male/female, young/old.

**Portfolio:** a range of brands/products made by one company.

**Product category:** a grouping of similar brands/products.

**Purchase penetration:** the percentage of people buying into a category.

**Segments:** parts of a market made up of similar consumers.

**Usage penetration:** the percentage of users of a product. This differs from purchasers as the person buying this type of product is likely to be buying for multiple users; e.g. a parent buying for the family.

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