

Marketing mix of aa breakdown service



The Automobile Association (AA).

You are the Marketing Agency for the AA. You have been asked to review the company's marketing activity and to produce a marketing plan that will integrate within their current activity. To develop the marketing mix strategy for ONE of the AA's key products in order to achieve an overall 1% increase in market share.

This essay seeks to provide a marketing mix strategy for the AA Car Breakdown Service within the UK consumer market. The situation analysis has identified that the AA is a highly successful brand with the UK marketplace with presence within the motoring (breakdown assistance), financial services and travel (publications/information provider) services. Specifically within the Car Breakdown market, it is the No. 1 player, holding 30% market share ^[1] (9 million customers) ahead of competitors RAC (19%), Green Flag and Direct Line (13%) and other small players.

The breakdown assistance market represents a major source of revenue and customer acquisition for the AA brand overall. The market is characterised by increasing competition by the major players and it would appear that success is dependent upon the ability to understand the different customer segments and tailor marketing strategies.

The current bases for choice in the industry according to Annual Report AA (2004) and RAC (2003) appear to be the services or benefits provided. Consumers in the market differ between those requiring a basic product /service and those which require an added value product/service.

AA's strategy is a broad "added value" differentiation strategy. Johnson and Scholes (1999) states that this strategy seeks to provide products or services unique and different from those of competitors in terms of dimensions widely valued by buyers. Customers pay a slight premium to take advantage of AA's reputation for providing a superior high quality/service (e. g. represented by JD Power Customer Satisfaction Awards, 3, 700 patrol engineers vs 1, 300 RAC), risk reduction (Benefit of Reassurance / Safety) personalised relationship with excellent support and customer service, and the ability to be a part of the AA brand.

The main competitors however have been following a price based strategy Johnson and Scholes (1999) where they provide a similar product/service but with less added value. For example Green Flag offers vehicle based cover, at a discount to the AA standard package. They have sought to target more on price and economic reasons than on benefit sought.

In terms of the industry and communications activity, the RAC and Green Flag, appear to be influencing the market so that consumers view in their decision making their choice between providers on rational product factors (e. g. economic and financial considerations) and attributes of the service. Whereas, the AA appears to influence the market on more emotive factors, risk reduction – the fear of breaking down and the need for safety and assurance. They are encouraging emotional based messaging and encouraging customers into more personalised one to one relationships with their service provider.

The SWOT analysis, identified competitors in terms of their pricing, messaging and entry into certain segments (e. g. people passing driving tests) as potential threats to the AA. The Ansoff Matrix (Appendix 1) gives a clear overview of growth opportunities available to the AA including i) Cross-selling the AA Breakdown service to existing customers ii) converting non-users into users iii) Market Development – developing new segments in the market.

The following are a set of marketing objectives for AA Breakdown SBU for 2006-2007: i) To increase market share of AA Breakdown Cover by 1% by 2007, increasing overall memberships by 300, 000 new members ^[2] ii) To move from traditional marketing approach to a relationship marketing approach during the planning period of 2006 to 2007. 3) Using the database and CRM system cross sell AA breakdown service to those customers currently holding 1 or more AA product, achieving a 30% success rate of conversion ^[3] by the end of 2006. 4) Differentiate the brand, product and service from competitors and target a new life-stage marketing mix aimed at learner drivers, students and graduates (early life cycle 18-25) from Jan 2006.

The first stage in developing a marketing mix strategy is to choose where to compete. Kotler (2000) states that market segmentation is the subdividing of a market into distinct and increasing homogenous subgroups, where any subgroup can conceivably be selected as a target to be met with a distinct marketing mix.

The car breakdown market can be segmented, firstly between the type of buyer (consumer/organizational) and the main benefits sought. The situation analysis found that the major differentiator between players were the main benefits sought.

The AA could further segment using behavioural, psychographic and profile variables. There are many options available for segmenting including using life stage factors (e. g. Age), Social Class, Income and Occupation, Lifestyle & Personality variables (e. g. trendsetters).

Given my analysis of the marketplace I would recommend that the AA segment the market based on customer type (consumer), benefit sought (major determinant from customer's perspective), and age (Life-stage).

In the marketplace there exists a real opportunity to customise the marketing mix around the early life stage (18-25) market, which would encompass students, graduates and learner drivers and those recently passing their test. Through segmenting to this level the organisation can more accurately address the special needs and characteristics of this segment and position itself with clear distinction from its competitors. This segment offers real opportunities for the AA i) The area of the market is currently being targeted by competitors (RAC Learning School) ii) It offers real opportunities to drive new acquisitions and revenue from upcoming members (Source: Case Study, 2005 – 500, 00+ customers per year) iii) the segment could be major source of profitability for the long term, especially Lifetime Customer Value principle are applied. iv) Finally the organisation

doesn't appear to have an active marketing approach towards this segment of the market.

Another opportunity available to the AA is segmenting and targeting existing customers within the AA brand, who currently hold a financial services, insurance product, who don't currently hold AA Breakdown cover. The database and CRM system

could analyse the behavioural, psychographic and profile variables of existing customer base and identify those suitable for cross selling. (See Appendix 2. 1 for typical segment). Based on the figures provided in the case study this could create a potential 672, 000 customers.

Both these segments and areas of the market are attractive to the AA and would provide a sufficient number of customers to fulfil the 2006-7 marketing objectives stated.

Targeting will take the form of differentiated marketing. Bruce (1996) states that differentiated marketing is where a separate mix is developed for each segment of the market. The success of marketing to the Life stage and the CRM cross-selling customers will be AA's ability to understand the choice criteria for selecting the service, and its ability to deliver a marketing mix to create something unique and special for that consumer.

From the research, it would appear that benefit sought is one of the main choice criteria for the 18-25 group. The AA offers a high quality product/service which is superior to competitor offerings (includes twice as many liveried patrols compared with nearest competitor, JD Power

Associates Award 3 out of 4 years), provides value add services including excellent customer service, effective internal organisation, also a superior ability to meet the consumers need for “ risk reduction” (CIM, 2001 pp 255). As we will cover in the positioning, “ safety and reassurance” are key messages and benefits, which are important to consumers in this segment and possibly the influencers (e. g. parents). Price is also an important part of their choice criteria for this segment, part of AA marketing mix will be dedicated to shifting perception of the market towards non-price factors. The AA brand is well placed (with modern, high quality, passionate, approachable, pioneering and providing value for money values), which could also be a key influencer for consumers selecting this brand over other competitors.

The positioning statement for the AA will be its unique ability to reach the young consumer (18-25) and rescue them from uncertainty. At this life stage, there is immense change and uncertainty, whether this is going through exams, learning to drive, choosing careers, leaving home for university or starting a new place of work. The AA however, is the No. 1 choice for those consumers seeking “ reassurance” and “ safety” in their motoring need. The AA meets this target market’s need for the highest quality product, relationship and personalised together with exclusive benefits of being part of a trusted, modern brand. A perceptual has been created to show relative positions – see Appendix 3. 1.

The next step of the plan is to tailor the marketing mix for the 18-25 life stage segment. The main opportunities exist within the promotion and distribution mix. Please see Appendix 3. 2 for the implementation plan. Note <https://assignbuster.com/marketing-mix-of-aa-breakdown-service/>

the marketing mix for cross selling segment(s) will be considerably separately.

Beginning with the product, there will be no adjustments made to the actual product/service provided, however there will be customisation of the tangible elements of the service to meet the needs of the 18-25 life stage group. This will include new brochure/sales material, website content applicable to this age group including a portal on the main website, staff training and internal communication. The brand and its attributes are illustrated in Appendix 4. 2.

In terms of promotion, the major investment of budget will go to raising awareness of the brand and encouraging purchase. As covered in the positioning statement through the creative use of media it would look to bring out the key messages to this target group and differentiate the product offering from the competition.

The most appropriate media for this target group is covered in Appendix 4.

1. Briefly, a mixture of push, pull and profile strategies will be used. The corporate umbrella advertising will create the necessary communication for the overall brand message of which this segment is part of. However, a directed advertising campaign, will seek bring out “ key messages” (this is the most relevant product for your needs), it addresses your core needs of “ safety, reassurance”, “ modern brand”, highest service” harnessing the attributes most relevant to this target group. This will be supported with banner advertising, media inserts, public relations activity.

Direct mail will take place in three waves to target those consumers with relevant demographics and profiles. In the covering letter it will seek to

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inform the consumer about the benefits of joining the AA, present AA's differential advantages and providing a response mechanism, via the internet, call centre etc. A small sales promotion or gimmick may be used.

In terms of awareness and relationship building activity, the existing AA magazine will be tailored towards the 18-25 life stage segment, with news articles, offers and other material that will demonstrate the AA's unique understanding of the segment. This tool could be used to send to customers as part of the direct mail piece encouraging new customers into the brand and for customer retention and loyalty purposes.

The Internet Portal or AA website will be a significant promotional tool for communicating the brand. The website will contain content and a section for learners / students and graduates.

One of the main promotional vehicles will be through direct sales. The AA Driving schools are pivotal to the initial relationship building and promotion of the product/service. The instructors will be trained to promote the product/service direct with customized sales and marketing material.

Existing promotional channels will be used under the main marketing campaign. In addition, there may be opportunities to promote through sponsorship with NUS and through collaboration with major car dealerships. The success of media and sales generated will be monitored as part of the control strategy.

The distribution mix is concerned with reaching customers more effectively. Jobber (1998) advocates that services need to be available in convenient

locations and at times when customers want to buy them. A multi-channel approach will be used for distribution. This will include maximised use of the network of driving instructors, using direct selling method (Push Strategy). The AA could consider alliances with key motor dealerships. When students or early life stage consumer's buy their first car, the offer of AA car breakdown membership will be available at the right time and place for the consumer. The initial customer relationship will begin when they drive their first car.

Over the internet, direct mail response and the existing distribution network (patrol shopping centres, university road shows, leaflets) will also be an effective distribution strategy.

With regards to the pricing element of the marketing mix, the AA is pursuing a differentiation strategy (See Appendix 4. 2) hence prices are slightly higher than competitors which reinforces the brand's equity and the higher added value features. Competitors are however, running a low price strategy (Average Quality), e. g. RAC & Green Flag ^[4] as a means of competing. I would recommend that in the AA's promotional strategy seeks to justify the higher price premium with an added value message, hence, the importance of price (economic and financial factors) is suppressed and industry perception of the market moves towards AA's stronger market position on the basis of emotive factors for choosing (e. g. fear and risk reduction).

The AA could also consider including a special 18-25 life-stage sales promotion, e. g. a free pocket sized travel map with first membership. (Cost £1) and demonstrate further value to its customers.

Existing service elements including people, physical environment and processes will be maintained to the current standard.

Running parallel with the Life stage campaign will be the move to cross-sell the AA Breakdown assistance service to existing AA brand customers. The corporate umbrella campaign will be a vital component for awareness, however, specific initiatives, including: Targeted direct mail campaign; using the CRM database to identify, segment and target with a customised covering letter, direct selling approaches including telesales, e-mail marketing will be the main tool for converting the customer. Other media tools such as AA Relationship Magazine will be used to encourage cross-selling opportunities and communicate brand values. The Internet will also be valuable in capturing those consumers who may be susceptible to having one or more product with the AA. Special content, banner advertising, and a new signing up process should support the move to convert non-users to the AA breakdown service. Appendix 4. 1 provides further details including a budget.

Finally for the AA to ensure that it achieves desired results this can only happen through an effective control system. The AA MIS will gather information from audits and budgets internally and also gather information externally, in terms of changes within the PEST environment and competition activity.

Full use of Kaplan and Norton's balanced scorecard will ensure that the business is monitored against set objectives. (See Appendix 4. 4 for an example of Financial Scorecard). Levels of sales through direct mail

campaigns, cross-selling conversion rates (sales) and any variances will be monitored monthly basis. Should the level of sales not be reaching targets – the AA can institute a campaign review and redevelopment to ensure that end of year results hit proposed targets.

In addition the AA could look at specific research programmes for example measuring the level of brand awareness in its targeted segments (e. g. 18-25 Life stage segment), level of sales generated by each distribution method (e. g. number of leads arising from the internet (and number of hits) and number of sales from the collaboration with motor dealers or from the direct mail campaign. Thus, if sales are below expected then the organisation can make the necessary adjustments.

In the preparation for this assignment I have consulted the following research sources:

Johnson and Scholes (1999), Exploring Corporate Strategy, Prentice Hall

Bruce R Jewell (1996) Business Studies: 2nd Edition, Longman

Chartered Institute of Marketing (2001), Strategic Marketing Management: Planning and Control, BPP Publishing

Chartered Institute of Marketing (2000), Integrated Marketing Communications, BPP Publishing

Jobber, D (1998) Principles and Practices of Marketing: Second Edition, McGraw-Hill

Kotler (2000), Marketing Management: Millennium Edition (10th Edition),
Pearson

Journals, Websites and Periodicals

[www.aa.com/April 30th](http://www.aa.com/April%2030)

www.rac.co.uk

www.greenflag.co.uk

<http://www.directline.com/rescue/welcome.htm>

Annual report AA 2004

Annual Report RAC 2003

Annual Report Green Flag (2004)

<http://www.directline.com/rescue/welcome.htm>

Footnotes

[1] Based on statistics provided in case study – AA (30% market share, of 30million motorists)

[2] Based on statistics provided in case study – AA (30% market share, of 30million motorists, 1% increase would equate to an addition 300, 000 customers)

[3] Based on statistics provided in case study 672, 000 customers available (600, 000 holding insurance, Financial Services (65, 000) and Insurance & Financial Services (7, 000)).

[4] Breakdown Cover at <http://www.greenflag.co.uk/> and Breakdown cover at <http://www.rac.co.uk/>