

# [Breakdown of the pestel analysis](https://assignbuster.com/breakdown-of-the-pestel-analysis/)

EThames Graduate School (ET) is a modern and dynamic Higher Education institution offering students a complete range of high quality UK recognized qualifications. Our career focused degree programs provide students with the knowledge and skills required to ensure a smooth transition from the classroom to the workplace. Our mission is to develop each student’s abilities to the full in order to produce outstanding professional and enterprising people for business, industry and professional careers. (Thames, 2011)

EThames Graduate School is Europe’s largest Higher Education institution offering world reputed higher educational qualifications. The EThames Graduate School students come from different countries around the world. The EThames Graduate School’s core business is in its different study areas such as business, finance, computing, health and social care, English and other training programs.

2012 Olympics games are going to be in London and lot of international attractions will comes to the school. Also there will be higher demand for the professional courses which are focusing relative fields focusing the event. Therefore it is necessary to have proper marketing campaign to capture the opportunity. I have discussed the situational analysis, marketing strategy, implications for the ET due to the expecting mega event of the Olympic 2012.

## Situational Analysis

As identified by the marketing audit and summarized in the SWOT analysis within the core market in which ET operates has been significantly affected by the recent rise in competitive pressure. A robust long-term plan must now be created to deliver competitive advantage and reverse the downward sales trend. The events market is reactive, fast paced and heavily influenced by changes in the external business environment; thus a 2-3 year plan is considered a long-term one. The Olympic 2012 event will make lot of influences to the business within few months.

## 1. 1 PESTEL Analysis

## Political

Forecast cuts in public spending

Changes in Government attitudes to external meetings

Planned rise in VAT to 20% January 2011

Impact of 2012 Olympics London / 2014 Glasgow Commonwealth Games / 2018 World Cup

Increased globalization and associated meeting requirements (both physical and virtual). UK is in 24th place in world globalization rankings

High unemployment rate (7. 8% / 2. 47 million) resulting in less training and development

## Economic

Increasing use of external preferred agencies to make bookings, rather than diplomas direct

Event budgets forecast to stay at lower levels than pre-recession

Luxury / additional spend forecast to stay low

Quantity of delegates forecast to stay flat

Increasing commercial awareness in buyers (haggling, negotiation, personalized pricing)

Increased reluctance not to commit until last minute

Forecast cuts in public spending

## Legal

Market segment legislation (e. g. ABPI guidelines) restricting venue.

Planned rise in VAT to 20% January 2011

Events industry remains unregulated

ET operate in old buildings meaning significant investment is needed to meet changes in accessibility regulations

## Technical

Rise in video conferencing (Webinars)

Rise in virtual events2

Increase in user generated content (venue reviews, social networking sites)

Reliance on websites / search engines for venue selection, rather than printed directories and magazines

Increasing reliance on AV tools – thus high impact on event if fails / non-compatible

High rate of technological development – venues need to be adaptive to these requirements

## Social & Cultural

Increasing demand in some sectors (e. g. online learning) to use ethical venues (CSR)

Rise in customer service expectations

Increasing commercial awareness in buyers (haggling, negotiation)

Increase in user generated content (venue reviews, social networking sites)

Demand for meetings to become more objective and measurable

Increasing demand for venues to demonstrate sustainability / green / ethical credentials (BS8901standard)

Increasing diversity in customer tastes and demands (dietary / cultural requirements)

## Environmental

Increasing demand for venues to demonstrate sustainability / green / ethical credentials (BS8901standard)

Public sector travel cuts (e. g. Environment Agency)

Carbon cost of business travel under scrutiny

Rise in demand for locally sourced produce

## 1. 2 Distinctive competencies (DCs)

ET currently possesses 5 Distinct Competencies. These are key internal strengths which have no major countering weakness.

Stability – ET is part of the wider ET providing underlying financial stability. Staff also has access to a wide pool of specialist ‘ in-house’ resources16 giving advantage over independent competitors.

Power – ET shows a position of strength as highest value added member and thus an ability to meet changing customer demands (e. g. AV / Catering) by negotiating optimum deals with students.

Customer Service – ET have an outstanding Customer Service record and are currently no 1 educational center in the UK18, placing them at a distinct advantage to combat the rise in competition.

Flexibility – The 7S and 7P models19 demonstrate ETs flexible approach to product and pricing. Customer facing staff is adaptive and able to meet changing customer requirements with ease.

Product – ET offer an upper-middle end service based on proven customer service and added value, rather than price alone.

## 1. 3 Critical success factors (CSFs)

Analysis of the opportunities and threats within the micro and macro environments show the group’s core markets present 5 critical factors for future success.

Price – There is strong demand for cost effective events with personalized pricing and competitor matching. This is forecast to continue in the mid-long term future.

AV – Student demands for the latest in reliable conference technology (both physical and virtual) are forecast to grow, as will their reliance on it to deliver their events (virtual speakers / delegates etc).

Agencies – Agents are a growing selection method of choice for students.

Green credentials – Customer preference for environmental sustainability is rising, with industry launching to differentiate which venues are compliant.

Customer Service – students have a continued requirement for reliable, personalized customer service.

## 1. 4 Benefits of marketing planning

It is increasingly important in today’s rapidly changing business environment that companies plan their marketing effectively. According to Kotler (2002) “ sound planning helps the company to anticipate and respond quickly to environmental changes, and to prepare better for sudden developments”. ET ‘ s core markets are fast paced and increasingly competitive, so it is vital they have a clear plan in place to combat the rise in competitive pressure by meeting customer needs and wants more effectively than rivals.

## 1) To understanding their business environment:

Marketing planning allows ET to fully understand their complex business environment both internally and externally. The early identification of key market changes and threats (such as the rise in competitive pressure or demand for environmental credentials) allows ET to adapt its strategy and marketing mix accordingly.

Analysis of the external environment ensures ET understand who their customers are, the factors affecting their purchase decisions and are able to anticipate their needs and wants.

## 2) To set objectives and give direction:

ET’s objective hierarchy shows the group’s marketing objectives stemming from the corporate objectives, which in turn stem from the Board strategic plan. According to Dibb (2007) a marketing objective is “ a statement of what is to be accomplished through marketing activities – the results expected from marketing efforts.” ET’ activities sit outside the core focus of the ET, so efficient marketing planning is essential to ensure relevant objectives are set.

## 3) To develop a strategy capable of delivering the objectives set:

ET will only meet their objectives with a clear strategy; defined by Kotler (2002) as “ the marketing logic by which the business hopes to achieve its marketing objectives”. A planning gap was identified between growth objective and forecast, so a clear market penetration growth strategy was adopted to bridge it. Without this strategy, the venues may lose focus (e. g. diversifying into the ‘ rooms by the hour’ business); the marketing objectives would not be met, leading to the corporate objectives being missed.

## 4) To select the right groups of customers to communicate with:

According to Jobber (2007) market segmentation is “ the identification of individuals or organizations with similar characteristics that have significant implications for the determination of marketing strategy”.

By breaking the market down into customer segments of a similar type, ET can gain greater understanding of its customers, meet their needs and wants more effectively and communicate in a way they are more likely to respond to.

## 5) To develop tactics and a plan of action

Finally, marketing planning provides a detailed tactical plan, giving direction to each of the 7Ps of the marketing mix. By setting a detailed, measurable plan encompassing all elements, ET can combine expertise from both marketing and the business into one organizational effort. This effort will ensure staffs are fully trained, resources are deployed in the right areas, the brand is developed and consistent across the estate and the product meets market requirements (such as BS8901 accreditation).

## Marketing Plan

In order to combat the rise in competitive pressure and plug the planning gap, ET needed to develop a strategy for growth by making alterations to either its product-set (Educational options) or student base. As ET only matched some of the market’s, a lower-risk Market Penetration strategy was advised, defined by Dibb (2006) as “ a strategy of increasing sales in current markets with current products”. It was clear from the marketing audit that there were areas of the existing market that ET were not engaging with effectively (e. g. event booking agents) and that there was still potential for growth without costly development of a new product, expansion into a new market or complete diversification.

## `

## 2. 1 Growth Strategy

To ensure the expecting expansion in 2012 ET must develop a clear growth strategy. The Growth Strategy Analysis within shows the full ET product portfolio and the strategies for growth currently adopted across the organisation. In the medium-long term, ET must adopt a clear Market penetration growth strategy. The group’s only match against some of the market’s from Asian students; this coupled with the current rise in competitive pressure mean that a low risk strategy is advised. If ET already matched all the market’s likely requirements, this could be leveraged to develop a new product or expand into a new market to achieve competitive advantage. It is important that as part of the Market Penetration strategy, tweaks are made to the existing product offering to match the outstanding.

Eg:

Market Penetration – Re-targeting to agents / local students and identification of different customer segments with buying potential (High demanded educational courses).

Market development – Launch of new ET in other all provinces with the same mix (tiered lecture theatre, city centre location, 5\* student service etc)

Product development – Launch of ‘ self-study workshops by the hour’ product as per diploma requirements and customized visiting lecturers.

Diversification – Launch a management consultancy firm under the ET name.

## 2. 2 Competitive Strategy

In order to protect its growth strategy and ensure efforts could not easily be duplicated by competitors, a competitive strategy was identified in which ET could specialize, defined by Kotler (2002) as “ a strategy that strongly positions the company against competitors and gives the strongest possible strategic advantage.”

It was not suitable to adopt a cost leadership strategy as per common schools in London whose low event specific overheads allow them to achieve cost leadership and undercut ET on basic price. This approach is not achievable without putting ET’s 5\* student Service at risk.

A competitive strategy of differentiation was not suitable for ET due to the high costs involved and likely high diploma failure rate due to lack of enough students. The group already has costly overheads in ongoing maintenance for its historic buildings, making it unviable to continuously invest in first to market NPD.

The chosen competitive strategy to focus on niche groups for whom premium facilities, excellent student service and reliability are important is the right one as it utilizes ET well and has high potential for repeat and referral business; achieving the sales growth needed to fill the planning gap.

## 2. 3 Marketing Mix Elements

## Service

The core product is not unique as the capital has hundreds of diplomas which fulfill the same basic student need, thus classing it as a carbon copy. However there are many elements in the secondary product portfolio which are unique; riverside location and views, tiered lecture theatre for 500 guests and student service credentials are the key ones to be leveraged. In order to satisfy the newly selected target segments, must develop its secondary product to fill the gap. The diploma must change its attitude towards environmental policy and begin an investment program in order to achieve the sustainable teaching standards

## Price

Of the three pricing strategies available (skimming, intermediate and penetration), ET Place currently operates an intermediate pricing strategy. I recommend that this continues in the medium long term. The diploma holds some USPs such as ‘ best in class’ customer service, high lecture theatre capacities and its panoramic. However some features (seminar spaces & video-conferencing facilities) are not unique within the London market. It has a medium break-even point40 within a perfectly elastic market and looks to communicate a position of quality and reliability. One of the venue’s main USPs is the added value services it provides (such as 1st class customer service), which would be jeopardize by a price penetration strategy.

## Promotions

The promotional objectives to the two new customer groups43 will be to inform and differentiate; educating them about the venue, its product and service attributes and key differentiating factors (such as student service excellence). However, as identified in the Product Lifecycle model, ET London is in the maturity stage thus the objectives for the existing groups will be to remind and persuade them to use ET again or reconsider a previous decision not to.

Push – partner with 3rd party intermediary brokers, industry magazines and websites to generate business (and awareness of) ET London.

Pull – communicate directly with target customer groups via an integrated marketing campaign to inform, differentiate and drive enquiries straight to the diploma.

Profile – increase awareness of ET London and the wider ET Diplomas group to both primary and secondary target groups and the broader industry

## Place

In order to reach and retain the chosen target segments, ET London must alter parts of its place (distribution) strategy. Analysis of the external environment48 shows that buyers are increasingly enlisting agents to place their bookings, so the diploma must change from a Direct to Dual core place strategy, allowing clients to place bookings directly or through their nominated agency. Supported by the promotional tactics, staff will target agents specifically with preferred commission rates, tailored pricing and ensure the product of choice when making booking decisions. Few conflicts exist as the majority of students using agents do so as they have no buying alternative due to their company policy.

The venue’s distribution intensity should remain selective in order to build brand loyalty, emphasize the high levels of quality and service and support their new focused competitive strategy. Unlike mass market / cost leadership competitors whose primary objective is to secure a high quantity of small diplomas, ET should look to build trust-based relationships with students to secure their high-value events on an ongoing basis, thus a selective distribution intensity is advised.

## 2. 4 Controls

Based upon ET’s existing ‘ all we can afford’ budget structure, I recommend a ‘ percentage of sales forecast’ approach is adopted at 3. 5%. Although not ideal, it will ensure marketing budget bids in the short-term are realistic and increase proportionately as the long term objectives become realized.

In addition to the action plan, a series of ‘ targets’ and ‘ budgets’ run in parallel to the implementation schedule. The targets will motivate and encourage staff to achieve a positive outcome in small, manageable chunks, but also allow ET to monitor progress against objectives and identify risks early on so corrective measures can be taken.

The specific budgets set provide a framework for staff to work within on individual activities, ensuring the overall budget is not exceeded and profitability maintained. Finally, this set of smaller budgets allow the ET Marketing Manager to delegate tasks to colleagues, whilst maintaining overall budget control.

## Main Barriers and how to Implement

## 3. 1 Barriers in Internal Audits

## Internal

Interviews – Geographic spread meant some interviews were held by phone or email making it hard to read reactions and ask supplemental questions accordingly. HR was also not willing to be interviewed for purposes of the audit.

Confidentiality – Access to staff performance records was not granted so mystery shopper recordings and sales staff observations69 were 2 techniques used to determine broad conclusions, alongside the statistics provided by their managers.

Accuracy / consistency of information – Staff had been recording financial and enquiry data inconsistently (e. g. internal business levels); both year on year and from venue to venue. A system change meant that customer information (beyond sales figures) for 2012 is also unavailable.

Staff availability – ET Accountant was unavailable which delayed receipt of key financial data by few weeks. Turnover of staff mid-audit was also an issue.

## 3. 2 Lack of financial resources

The decline in sales between 2009 and 2010 could see Senior Management withdraw ET Marketing spend, although the fact that the decline has now stalled and a clear strategy is in place to close the planning gap may alleviate this. In addition, the ‘% of sales forecast’ marketing budget approach will reassure management that the marketing plan is results driven. There are ‘ profile’ activities within the tactical plan which senior management could see as expendable, so it will be important to emphasize the collaborative effect of the integrated marketing mix so that individual elements are not removed.

## 3. 3 Lack of staff

The new strategy is heavily relationship driven; effective targeting of the key commercial conference and Agency groups in particular will only deliver results if staff invests time to nurture relationships, build trust and secure repeat business. ET does not have any pro-active sales staff, so the success of the marketing plan is pivotal on securing 1 sales person at each venue. If this is not acceptable to senior management, existing ‘ reactive coordination’ staff must be reprioritized to a proactive sales approach and assigned key accounts to nurture from within the target customer segments. This will involve some retraining, but will be an opportunity for development. An important part of the staffing change will be to incentivize sales staff with commission as per the industry standard; helping to secure buy-in.

## 3. 4 Lack of time

Although senior staff has requested a long-term (2-3 year) marketing plan for ET, they may expect to see quick results (3-6 months). Unfortunately this is unlikely to happen as the plan is built around repeat business and relationship building (supporting the ‘ focus’ competitive strategy and product Positioning). Expectations must be managed throughout the organisation that although the marketing objectives will be realized, it is unlikely to be before the target date of 2012. In addition, time must be dedicated to account management by staff, which will be problematic without the added proactive sales function. If management requires results to be shown before the team can be expanded, key accounts must be targeted first by senior venues staff before distributing lower value companies to junior staff.

## 3. 5 Lack of skills

There are certain skills gaps which could jeopardize the implementation of the plan if not mitigated promptly. The shift from a ‘ reactive’ to ‘ proactive’ sales function with key account management is a big change and one which will require intensive training and ongoing mentoring for all staff involved. In addition, the ability to leverage power within the supply chain to secure the best deals from external suppliers is a key advantage which the group is not currently utilizing due to lack of staff skills and confidence. A program of training for staff involved in such negotiations will be essential. Finally, the success of the plan is dependent on the group maintaining their 1st class customer service, thus an ongoing staff training program must be established.

## Ethical Issues for ET’s Marketing

Marketing planning allows ET to fully understand their complex business environment both internally and externally. The early identification of key market changes and threats (such as the rise in competitive pressure or demand for environmental credentials) allows ET to adapt its strategy and marketing mix accordingly.

Analysis of the external environment ensures ET understand who their customers are, the factors affecting their purchase decisions and are able to anticipate their needs and wants. Examination of its internal environment will identify strengths and weaknesses thus ensuring systems and processes are in place to meet those foreseen customer demands effectively.

ET has to realize that they are into the educational industry and it is necessary maintain all the best practices of the industry and they responsible to be an advisable organization. An important but costly element of the plan is to close the gap by securing BS8901 environmental accreditation for all branches, so a separate business case should be prepared highlighting the costs involved and direct benefits to the ET beyond the commercial venue business.

The marketing plan poses some key changes in approach for ET and looks to de-priorities certain market segments. This may meet resistance from both management and operational staff initially before the new segments begin to deliver results. A ‘ phase out’ rather than ‘ immediate’ approach to the change over a 6-12 month period will alleviate this. In addition, the ET Marketing Manager should run a series of workshops with staff from all over the business to explain the plan in-depth, its rationale, and key outcomes to ensure buy-in.

## Bibliography / Referencing:

2008. (Clause 19. 1). 1 July 2008

Association of the British Pharmaceutical Industry Code of Practice for the Pharmaceutical Industry,

British Meetings and Events Industry Survey 2010, CAT Publications, October 2010

Dibb, S., Simkin, L., Pride W., Ferrell, O., (2006) Marketing Concepts and Strategies, 5th European

edition, South Western Cengage Learning

Jobber, D., (2007) Principles and Practice of Marketing, 5th Edition, McGraw Hill Education

Kotler, P., Armstrong, G., Saunders, J., Wong, V., (2002) Principles of Marketing, 3rd European Edition,

Meetings & Incentive Travel, Olympic Opportunities: Going for Gold. September 2010.

Meetings Industry Association. Pathfinder Report Spring 2010. Northamptonshire, April 2010

Megicks, P., Donnelly, R., Harrison, G., (2009) The Marketing Planning Process, Elsevier

Pearson Education Limited