

Centrica is a larger
international
diversified energy
organisation
marketing essa...



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1. 0 Introduction

Centrica is a larger international diversified energy organisation, comprising a number of different companies offering different products and services operating under different brands under its umbrella. Currently, the company is facing the main challenge of establishing a substantial brand presence in the UK, Europe and North America.

The company has recognised the importance of building an excellent customer intelligence in order to advance in its marketing position over the next decade and in particular, over the next three years, which are going to be discuss in this report.(Centrica. com)

Executive Summary

The purpose of this report is to make a Marketing plan of an Energy Company choose by me which is Centrica. It shows the all criteria of Marketing Plan including models, framework and appropriate literature which can be use for a Manager to make a successful Marketing Plan.

2. 0 Situational Analysis

2. 1 External Analysis

Economic factors:

Customers prefer all-in-one type of bill, instead of a number of bills from different companies.

Company is targeting different customer segments with different brands and products.

The energy market itself is highly diversified.

Customers are very concerned about saving money and their time.

Social factors:

Customers are very brand concerned, so that a number of very popular brands in Centrica's portfolio, can improve the perception of the less famous ones and viseversa.

Energy market has always been more or less boring in terms of branding - the recent changes in its structure and nature are creating new marketing opportunities.

Technological improvements can increase the degree of excitement of the customer in dealing with Centrica's energy brands (being the core business) and in the same time introduce other ones as well as make the whole process much easier, e. g. paperwork reduction.

Each different brand under Centrica's umbrella has its own, often unique characteristics and heritage - it can be difficult to merge all such brands under something single but still offering the same things.

2. 2 Micro Analysis

Porter's Five Forces

I am using Michael Porters Five Forces model in this marketing plan because it involves the relationship between competitors within industry, suppliers, buyers and entrants.(Sekhar 2009)

Bargaining Power of Suppliers

Combination of own suppliers and global suppliers suggest that bargaining power is low.

Deregulation of the energy market decreases the power of suppliers.

The same is applicable to the telecoms market, especially after BT losing its monopoly in the sector.

Automotive (AA) is slightly different due to the limited number of organisations offering similar services.

Bargaining Power of Buyers

Highly competitive market (energy) where the switching costs are low - buyer power is high, which is clearly illustrated by some major losses of customers by Centrica.

Similar in telecoms but to some extent different for the AA, because of the limited number of suppliers and very similar prices charged for the services.

Potential Entrants

Barriers of entry in the energy market is relatively high, because the market is characterised by substantial initial capital requirements;

Telecoms market is not that intensive as energy one but still characterised by high barriers of entry due to the need of expensive and continuous investments into the latest telecoms technology;

Automotive service sector also has very high barriers of entry, because of the need for building the brand, customer awareness and trust, customer base and importantly, the actual chain of the auto service stations and equipment required. However, lately, many large organisations have been diversifying into this market, as this is one of the core markets to be included into such portfolios as car insurance, car finance, dealer networks and car servicing.

Substitutes:

Many in energy and telecoms market.

More limited in automotive services market, although still significant.

Competitive Rivalry

Energy and telecoms market are highly competitive but deregulation continuously provides the room for manoeuvres and new opportunities as well as the continues introduction of new technologies and high degree of innovation.

Automotive services are becoming very competitive, because of the diversification of large companies (insurance, financial, etc.) into this market.

Energy and telecoms markets are very fragmented, which not the case (yet?) for the automotive services.

2. 3 Market Analysis

There have been ups and downs in the Centrica's business portfolio, such as major losses of gas customers but gains of the electricity customers.

Centrica has sold its loss-making financial business generating extra cash to be re-invested into the energy sector as well as cover some weak points.

Demand for automotive services experienced certain slow down due to the intensive competition from other major players (RAC and Direct Line) but

Centrica managed to re-shape the business via introducing much more

sophisticated IT system, creation of long-term relations with its customers

and sale of the various financial products through the existing customer

base. Overall, the company has achieved significant improvement in terms

of concentration on its core businesses.(M. Luthar 2001)

Key brands:

Centrica operates a number of different brands in the energy market, continuously adding new names to the existing portfolio.

The key approach of the Centrica is that it values the heritage and good traditions recognised by the customers of its particular brands, while attempting to make them more exciting, modern and attractive.

Being based on very positive customer attitude towards the AA brand, Centrica has been very successful in developing the sales of its various financial products not having to establish a separate brand as it was in the case of the credit card services.

Customer prefer to have all of their energy products coming from the same supplier on the same bill, which was clearly recognised by Centrica.

The similar case applies to the telecoms market, where customers need quality as well as value for money but again, preferably from the single supplier.

Customer

Expect more for less - flexible and very user friendly.

Customers becoming more brand conscious and therefore open for the new products or services offered under the same brand name.

A good brand reputation supports other brands in the family, whereas a bad one may cause major negative chain effect.

2. 4 Internal Analysis

Key financial points from Centrica's business portfolio:

Very high capital expenditures causing some of the current losses.

Overall major improvement in the company's financial position led by the profits in the energy markets.

Customer base fluctuations - losses in one are compensated by another.

2. 5 The 7 S/Mckinsey Analysis

The 7 S Mckinsey framework is using to describe how one can holistically and effectively organize the company.(Raisal, Friga,)

Structure

No clear link of the brands included in the portfolio to the Centrica name.

Need for a flat organisational structure but share of the common value and objectives.

International operations of the company command the cultural diversity of the staff as well as customers and create high possibility for the conflicts.

Company is at the point of various structural changes (acquisitions and sales), so it is difficult to follow the span of control.

Strategy

Unique " Customer Hub" strategy.

Clear and attractive definitions of strategy by management but doubtful degree of understanding at customer front.

Focus on core businesses.

Up to date marketing strategies focused on long-term customer relations and customer satisfaction.

Rapid degree of expansion (international) may cause problems in terms of poor control over new parts of the business.

Shared Values

Various brands and different companies - difficult and perhaps not necessary to share the same values but similar ones in accordance with the particular customer base and nature of the business.

Systems

Implementation of the latest IT system in order to monitor customer base and company performance.

Multinational business - can be difficult to control everything.

Skills

Good strategic thinking.

Following of the contemporary customer and general business requirements.

Good marketing skills in particular areas for the particular brands.

Potentially highly beneficial idea about the branding strategies.

Excellent customer relations skills.

Staff

Professional and enthusiastic.

Style

Old boring brands re-shaped into modern and exciting style.

2. 6 SWOT Analysis and Main issues from SWOT:

I am using this model to find out the strength, weakness, opportunities and threats of the company.(Ferrell, Hartline 2008)

Strengths - Well-focused and accordingly diversified brand portfolio.

Substantial financial muscle provides room for manoeuvres and considerations of opportunities.

Weakness - rapid expansion and high capital expenditures may lead to major financial problems. The fluctuations and problem (current) in the energy markets.

Markets

O - new opportunities for vertical integration in the existing markets.

O - new international markets.

S - strong establishment in the UK market and some other markets and good brand awareness and recognition.

S - financial ability to enter new markets as well as solid financial support form the existing ones.

Segments

O - deregulation of the energy segments.

O - new opportunities in the telecoms segments.

O - diversification and integration in the automotive services segment.

S - Centrica has strong, long time well-known brand in most of the segments.

S - ability to use well-known brand names to promote new products and services turning customers towards purchasing of a whole portfolios of products and services from Centrica.

Profitability

T - some of the businesses in the portfolio are still unprofitable, although, the main problem areas have been eliminated.

S - healthy profits coming from the core businesses.

Customers and marketing

T - highly competitive environment, where customers have substantial power, enjoy low switching costs and generally spoiled for choice.

S - Customer Hub strategy.

W - different products and services may demand different customer relations further complicated by the heritage of the particular brands - impossible to treat homogeneously.

Competitive situation

S - Centrica has very strong brand portfolio and financial muscle.

W - highly competitive and attractive markets, characterised by a number of major players (bigger than Centrica) and attracting new ones.

T - customers have relatively high bargaining power and spoiled for choice.

T/O - Centrica is rapidly developing into the new markets, not consolidating the existing ones. However, this may be the only way to survive in the long-run.

T - overexpansion of the company even into the core areas can make it inflexible and complicated to control, therefore making it difficult to respond to the competitive environment.

2. 7 Key actions

Centrica needs to place under careful consideration its current organisational structure, to make sure that it is flexible, supportive for the quick decision-making and certain degree of freedom in contribution of new ideas and solving of minor local issues.

The strategy of consolidating all of the brands included into the Centrica's business portfolio under the same umbrella needs to receive a close attention and comprehensive analysis.

Centrica needs to re-consider all of its capital expenditures against its current financial situation.

The company needs to place further focus on customers, so to avoid unfortunate losses of them as well as respond to the highly competitive market.

Centrica may benefit from creation of the Global Marketing Intelligence Department in order to control ALL of the information and direct/advise the local marketing departments of their actions.

If the company still decides to promote its brands under the roof of the core Centrica brand, it need to engage in the number of advertising and promotional campaigns.

3.0 Mission Statement

Centrica is a multinational energy company with a wide range of interests including the telecoms, financial and automotive services sectors. The company's core actions are based on attitudes such as a passion for customers, pride, support for customers, developing and maintaining trust and continuous improvement. It is our ultimate goal – the customer service to the point of obsession!

4.0 Corporate Objectives

Increase profit as the percentage of the turnover to 8.5%.

Increase total profit by 50%.

Further outperform the stock market index up to 220% (up to 295 pence per share).

Maintain high ROCE at above current 32%.

Continue the expansion into the North American energy markets capturing 10m customers by the year 2007.

4. 1 Marketing Objectives

Increase OneTel's number of customers up to 5 million by the year 2007, therefore capture 20% of the residential telecoms market.

Increase the number of AA's customers (13. 2m, 2003) up to 20 million by the year 2007 as well as achieve 40% rate of customers buying more than one financial service through cross-selling using the AA's IT system (customer database).

Increase the own sourcing of the energy needs from 20-25% (current) up to 50-60% by year 2007 via acquisitions and new developments.

Increase the customer awareness of OneTel and British Gas Telecoms over 50% by year 2007 in compare to current average of 30%.

Inform all of the customers of Centrica's various products and services (under different brands) that those are all sheltered under the core Centrica brand.

5. 0 Marketing Strategy

5. 1 Porter's generic strategies

The latest strategic moves undertaken by the company, in particular, focus on a number of core businesses, while selling off the loss-making ones, suggest that Centrica is aiming at becoming a focused differentiator.

(Porters, 1980, 1985)

Centrica should be using its existing customer databases to get the customers to buy more than one of the Centrica's products or services, e. g. not only energy supplies but also telecoms services and financial products.

Intensive competition at most of the company's markets demands a continuous building of long-term customer relations instead of focusing on capturing new customers, although, the later should remain as an important objective in any case.

In particular, a provision of a customer with a range of products and services should make increase the chances that customer should remain with the company and probably sign up for even more products and services, whereas single product customers are more likely to switch to another provider.

Differentiation and segmentation exercises should help Centrica to achieve a greater focus on particular customer groups and therefore provide them with better service and closer attention.

In addition, packages of products and services should provide the company with certain room for manoeuvres in terms of proving the customers with better deals, discounts and so on.

5. 2 Ansoff Matrix (Adapted Product-Market Expansion Grid)

Igor Ansoffs Matrix is using in this paragraph to identify the present/existing, product modification and new product entrants(Mercer 1996).

Products Modified

New

Existing

Mobile telecoms

Combined energy supply packages

Energy supplies

Financial Products

Automotive Services

Telecom Services

Travel Services

New

Products Modified

Existing

Broadband services combined with other residential telecoms services

Cross-selling of combined financial packages using the existing database of automotive customers

5. 3 GE Matrix

This Matrix of Mckinsey is using to explain the position and demands of its products in the market.(Stone 2001).

Energy markets are highly attractive, although require substantial investments. Centrica's position in these markets is fairly strong (UK and Europe) and medium/strong in North America.

In particular, the markets where companies provide combined packages of energy supply have been receiving major attractiveness and Centrica is particularly strong in provision of such products reinforced by its well-known and well-established brands as well as excellent approach to customers.

Telecoms markets are also very attractive but company's position is strong, although constantly challenged by its competitors and new entrants;

Motor services are medium-attractive but have been experiencing the recent shift towards high attractiveness. AA's position is very strong;

Financial products are highly attractive but company's position is not strong due the vast choice available to customers. However, cross-selling have been very helpful in reinforcing company's position;

Travel/traffic services are high/medium attractive, whereas Centrica's position is medium/low.

5. 4 Segmentation and Targeting

Segmentation is quite complicated because is has to be focused on particular brands of the company as well as products and services.

Otherwise, the products and services provided by the company in general should attract the attention of nearly all age groups ranging from 18 to 65+.

In particular, energy supplies should interest home owners, tenants, etc, which can follow in all of the age demographics. Telecom service again should be of interest to rather wide range of customers, whereas automotive services are obviously limited to the interest from car owners/users, which again follow into very wide range of demographics.

However, Centrica has been quite successful in targeting its AA customers, because of the existing database and therefore ability to achieve maximum focus.

Overall, most of the Centrica's products and services are concerned with every day life of any particular person, therefore, it highlights the importance and opportunities for the cross-selling using the databases of customers developed by different brands in the Centrica's portfolio. Furthermore, segmentation should be limited to a particular brand, product and service as well as probably a geodemographics but not the whole Centrica.

5. 5 Positioning

Centrica's brands usually stand for quality, value for money, reliability and excellent customer service.

The company is positioning itself as customer hub, where the customer always comes first, so that even complaints are considered as very important feedback. Additionally, company constantly attempting to provide packages of products and services, often, not directly related with each other. The packages promote their superiority to single products or services, because customer has only to deal with one provider, receive limited amount

of paperwork and often a single bill reinforced by overall savings and special deals offered by the package.

5. 6 Perceptual Maps

Cost

Cost

BT

AA

NTL

Direct Line Rescue

RAC

Post Office

One Tel

Other

Telewest

Alpha Telecom

Value

Value

AA

Telecoms

5. 7 Marketing Mix Strategies

All of the Centrica's products and services are concerned with every day needs or wants of ordinary individual. For example, the energy supplies are essential all the time, whereas road assistance can be absolutely essential and therefore important.

Therefore, the strategies should be concerned with customer awareness of the product, service ad brand, building of the brand value, building of long-term relationships with customers and provision of value for money products or services, where customer may even choose to pay more but obtain something superior in compare to competitors' offers.

Products: Financial services - generally depend on the state of country's economy, customer income and interest rates. The demand may fluctuate in relation to those factors but can be stimulated via competitiveness on price and service.

Automotive services - very much dependent on the quality and speed of service received by the customer and therefore their feedback to other customers. Can and probably should be part of a financial package offered to a customer.

Energy supplies - must be competitive in regard to competitors' offers.

Should preferably come as a part of whole package (electricity, gas, etc.) in

order to provide the maximum degree of convenience for a customer as well as superior price.

Telecoms - again, can be combined into packages (mobile, landline, broadband, etc.) in order to provide convenience, user friendly service, superior price and comprehensive targeting of a customer.

The value can be added in all of the above through building long-term and maximum personalised customer relationships as well as being highly responsive to any specific preferences or requirements and any suggestions/complaints.

The information on all customers must be collected at all times in order to target them with any other offers. Therefore, a centralised customer database can be created in order to facilitate cross-selling.

Price: Prices have to be justified against those of the other market players but should also correspond with the value offered by the particular product or service, i. e. perhaps offer premium and economy ranges of products and services. The sales of packages should be able to reduce the overall price and therefore make it more attractive as well as convenient for a customer.

Benchmarking exercises must be run at all times in order to follow the market situation and provide if not superior than at least standard products and services in accordance with current requirements.

Place: Cross-selling using the existing customer information has significantly improved the direct targeting of customers.

Review the current strategies and locations based on segmentation and profitability – search for new routes.

5. 8 Promotion

Promote the range of products and services to the existing customers of a particular product or service. Focus on selling more packages to one customer and single products/services to many customers.

Consider substantial and regular advertising campaigns in order to simply improve customer awareness and make sure that customers are aware that any particular Centrica brand actually comes from the whole family of brands.

Run a number of special offers for the existing customers choosing to sign up for another product or service as well as for the new comers.

Engage in various PR campaigns and charity events. Use the employees to promote the products and services via providing them with good working conditions as well as teaching them of the quality of products and services provided by the company.

Attract new investors via healthy financial and mental state of the company.

Continue on promoting the “ Customer Hub”. Make sure that any complaints are receiving attention.

5. 9 People

Invest in people (employees) and promote the long-term work relations, avoiding being as a first step of young people’s career;

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Provide regular trainings;

Re-consider the current structure in order to achieve the maximum flexibility, speed of decision making, degree of innovation, informational sharing and idea contribution;

Constantly improve the communications channels;

Provide employees with maximum possible degree of freedom;

Consider mentoring exercises;

Centralise the marketing activities via creation of the corporate marketing department (Marketing Intelligence Centre) in order to guide and support the marketing departments in other branches/companies.

6.0 Process

Need to build effective management teams;

Support and encourage management exchange programmes to improve managers' understanding of all of the company's interests as well as get to know each other;

Develop the Marketing Intelligence Centre and perhaps consider running of student placement schemes in order to grow the management right from the start.

7.0 Budgets

Centrica has its own strong financial muscle but can also approach stock markets in order to raise more funding, especially now, when its shares are very attractive.

Year

2005

2006

2007

Income: Sales/Growth Rate (â,¤'million)

Expenditure

Marketing spending including comms spend

15% 140

30% 42

10% 14

15% 160. 4

48. 3

16

20% 186. 6

56. 1

18. 7

All these figures are taken from Centrica annual reports of 2005, 2006 and 2007.

8. 0 Control

Increase OneTel's number of customers up to 5 million by the year 2007, therefore capture 20% of the residential telecoms market;

Increase the number of AA's customers (13. 2m, 2003) up to 20 million by the year 2007 as well as achieve 40% rate of customers buying more than one financial service through cross-selling using the AA's IT system (customer database);

Increase the own sourcing of the energy needs from 20-25% (current) up to 50-60% by year 2007 via acquisitions and new developments;

Increase the customer awareness of OneTel and British Gas Telecoms over 50% by year 2007 in compare to current average of 30%;

Run regular customer surveys as the subject to customer satisfaction, awareness and suggestions. Collect information on any local specificities.

Run regular benchmarking exercises in order to compare the company's performance and of its particular products and services against the market requirements and performance of those offered by competitors.

Introduce Marketing Intelligence Database in order to capture all of the important information, so to be used by the interested parties in the

company. Run general market researches in order to clarify the needs, wants and preferences of the customers as well as to understand the rationale behind them.

9.0 Branding Strategy

Brand generally play very important role from the strategic perspective. For instance, they can be used as means of defending market share or group brands, protecting established position, they can also used to attack competitor brands and provide means of differing market entry by others, i. e. act as barriers of entry and support customer retention. (Ferrell, Hartline 2008)

There are three main dimensions of branding:

Added Value

Differentiation

Integration

Certainly, all three of the above are of the great importance to Centrica and can be illustrated by its current and future strategies.

Building Brand through Advertising

Advertising mainly affects customers in terms of providing them with the ability to develop brand associations as well as generally increase the awareness and recognition of a particular brand or group of brands. In particular, visual commercial campaigns can be used in order to develop the association of Centrica rand with the family of all of its brands or the core (most successful) ones.

This can be done by the use of two core approaches - the emotional and the rational or in fact, by the combination of those two. However, advertising is always expensive and taking into account the size of the audience which needs to be targeted by the company, there is a clear need to consider other methods, such as below the line technique