

# Analysis and evaluation of external environment marketing essay



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The dairy industry has vast prospective to supply significantly to the development of Sri Lankan economy. Dairy industry is a traditional industry which has a history of thousand years. In Sri Lanka, many of the entrepreneurs tend to invest on dairy industry as milk production becoming an emerging industry.

This study is on Lucky Lanka Milk Processing Company Limited which is well-known as “ Lucky”. This is an organization which has many opportunities to spread their products over Sri Lanka. Lucky has experienced staff, fresh milk, and use vast technology in their production. With all these Lucky has been able to capture 18% of the dairy market which is comparatively low when we compared with the competitors. In this paper the author will seek the possible opportunities for them to capture the market share and put forward recommendations for enhancement to promote the business among the Sri Lankan consumers. (Source: [http://www.luckylanka.com/about\\_us.html](http://www.luckylanka.com/about_us.html))

This paper will examine and evaluate strengths, opportunities, weakness and threats and will forward recommendations to capture the market share and also to develop their product range among the Sri Lankan consumers. These will be evaluated by SWOT analysis, PESTLE, product mix and Porter’s Five Forces.

## **INTRODUCTION**

In 1991, Lucky Lanka Milk Processing Company Limited was started as a small scale business under the brand name “ Lucky”. This is a well-known company in the dairy industry, in Sri Lanka presently manufacturing yoghurts and pasteurized milk. Lucky is leading in producing innovative

products with different tastes and flavours. Their product range comprises vanilla yoghurt, chocolate yoghurt, strawberry yoghurt, treacle yoghurt, low fat yoghurt, fresh fruit yoghurt, fruit jelly yoghurt and pasteurized milk bottles and milk packets. With a vision of “ Creating of healthy generation towards prosperous future in Sri Lanka”, mission of “ To be the leading dairy suppliers for Sri Lankan consumer by year 2015” and their main objective is to provide best quality, natural products to their consumers.

In order to be the market leader, Lucky should clearly identify its competitors; develop new products and timely introduction of new products to the market to take advantage of opportunities. (Source: Lucky Lanka Milk Processing Company Limited, <http://www.gannaapede.com/lucky-sri-lanka.html>)

## **SITUATIONAL ANALYSIS**

Dairy industry is one of the important industries in any country as it reduces the percentage of malnutrition. This is a traditional industry which runs to more than thousands years of the history. There is a huge contribution towards the development of the Sri Lankan economy by this industry. In 1970s Sri Lanka agreed to open economic policies so there was a remarkable increase in the usage of dairy items.

As there is a high demand for dairy products many people have a preference to invest in the industry. As a result of this, it opens the doors for many employments.

## **ANALYSIS AND EVALUATION OF EXTERNAL ENVIRONMENT**

Environmental analysis will facilitate to recognize the threats and opportunities in the external environment in the business organisation. Lucky Lanka Milk Processing Company will be used frameworks such as SWOT, PESTLE analysis, and Market Segmentation to analysis the external environment.

### **3. 1 SWOT ANALYSIS FOR LUCKY**

According to Hall, R. E. (2003, p. 92), SWOT is an analytical tool that commonly used in the business community to assessing a business in relation to other competitive business. In order to identify the internal and the external environment of Lucky, SWOT analysis will be used in this paper.

#### **Weaknesses**

Lack of supply of raw materials

Quality of incoming raw materials (Milk)

Affordability and storage limitations

Economical problems for farmers

#### **Strengths**

Awarders for farmers who supply best quality milk

Insurance schemes for farmers

High qualified staff

Upgraded technical staff

Continuous inspection, monitoring and laboratory testing

Upgraded Technical staff

Continuous in-house research & development

## **SWOT for Lucky**

### **Opportunities**

High demand for nutritional food

Government encourage the people to have two glasses of milk daily

Increasing wide knowledge of people about getting healthy foods

### **Threats**

Strong Competitors in the market such as Newdale, Highland and Kothmale

Potential health issues

Major prolonged economic depression

## **3. 2 PESTLE ANALYSIS**

PESTLE analysis is a useful tool to examine the general environment of an organization. The external factors that influence an organization can be identifies using a PESTLE analysis. This refers to Political, Economical, Social, Technological, Legal and Environment factors that influence the organisation. William and Green (1997) emphasized that the PESTLE

elements will lead to better understanding of how the six elements might affect to an organization and how strategies could be formulated.

**POLITICAL** - Due to the political stability in Sri Lanka for the past few years; there is a positive situation in the country for local manufactures.

Government of Sri Lanka encourages the farmers by providing financial support to develop their milk production. This is a supportive factor for Lucky as they can get the best quality raw materials for their production. And also there is no risk for the investment in the dairy industry.

**ECONOMICAL** - There are many economic problems as the cost of living is high in Sri Lanka. The cost of the quality product's raw materials are high. Therefore, Lucky is not able to achieve high profits in the end. Due to the high cost of living, consumers tend to buy low price products.

**SOCIAL** - Consumer's knowledge about using nutritious food has increased by the awareness programs. Therefore, they tend to use fresh and quality products. And also there is a high demand for no sugar yoghurts as the number of diabetes patients in the country increasing.

**TECHNOLOGICAL** - There is a rapid growth in the technology in today's world. Today, Lucky uses advanced technology to produce yoghurt which was done by hand in the past. This has helped to increase the capacity of the products. As a result of this Lucky products can be selling for a low price.

**LEGAL** - Legal factors could affect organisation with changes to legislation. This may impact employment, access to materials, quotas, resources, imports, exports and taxation.

ENVIRONMENTAL - The demand for yoghurt increases during dry season and the sales are comparatively low during the rainy seasons. Due to the awareness programs conducted by various people, there is a high demand for yoghurt in Colombo and suburb areas.

## **INDUSTRY ANALYSIS – PORTER’S 5 FORCES**

Porter’s five Forces is an important tool in marketing as it helps to identify and measure the organisation’s strengths and position in the particular business environment. This framework will provide a better understanding of the organisation to its management. This framework is based on five important components of an organisation and apply to identify both internal and external capabilities and threats faced by a business organisation. These five elements are shown in the diagram below.

<http://i.investopedia.com/inv/articles/site/IndustryHandbook1x.gif>

### **Competitive rivalry within an industry – High**

Lucky has three direct competitors. They are Newdale, Highland and Kothmale. As these three are leading, have the highest market share and provide well-known products in the market most of the consumers have a tendency to buy them. Therefore, Lucky has a high competition within the industry.

### **Bargaining power of suppliers – High**

The main raw material use in Lucky is milk. So it is important to use high quality milk in their products and it should be adhered to the government

regulations. Lucky has particular suppliers to get quality milk. Therefore, bargaining power of the suppliers is high.

### **Bargaining power of customers – High**

Newdale, Highland and Kothmale are famous quality dairy products in the industry which are available freely in the local market. And also, the consumers of the rural areas go for the low cost products due to the high cost of living. So the bargaining power of the customers is high.

### **Threats of new entrance – High**

The government of Sri Lanka encourage people to drink two glass of milk and add dairy products into their meals. And also government has open economies to invest on dairy industry as this is becoming an emerging industry in the country. Therefore, Lucky has a high threat of new entrance.

### **Threats of substitutes- Low**

As there are no substitutes for dairy products, therefore, the threat of substitutes lays at low level.

## **PRODUCT LIFE CYCLE FOR LUCKY**

Product life cycle consists of four stages. They are introduction, growth, maturity and decline. This curve shows the stages at the production. As Lucky products are becoming popular among the consumers and there is a sales growth, so Lucky is in the growth stage of the product life cycle as shown in the diagram. At the same time they have come up with new innovations.

Growth <http://www.modernbuilderssupply.com/articles/productlifecycle.gif>

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(Source: <http://www.modernbuilderssupply.com/articles/productlifecycle.htm>)

## **MARKETING OBJECTIVES**

The marketing objective of Lucky is to cover the entire Sri Lankan provinces by year 2015. The main objective is to capture the markets in North, East, and coconut triangle cities like Gampaha, Kurunagala and Puttalam.

Therefore, they are planning to build the next factory in North Central (Anuradhapura). The main reason behind this is that the climate and other environment evidence which really suits for dairy market.

Lucky aim to start up distribution centers in all districts and indirectly this will support the Sri Lankan. And also, Lucky want to be market oriented considering product, price, place and promotion. In order to achieve 30% of market share they will keep the unit sale volume of LKR 20. Lucky aim to organize awareness programs for farmers to increase the effective cattle base.

### **Time**

### **Achievable**

### **Measureable**

### **Specific**

### **Relevant**

Specific: The specific marketing objectives are to reach to possible markets as accurately as possible and use least time.

Measurable: They intend to reach the measurable objectives in terms of the sales revenue earned soon after the launch.

Achievable: The fixed cost must be covered by effective use of marketing skills to maximize sales and profits.

Relevant: Fits in perfectly with the marketing objectives of Lucky.

Time: Objectives need to be achieved within three years after the launch of new factory.

## **MARKETING ORIENTATION**

The concept of the production is to increase the production of the dairy products and to reduce cost. The product concept focuses on producing nutritious products and improves more quality and innovative features.

Generally selling concept gives high attention to the market place and marketing concept looking at the marketing process in a holistic manner.

The final outcome would be to achieve profits through customer satisfaction.

### **6.1 LUCKY ORIENTATION**

Lucky is basically a sale oriented organisation. They mainly consider about high quality and high price in their products. In order to capture the market, Lucky must implement effective promotions such as buy one and get one free, special offers and carry out an aggressive selling. With the aim of achieving high profits the marketing team of Lucky should sell more items to generate more money. They are able to sell 200, 000 yoghurt per day and their daily income comes around LKR 5, 000, 000.

Figure - Market Share of Dairy Industry

## **MARKETING STRATEGIES**

Current marketing strategies of Lucky is to motivate both sales representatives and consumers, therefore, Lucky uses push and pull strategy. Lucky uses push strategies for sales representatives by providing them with commissions, foreign tours and selling targets. They use pull strategy for consumers by providing reasonable price, high quality and different flavors.

## **TARGET MARKET**

Sri Lankan target market for dairy industry consists of lower income, middle income, upper middle and upper class consumers. Lucky market their products especially for the middle Income level and lower middle income. Their segmentation approach will be general strategy, although mass marketing creates low costs, high volumes and margins. Segment Marketing will create a finer tuned product offering and price for the target segment.

Target Market can be further separate out on basis of Demographic, Geographic, Psychographic, and Behavioral Characteristics.

## **MARKET SEGMENTATION**

According to McDonald, M. & Dunbar, I. (2004), market segmentation is the process of splitting customers, or potential customers in a market into different groups or segments. Lucky has a variety of product range as shown in the diagram. In this paper will focus on the chocolate and no sugar yogurt.

## **Chocolate Yoghurt**

### **No Sugar Chocolate**

Geographic

Urban, sub urban and rural

Region: Entire country

Urban, sub urban and rural

Region: Entire country

Demographist

Age: 5+

Gender: Male/Female

Income: Over LKR 10000

Occupation: Employees and non employees

Social Class: Lower income, Middle income, Upper middle and Upper class

Age: 35+

Gender: Male/Female

Income: Over LKR 10000

Occupation: Employees and non employees

Social Class: Lower income, Middle income, Upper middle and Upper class

## Psychographic

Life Style: Outdoor

Personality: Ambitions/ comparative

Life Style: Health conscious

Personality: Ambitions/ comparative

## Behavioral

Emotional / functional

Emotional / functional

As shown in the above table, Lucky chocolate and no sugar yoghurt segmented to the entire country for both male and female. These are for the lower income, middle income, and upper middle and upper class social classes with an income of over LKR 10, 000.

## **POSITIONING**

The process of reaching market segments can be called as positioning. It can focus on new brands but may also involve repositioning existing brands.

Lucky position their products as innovative, environment friendly and quality products with brand offering. Lucky main competitors are Newdale which has the highest market share in the industry, Highland and Kothmale. In the following graph, the author evaluates the quality going along with the price in the dairy industry. It can be seen that, Lucky has position themselves as

top in quality and low with price the competitors Newdale, Highland and Kothmale.

Quality

High

Newdale

Lucky

Kothmale Highland

Low High

Price

Low

## PRODUCT MIX FOR LUCKY

Product

Lucky uses high quality milk in their products which fulfill the government rules and regulations. Therefore, Lucky products are made with pasteurized, organic skimmed milk, live active *Bulgaricus*, and *Thermophilus* cultures like yoghurt cultures.

## Price

The price of a product will depend on many factors. Some of these factors are price of raw material, cost of labour, building rent, and technological

costs in manufacturing. Therefore, Lucky will price their products accordingly.

## **Promotion**

Promotions play an important role in order to tap the consumers. In order to create awareness among consumers Lucky uses media advertisements, display boards and participate at annual food exhibitions.

## **Place**

Their products are available in their own outlets, super markets and other grocery shops.

(Please refer appendix II)

## **RECOMMENDATION AND CONCLUSION**

Lucky's overall mission and objectives are clearly stated by the management. Marketing is the main role in order to achieve the overall objectives. Lucky's main objective is to build a strong relationship with the consumers and gain more profits. Lucky, first identify the market to their products, split this into minor segments, choose the most important segments and pay attention to supply and satisfy the consumers in this segments. The top management of the Lucky should carry out a marketing analysis, marketing plan, implement and control with an aim to get the best marketing mix which can be put into action easily. Through this Lucky will be able to identify the marketing environment and the opportunities to expand the business.

In order to recognize the opportunities and keep away from threats Lucky must analysis its market. It must analysis strengths and weaknesses in addition potential marketing actions to decide which opportunities that Lucky can be follow. Chocolate and vanilla yogurts are in good demand while others are less preferred. Can we popularize new brands, like “ Kithul”? (Please refer Appendix III, IV). The trend in the current market is for the health conscious products. In order to be innovative, Lucky can introduce new products considering the health problems. This will have high demand as there are prevailing health issues in the country. The management of Lucky must continually plan their analysis, implementation and control activities. (Please refer Appendix V)

Marketing implementation can be done with the effective marketing activities such as day to day and mouth to mouth activities. This is essential to achieve the strategic marketing objectives such as reaching the target sales of each kind of yogurts in different districts.

In the turbulent business environment, it is essential to be innovative and competitive. Introducing new products which have not introduced by the competitors will able Lucky to spread their business.

The retailers play a main role in achieving the profits. Therefore, it can be recommended that Lucky should provide more intensives to the retailers, so that they will promote Lucky products among the consumers.

To capture a larger market share in the market, employees of Lucky should work hard. Successful marketing implementation depends on how well Lucky blends its people, organizational structure, decisions and rewards systems  
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and culture into a organized achievement programs that supports its strategies. Therefore, Lucky employees must needed skills, innovations, motivation and personal characteristics.

Finally, this can be applied effectively, if the marketing strategies of Lucky fit with values and beliefs of employees of the organization and culture of Lucky.