

The marketing audits lo1 marketing essay



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a. There are two components of marketing environment micro and macro components some of these are uncontrollable and some of them are controllable. Political, economic, Social, Technological, Legal forces, and indirect competitors are macro components of this environment. These are also uncontrollable forces. Customers, direct competitors, distributors, suppliers, sources of finance and the public are the micro components of the environment. The audit is the means by which a company can understand how it is related and integrated to the environment in which it operates. Audit divided into two parts, which are external and internal audit. Market is subject to continuous change so marketing techniques adopted by a company needs to be dynamic and open to changes. If a company is not ready to embrace the new challenges and opportunities that a changing, developing market has to offer it is doom to diminish its activities. Therefore,

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like financial auditing marketing auditing is essential before introducing a new marketing plan. For instance, McDonald's did not pay attention to the changing needs of customers and altering market. McDonald's eventually changed its longer-term strategic marketing plan after gaining a dull understanding of the market. There are number of techniques and tools to assess organizational capabilities such as Value chain analysis, SWOT Analysis, TOWS Analysis, Porter's Five Forces, and BCG Matrix. Lets assume that Starbucks is using Value Chain Analysis. It will go through these points to fully analyze it.

Inbound Logistics: To acquire one of the highest quality beans available Starbucks collaborated with a little town to buy the entire stock of beans available.

Operations: the beans that are bought are roasted in Starbucks' own roaster and if the sample is not in the same quality with the other samples it is being discarded. Therefore, it is a pretty complex operations system.

Marketing and Sales: TV advertisements are not Starbucks' priority. Instead, it is using the most powerful tool; word of mouth marketing and conduct some promotions. Because, it claims to offer more than coffee, which is Starbucks experience, company are not offering so many promotions and advertisement.

Human Resource Management: Training of all employees is extremely important. Employees are valued and there is a really low turnover rate.

Administration: Starbucks is avoiding becoming a traditional organization. Therefore, it doesn't have a formal organizational chart.

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As the above example shows, it is inevitable to say that even a quick analysis (internal/external) is a must when considering forming a marketing plan in this volatile market environment.

b. For auditing the organization, we should look at the capabilities of a firm. Our goal is to identify the firm's strengths as compared to requirements of the market. Following capabilities can be examined while auditing the organization.

Corporate capabilities, Resource audit, Utilization of resources, financial measures, Comparative analysis

There are number of techniques and tools to assess organizational capabilities such as Value chain analysis, SWOT Analysis and BCG Matrix. For Starbucks I've chose to conduct SWOT Analysis.

SWOT Analysis

SWOT ANALYSIS is used for measuring the organization's internal assessment.

Strengths:

Starbucks offer quality coffee and an experience for customers, which increase brand loyalty and customer satisfaction.

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Starbucks has high brand equity.

Starbucks is operating in 40 countries worldwide with offering same quality.

Product diversification is high

Very recognized logo and brand

High visibility locations is a good way of attracting customers and staling share from the competitors

Good relationship with suppliers

Good working environment, happy employees lead to satisfied customers

Weaknesses:

Prices are higher compared to competitors.

Operating costs are high.

Profit of the business depends on coffee prices.

Starbucks is so much focusing on expansion, internal focus is ignored

Threats:

Increasing number of competitors.

Health conscious people decreasing the coffee consumption.

US market saturation and increasing unemployment rate

Coffee price extremely dependent on developing countries

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Opportunities:

Entering India, Pakistan and other countries with high population

Whole bean sales in supermarkets

Adding new products

Technological advances

New distribution channels

PEST Analysis

PEST ANALYSIS is used for measuring the organization's goals against influences and demands of environment. It is a very efficient tool to assess external (uncontrollable) factors in the market.

Political:

Relationship between US and countries producing coffee beans

The political stability of the countries in potential destinations

The political stability of the countries, which provides raw materials to Starbucks

Environmental regulations

Industry-specific regulations

Economic:

Demand for food and beverages

Customers' purchasing power

Exchange rate & taxation

Tariffs & quotes

Unemployment rates in potential destinations

Social:

Current trends in coffee shops around world

Consumer Preferences

Changes in lifestyle and occupation

Education of employees and customers

Technology:

R&D in manufacturing

R&D in biotech and agriculture

R&D in IT

Following social media strategies

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Task 2- Barriers to Marketing Planning LO2:

a. McDonald defines 5 areas in marketing planning that may have problems, which are cultural, behavioral, cognitive, systems & procedures and resources.

Cultural- lack of belief in planning or need for change

Behavioral- lack of top management support, lack of team coherence

Cognitive- lack of knowledge and skill

Systems & procedures- lack of data

Resources- lack of time, people and money

More in depth the barriers are,

1. Confusion between marketing tactics and strategy,
2. Isolating the marketing function from operations,
3. Confusion between the marketing function and the marketing concept.
4. Organizational barriers -the tribal mentality, for example the failure to define strategic business units (SBUs) correctly.
5. Lack of in-depth analysis,
6. Confusion between process and output.
7. Lack of knowledge and skills.
8. Lack of a systematic approach to marketing planning,

9. Failure to prioritize objectives,

10. Hostile corporate cultures

b. Ten S Framework

In order to overcome the above barriers McDonald's Ten S Framework can be used. If they follow this circle strategically

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According to Mc Donald,

Principle 1: Developing the strategic marketing plan. In this plan, the period should be between three and five years.

Principle 2: Marketing function should be as close as possible to the consumers.

Principle 3: Define clearly what is marketing.

Principle 4: Company activities should be organized around customer groups and market segments.

Principle 5: Scan the environment thoroughly (PEST analysis etc.)

Principle 6: Scanning the internal environment (SWOT Analysis)

Principle 7: Marketing personnel must have skills and technical knowledge for the job.

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Principle 8: Prepare written procedures, as it is a common and systematic format for marketing planning.

Principle 9: Objectives should be prioritized according to allocation of resources, their urgency.

Principle 10: Organization should make sure to have the active support and participation of culture leaders.

Task 3- The Marketing Plan LO3:

Starbucks needs to be innovative as the market is so harsh and it has lots of competitors. In addition to that, profit margins of Starbucks' are low so it has to offer the same good quality. Also in order to keep and increase brand loyalty, Starbucks has to offer different ideas all the time. As people get bored easily of products and services offered. Starbucks is trying to find and embrace new ideas all the time, they have a website called My Starbucks Idea for people. Community shares their ideas in this platform and maybe Starbucks would apply some of them[1]. Developing meaningful products and services for long-term success. Innovative solutions are developed to improve people's lives and to increase demand to the firm. Also, innovation makes businesses to think about why it wants to do something. It makes businesses to look ahead and think about the possible problems that could be solved. This can be achieved through thinking outside the box.

New product development is an essential section of any company marketing strategy.

There are some ways for new product development. For instance developing/creating products that are totally new to the world (Tablet computers), Product improvements (Pantene Shampoos with conditioner), product modifications (mobile phones), new brands. Starbucks can use these 4 ways to develop products. When we apply these techniques to Starbucks and its products;

Products new to the world: Frozen Starbucks coffee cubes.

Product improvements: Coffee mocha that makes you sleep better and tastes stronger.

Product modifications: Coffee without any fat. Cappuccino with more skimming.

New brands: Starbucks for juniors-Starkids.

Pricing: There are several ways for pricing such as price making, price taking, niche marketing, cost-based pricing, market-oriented pricing, price skimming, and price penetration etc. Among these pricing techniques Starbucks can use price making for new products. Since, Starbucks is the market leader. It has the opportunity to dictate the market prices. Price makers can also manipulate the prices more easily to adjust market conditions. Therefore, the autonomy of control is much higher.

Distribution: Manufacturers can sell directly to customers. Manufacturers can sell to retailers and then to customers or manufacturer can sell to wholesaler, wholesaler can sell to retailer and retailer can sell to customer. In this case, Starbucks is the manufacturer, wholesaler (selling to other

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retailers such as Kroger's etc.) and the retailer. In addition to that, instead of traditional ways of distribution a company can use vertical marketing channel too.

In this model, all three functions are integrated. Manufacturer is also in contact with the wholesaler and with the retailer. This includes sharing information, and know-how to ensure that the requirements of customers are always treated as the priority. This is an effective model for Starbucks as it is modern and suitable for Starbucks. In addition to distribution method, company also needs to decide on the distribution intensity of its products such as exclusive, selective and intensive distribution. When it comes to distribution intensity, intensive distribution method is appropriate for Starbucks. Macintosh HD: Users: sara: Desktop: Screen Shot 2012-06-25 at 9. 20. 43 PM. png

Communicating: The communication tools are advertising, radio, magazines, television channels, direct marketing, personal selling, promotions, exhibitions, telemarketing, events, public relations, sponsorship, and merchandising.

Marketing communications (promotion) mix for Starbucks.

Advertising:

If Starbucks opens new location reminder advertising should be done.

If Starbucks wants to inform and emphasize the guaranteed satisfaction for consumers persuasive advertising should be done.

If Starbucks creates a new flavor for a beverage informative advertising should be done.

Public relations:

This is an important strategy for Starbucks as it is an essential strategy for community relationship. In addition to that, celebrity endorsement can be a vital strategy to target younger consumers.

Social Media Marketing:

In today's world consumers are very connected and social. Therefore, it is extremely important for companies to stay connected with potential consumers.

d. The new product for Starbucks is “ create your own Frappuccino”.

Firstly, we need a review of the environment (PEST and SWOT). Then we need to conduct 7P Analysis then we need a review of the marketing system. The next thing to do is clarifying goals and objectives. If our objectives and strategies are feasible in terms of the market share, sales, costs and profits we can continue with our plan, if not we should revise our company goals. Finally, we can establish targets and standards.

Analysis stage

Marketing audit, environmental and organizational analysis (see task 1 for SWOT and PEST)

Planning stage

Setting objectives is in this part. “Customize your Frappuccino” will earn 20% of the market share within 2 years is our new goal for the new product.

Implementation stage

Promotion mix: Informative TV and magazine advertisings for the new product should be done. Also, through Facebook and Twitter social media campaigns will be started.

Pricing: As the leader of the market, we make the price. For a limited time Customized Frappuccinos are for 4 \$ (additional fees may occur due to seasonal changes and excessive amount of selections).

Distribution: Same strategy vertical marketing channel applies here too.

In addition to these, we target people around 15- 45 who enjoy trying new things and have an independent personality.

Monitoring stage

The last stage in the marketing planning process is where we monitor the plan’s performance.

This diagram can be used in order to assess and monitor the achievement of the plan. One of our short-term goals might be increasing the awareness of this product 30% by the end of two months in Berlin. What is happening? Are we close to achieve it? Why or why not? Macintosh HD: Users: sara: Desktop: Screen Shot 2012-06-26 at 1. 19. 05 AM. png

Task 4- Ethical Issues LO4 :

a. Some ethical issues in marketing are product recalls, product issues, product market research, pricing issues (price fixing, predatory pricing etc.).

Considering these headings, Starbucks have couple of ethical issues, which are also taken into account by social media too. First of all, for years Starbucks claimed their cups are disposable/ green but consumers learnt that it wasn't recyclable. This is a product issue[2]. There is also another issue that Starbucks is making every other small coffee shops close their doors. Therefore, it is decreasing the competition by acquiring more and more places (to be more convenient), which can also be discussed whether it is ethical or not. Since, Starbucks is a very big company and has good relationship with the coffee beans' suppliers, it is buying all of the premium coffee beans in a very small town, which is unfair to other competitors.

b. Marketing Mix & Ethical Issues: Because, Starbucks advertised its coffee cups as green it is false or misleading advertising. This may damage the reputation of the company and decrease brand loyalty. One of the major ethical problem and its implication on the distribution is the restrictions of supply. There is a small town, which produces high quality, premium coffee beans and their product is bought by Starbucks only. Starbucks buy large quantities of coffee beans compared to its competitors throughout the world therefore it is inevitable to state that Starbucks both will have negative and positive image among consumers, competitors and media. Ethical issues will arise, the main success is diminishing and eliminating this ethical issues with sponsorship or good corporate relationships. Personal selling and counterfeiting (other ethical issues) don't apply to Starbucks case.

c. Starbucks is the only coffee shop (comparing to Costa or Coffee Nero) that sells fair trade coffee. “ Fairtrade guarantees a minimum price that tracks slightly above market rates, the Rainforest Alliance label only guarantees that 30% of coffee beans in a product have been certified[3]“. In my point of view, the main ethical issue Starbucks is their strategy of expanding. It ignores other smaller shops and other locally owned coffee shops go out of business and face bankruptcy. The Fairtrade Mark guarantees that Third World producers get a superior arrangement for the goods that they develop.