

Essential Marketing Models

Classic Planning Tools to inform strategy

Authors: Annmarie Hanlon and Dave Chaffey

Updated: January 2015



Essential Marketing Models

Classic Planning Tools to inform strategy

Contents

5 Model 1. The 7Ps

8 Model 2. The 7S framework

12 Model 3. AIDA

16 Model 4. The Ansoff Matrix

22 Model 5. The BCG Matrix

25 Model 6. Diffusion of Innovation

27 Model 7. DRIP

31 Model 8. Porter's Five forces

34 Model 9. Price-Quality Strategy Model

37 Model 10. Push and Pull

40 Model 11. Product Life Cycle

42 Model 12. RACE Planning

45 Model 13. Segmentation, Targeting and Positioning (STP)

50 Model 14. SOSTAC®

53 Model 15 SWOT (TOWS) matrix

56 Model 16 PESTLE analysis

Foreword - Chris Fill

Understanding the various models and frameworks that populate the learning resources for business and marketing can be problematic. What do they mean, are they helpful, are they relevant, and how and when should they be used? These are frequent comments uttered by professionals, students and others.

Well, now we have a really helpful resource designed to guide us through the labyrinth of terms, boxes and symbols. Annmarie Hanlon and Dave Chaffey not only explain the meaning behind these frameworks, but also provide us with examples and best practice advice. If this was not enough, marketing students also have access to the original sources through the references for these top models, all in Harvard APA format.

Marketing models play an important role and those that dismiss their relevance fail to grasp how they can underpin and provide shape and coherence to planning and managing our marketing activities. Kurt Lewin (1935) wisely informed us that 'there's nothing as practical as a good theory,' and these models, identified by Annmarie and Dave, vividly demonstrate the various applications that these theoretically grounded frameworks provide. As our marketing activities adapt to emerging contexts so these models provide a sound basis on which we can learn, relate and develop suitable strategies and tactics to help us manage in these new environments.

Please spread the word and tell colleagues, friends and students about this exciting resource and how it can assist us in our marketing endeavours.

Chris Fill, Author of the internationally recognised textbook *Marketing Communications* and Fellow of the Chartered Institute of Marketing where he was senior examiner for 15 years.

Lewin K. (1935) *A Dynamic Theory of Personality*, New York: McGraw Book Co.

Introduction

About this guide

There are so many marketing models developed over the years, that it can be overwhelming to know what to use and when. In this guide we have selected what we see as the classic models that have stood the test of time and are still relevant for today's era of omnichannel marketing.

This guide explains the fundamentals of each model, how it works and gives practical examples of how to use each model along with best practice advice.

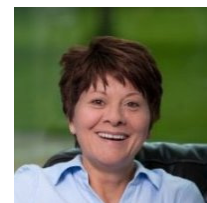
We believe that marketing models are powerful tools to aid thinking, particularly when reviewing strategic options and selecting the best future direction for a company's marketing. We created this guide to help today's marketers apply established frameworks for their decision making.

For marketing students there is the added benefit of the original information source, using Harvard referencing!

This guide is freely available to Basic and Expert members of Smart Insights, so if you find it useful, do "spread the word" and share it or the models you find useful. Go to <http://bit.ly/smartmodels> to share or vote in our poll of the most popular models. Or suggest others!

About the authors

Annmarie Hanlon is a professionally qualified, digital marketing consultant and author. She is managing director of Evonomie Limited. Evonomie is a dynamic marketing consultancy that specialises in digital marketing strategy and business development of social media.



Over the last 20 years she has worked on consultancy projects in the UK, Ireland, Hong Kong and Italy, with clients from sectors including legal and tax services, software, financial services, communications, health, leisure, media and IT. Notably, Annmarie launched critical illness insurance into Italy, created the online model for the largest slimming organisation in the UK and one of her early website projects generated over a million visitors in under 8 months. She is the author of 'Quick Win Marketing', 'Quick Win Digital Marketing'.

Annmarie is a regular contributor to Smart Insights as an Expert commentator, to connect with her [visit her Smart Insights posts page](#).

Dr Dave Chaffey is a consultant, author and trainer specialising in digital marketing. He started running courses on Internet Marketing Strategy in 1997 and wrote *Internet Marketing: Strategy, Implementation and Practice* in 2001. It is now in its 5th edition and used around the world as the leading text on digital marketing. He co-founded Smart Insights in 2011 to provide more up-to-date and comprehensive best practice advice for marketers to grow their businesses and improve their personal knowledge and development.



To connect with Dave via LinkedIn or other social networks, [visit his Smart Insights page](#).

To download templates and guides to help create your own marketing plans and digital marketing plans, see the [full listing of all Smart Insights resources](#).

Model 1. The 7Ps

What is it?

The 'traditional marketing mix' also known as the 4Ps, consisted of Product, Price, Place and Promotion. It was designed at a time where businesses sold products, rather than services. This concept of the 4Ps is credited to McCarthy (1964) who created the alliterative terms.

This developed over several years and in 1981 Booms and Bitner added the three 'service Ps': Participants, Physical Evidence and Processes. Participants later became People.

What is it? The 7Ps of the Marketing Mix

The marketing mix enables a company to review and define the key issues that effect marketing of its products and services. If a non-marketer asks for marketing advice, this is THE model to explain to help them.

The 7Ps are now considered as:

- ✓ 1. Product (including branding)
- ✓ 2. Price
- ✓ 3. Place
- ✓ 4. Promotion
- ✓ 5. Processes
- ✓ 6. Physical Evidence
- ✓ 7. People

An eighth P, 'Partners' is often used in online businesses.

In his book: *Digital Marketing: Strategy, Implementation and Practice*, Dave Chaffey refreshed this model and applied it to online channels internet to give a practical approach which works well for online and offline businesses. Here are some of the opportunities to vary the mix online.



How can I use this model?

The Marketing Mix – or Digital Marketing Mix, is a useful framework to:

- ✔ Ensure each aspect of the business has been considered.
- ✔ Build objectives.
- ✔ Conduct a SWOT analysis (see page 53).
- ✔ Compare your business to competitors.

Look at your existing business and work through these questions:

Mix Element	Our assessment	New approaches to consider?
Products / Services	How can you develop or amend your products and services?	
Prices / Fees	How can we change our pricing models?	
Place / Access	What new distribution options are there for customers to experience our product, e.g. online, in-store, mobile	
Promotion	How can we add to or substitute the combination within paid, owned and earned media channels?	
Physical evidence	How we reassure our customers, e.g. impressive buildings, well-trained staff, great website?	
Processes	How can we improve service? What hoops do we make customers jump through?	
People	Who are our people and are there skills gaps?	
Partners	Are we seeking new partners and managing existing partners well?	

Take a look at [Hubspot](#) as an example. Founded in 2006, Hubspot has 8,000+ customers in 56 countries and sells software. What does their marketing mix look like?

This is a top level overview; you would take this into greater detail.

Mix Element	Question to ask	New approaches to consider
Products / Services	Integrated toolset for SEO, blogging, social media, website, email and lead intelligence tools.	

Mix Element	Question to ask	New approaches to consider
Prices / Fees	Freemium, plus fees by size of organisation, number of users. Fees for agency partners.	
Place / Access	Online! Network of Partners, Country User Groups.	
Promotion	Directors speak at events, webinars, useful guides that are amplified by SEO and effective with SEO. PPC Social media advertising, e.g. LinkedIn.	
Physical evidence	Consistent branding across communications.	
Processes	More sales staff are now involved in conversion.	
People	Investment in online services.	
Partners	Hubspot looks to form partnerships with major media companies such as Facebook and Google plus local partners	

Best Practice Tip 1 Communicate your mix simply

For your business, create a single PowerPoint slide for each 'P' to clarify what's offered now and what works and what doesn't.

What to watch for

When using the 7Ps as a model to conduct a marketing audit, I look at each of the Ps. It's unwise to ignore an area unless it is completely outside your control.

Original Sources

Bitner, M. J. and Booms, H. (1981). Marketing Strategies and Organization: Structure for Service Firms. In Donnelly, J. H. and George, W. R. (Eds). *Marketing of Services, Conference Proceedings*. Chicago, IL. American Marketing Association. p. 47- 52.

McCarthy, E. J. (1964). *Basic Marketing*. Richard D. Irwin. Homewood, IL.

Model 2. The 7S framework

What is it?

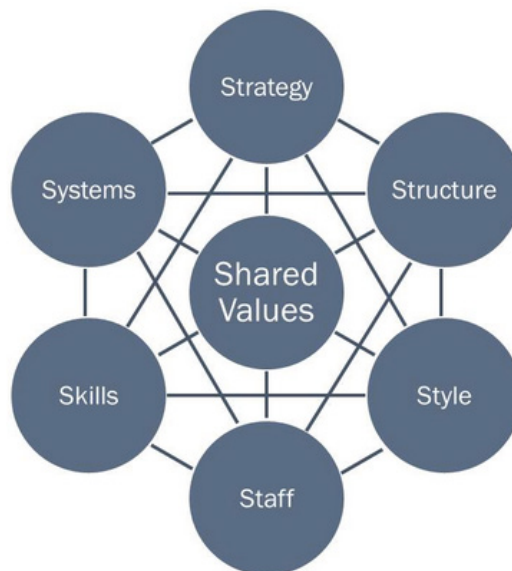
The McKinsey 7S is a useful framework for reviewing an organisation's marketing capabilities from different perspectives. It can be used to:

- ✔ Review the effectiveness of an organisation in its marketing operations
- ✔ Determine how to best realign an organisation to support a new strategic direction
- ✔ Assess the changes needed to support Digital Transformation of an organisation

What is it? The McKinsey 7S framework

The 7Ss cover the key organisational capabilities to implement its business, marketing or digital marketing strategy.

The 7S framework was developed by McKinsey consultants in the 1970s and summarized by Waterman et al. (1980). It can be readily applied to businesses of all sectors and sizes.



The beauty of this framework is that the elements are self-explanatory, but here is a brief explanation.

7S Element	Scope
Strategy	The definition of key approaches for an organisation to achieve its goals.
Structure	The organisation of resources within a company into different business groups and teams.
Style	The culture of the organisation in terms of leadership and interactions between staff and other stakeholders.
Staff	The type of employees, remuneration packages and how they are attracted and retained.
Skills	Capabilities to complete different activities.

7S Element	Scope
Systems	Business processes AND the technical platforms used to support operations.
Shared values	Summarised in a vision and or mission, this is how the organisation defines its <i>raison d'être</i> .

How can I use this model?

You can review each of the 7S to assess how the capabilities of an organisation can be improved as the starting point of creating an action plan.

This example considers some of the issues related to introducing digital technology into an organisation. A theme familiar to Smart Insights readers.

Element of the 7S model	Relevance to digital transformation	Key issues
Strategy	The contribution of digital business in influencing and supporting organisations' strategy.	<ul style="list-style-type: none"> ☑ Gaining appropriate budgets and demonstrating/delivering value and ROI from budgets ☑ Annual planning approach ☑ Techniques for using digital business to impact organization strategy ☑ Techniques for aligning digital business strategy with organisational and marketing strategy
Structure	The modification of organisational structure to support digital business.	<ul style="list-style-type: none"> ☑ Integration of digital marketing or e-commerce teams with other management, marketing (corporate communications, brand marketing, direct marketing) and IT staff ☑ Use of cross-functional teams and steering groups ☑ Insourcing vs outsourcing

Element of the 7S model	Relevance to digital transformation	Key issues
Systems	The development of specific processes, procedures or information systems to support digital business.	<ul style="list-style-type: none"> ✓ Campaign planning approach-integration ✓ Managing/sharing customer information ✓ Managing customer experience, service and content quality ✓ Unified reporting of digital marketing effectiveness ✓ In-house vs external best-of-breed vs external integrated technology solutions
Staff	The breakdown of staff in terms of their background, age and sex and characteristics such as IT vs marketing, use of contractors/consultants.	<ul style="list-style-type: none"> ✓ Insourcing vs outsourcing ✓ Achieving senior management buy-in/involvement with digital marketing ✓ Staff recruitment and retention. Virtual working ✓ Staff development and training
Style	Includes both the way in which key managers behave in achieving the organisation's goals and the cultural style of the organisation as a whole.	<ul style="list-style-type: none"> ✓ Defining a long-term vision for transformation ✓ Relates to role of the digital marketing or e-commerce teams in influencing strategy – is it dynamic and influential or a service which is conservative and looking for a voice?
Skills	Distinctive capabilities of key staff, but can be interpreted as specific skill-sets of team members.	<ul style="list-style-type: none"> ✓ Staff skills in specific areas such as supplier selection, project management, content management, specific e-marketing media channels.
Shared values	The guiding concepts of the digital business or e-commerce organization which are also part of shared values and culture.	<ul style="list-style-type: none"> ✓ Improving the perception of the importance and effectiveness of digital business amongst senior managers and staff it works with (marketing generalists and IT)

Best Practice Tip 2 Manage the hard and soft factors separately

Hard factors:

- ✓ Strategy
- ✓ Structure
- ✓ Systems

Soft factors:

- ✓ Style
- ✓ Staff
- ✓ Skills
- ✓ Systems
- ✓ Share values/superordinate goals



What to watch for

Superordinate goals is an alternative term for the “Shared Values” used when the model was first created, but not replaced by a more meaningful term!

Original Sources

Waterman, R.H., Peters, T.J. and Phillips, J.R. (1980) Structure is not organization. *McKinsey Quarterly*, in-house journal. McKinsey & Co., New York.

Model 3. AIDA

What is it?

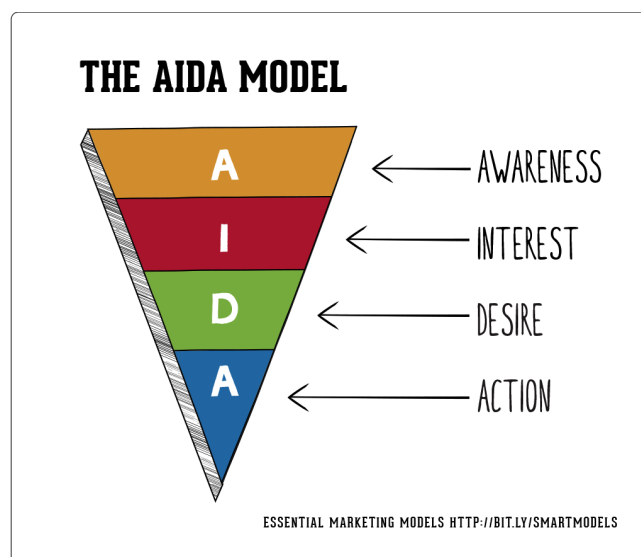
A true classic marketing model, dating back to the 19th century, you will certainly have heard of AIDA! The AIDA model was created in 1898 by Elias St. Elmo Lewis, an American advertising agency CEO. It was partly a way of understanding the sales process and partly a way of demonstrating the place of advertising at a time when the concept of ad agencies was relatively new.

What is it? AIDA

AIDA stands for Attention, Interest, Desire and Action. Use it to review what you want to achieve through your marketing campaigns or individual pieces of creative.

AIDA uses four cognitive steps that buyers adopt when buying new products which would be later referred to as the *hierarchy of response* to a communication. The steps are:

- ✓ 1. **AWARENESS** of the existence of a product or service.
- ✓ 2. **INTEREST** in paying attention to the product's benefits.
- ✓ 3. **DESIRE** for the product.
- ✓ 4. **ACTION** and purchasing the product, downloading information or making an enquiry.



How can I use this model?

The model is a simple communications framework rather than a strategic decision-making model. It is useful to bear in mind when reviewing the aims and effectiveness of campaigns and creative a single piece of creative or a wave of integrated communications need to achieve this. The model is a little dated as it doesn't take into account the re-purchase stage. Smart Insights (2013) has evolved this model to include retention. However the basic model is still a useful tool when creating a marketing communications plan. It is helpful to use this checklist in the initial brainstorming phases to ensure that the key elements have been considered.

AIDA Step	Questions to review for campaign or creative
Awareness	How do we make buyers aware of our products?
Interest	How will we gain their interest?
Desire	What makes this product desirable?
Action	Where are the calls to action?

AIDA Example

Here's an example of how Francesco Group, one of the UK's largest hairdressing franchises, uses AIDA when they launch a new salon.

AIDA Step	Questions to review for campaign or creative
Awareness	PR activity takes place up to four months before the launch focusing on the stylists, their qualifications, skills and awards won. This is supported by a direct mail campaign to carefully selected target customer group.
Interest	The direct mail campaign includes an invitation for a consultation or free hair cut and finish. Research shows that many women are loyal to a hairdresser for many years, so the offer has to be compelling enough to create interest and generate a telephone call to the salon.
Desire	As the salon prepares to open, exclusive launch events are organised. These are noticeable in the local area to the extent where people want an invitation. This is supported by local press advertising, information on social media networks and creates a demand to have a look at the salon to see what's different. The launch events generate additional publicity and a buzz at a local level.
Action	There are calls to action on the Facebook pages (call now to reserve), the website (call to book) and in the local advertising (call this number to receive discount or offer).

Best Practice Tip 3 Using AIDA for brand tracking

The AIDA model works well at a more strategic level when extended to assess the health of a brand. Key measures used in brand market research are:

- ✓ **Awareness** - prompted and unprompted recall
- ✓ **Familiarity** - a deeper measure of what a brand, product or service can offer
- ✓ **Favourability** - an assessment of how positive a consumer is towards a brand service or product. This can be measured through propensity for consumers to recommend through Net Promoter Score.
- ✓ **Purchase intent** - How do communications influence intent to buy?
- ✓ **Loyalty** - an assessment of loyalty (not covered by AIDA) which can again be measured through Net Promoter Score.

If a product or service no longer attracts awareness where, for example, the brand has diminished and competitors have entered the sector, the Ansoff model helps get the business back on track. For example Nokia used to lead the mobile phone market with the Nokia Communicator, an advanced state of the art device which was suddenly eclipsed by smartphones and their favourability dropped although awareness and familiarity remained relatively high. It's taken Nokia several years to recapture market share which they've done through product development. Just because potential customers are aware of your products, they may have no interest and without interest there is no desire and no action takes place.



What to watch for

Don't forget customer retention. Once your customers are aware of you, have an interest in the product, desire leading to action, it's essential to look at customer retention.

It's also worth remembering that today, many question the simplicity of AIDA within the buying process. New models include the [McKinsey Consumer Decision Journey](#) and [Google's ZMOT](#).

Original Sources

Lewis evolved the AIDA model in various articles, papers and books, as follows:

Lewis, E. St. Elmo. (1899) Side Talks about Advertising. The Western Druggist. (21 February). p. 66.

Lewis, E. St. Elmo. (1903) Advertising Department. The Book-Keeper. (15 February). p. 124.

Lewis, E. St. Elmo. (1908) *Financial Advertising*, Indianapolis: Levey Bros. & Company.

Lewis, E. St. Elmo. (1909). The Duty and Privilege of Advertising a Bank. *The Bankers' Magazine*. (78, April). P. 710-711

Lewis, E. St. Elmo. (1910). *More Science in Advertising*. Printers' Ink. (70, January 26). P. 58-61.

The extended model explained on Smart Insights model can be found here:

Anon (2013). Using the AIDAR purchasing funnel model. [Online] 25 April 2013 Available from <http://www.smartinsights.com/customer-relationship-management/social-crm/aidar-model>. [Accessed: 23 August 2013].



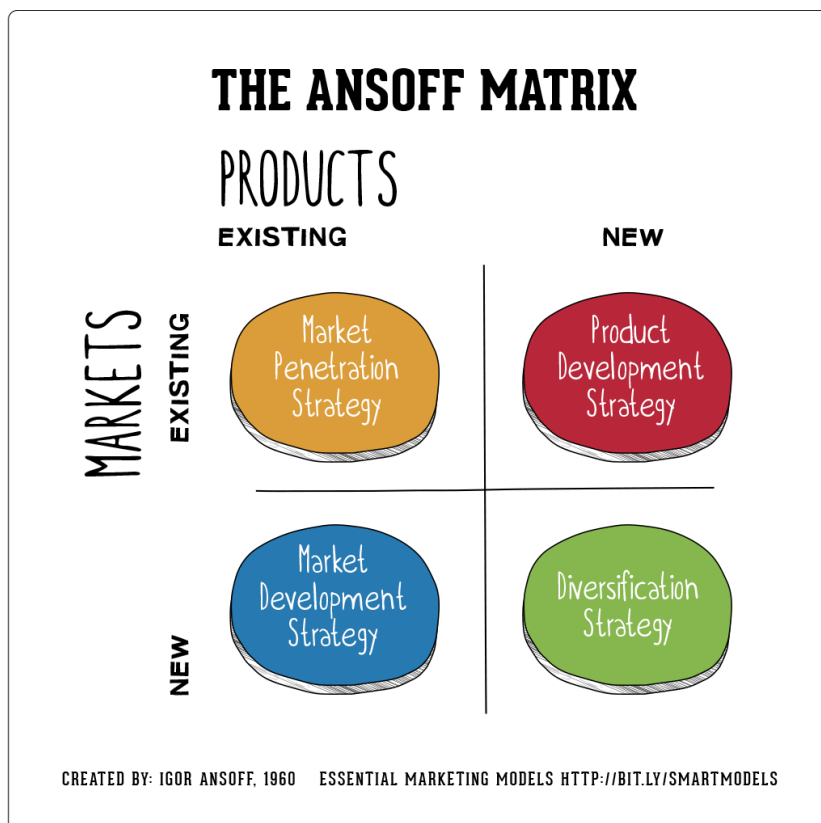
Model 4. The Ansoff Matrix

What is it?

In 1957 H. Igor Ansoff created the 'Product-Market Matrix' which is known better known as 'The Ansoff Matrix'. We believe this is possibly the most important strategic marketing planning model since it can help set the direction of growth.

What is it? The Ansoff matrix

Ansoff helps companies review the options for growth of a business through showing alternatives for new markets (customer types) and types of products and services.



The matrix enables businesses to identify ways to increase sales, based on four strategies:

Strategy	What this means
Market Penetration Strategy	How to sell more of your existing products or services to your existing customer base
2. Market Development Strategy	How to move into new markets
3. Product Development Strategy	How do develop your existing products or services.
4. Diversification Strategies	How to move into new markets with new products or services.

How can I use this model?

If you want to grow your business, The Ansoff Matrix is a good place to start. Look at each of the strategies and decide which is most appropriate for your business. Be aware that this

could be more than one strategy at the same time. Here are some of the options to explore:

1. Market Penetration Strategy

Can your business increase its sales to existing customers by taking one or more of the following actions?

- Reduce the order interval.
- Increase the average order value.
- Demonstrate the entire product selection.
- Increase or change opening hours.
- Reduce the order interval.
- Increase the average order value.
- Demonstrate the entire product selection.
- Increase or change opening hours.

Amazon achieves market penetration by suggesting additional products when the customer is browsing.

2. Market Development Strategy

Using your existing products or services, can you identify new markets based on these factors?

Demographics	•Age, gender, income, education, household size, business type?
Geography	•Where they are based – local, regional, national, international?
Life stages	•New mums, recently retired, moving house?
Business sector	•Manufacturing, services, retail?
Benefit sought	•3 hour response time, VIP service?
Organisation size	•Small, medium, multi-site?

3. Product Development Strategy

Developing new products usually involves a brainstorm or customer demand! Use the flowchart below to identify the action your business can take.



Consider:

- ☑ Can the product be made cheaper?
- ☑ Can the product be made locally?
- ☑ Can you increase quality?
- ☑ Change the packaging?
- ☑ Can ask your customers or potential customers what they want?

4. Diversification Strategies

Diversification is generally a higher risk, higher reward activity! It's about harnessing your skills, know-how and expertise and transferring this into a new product for a new market. There are two main types:

Related Diversification

Opportunities to increase sales within similar customer groups, whilst still maintaining your brand values, is new but related products:

- ☑ What's your expertise, your technical know-how?
- ☑ Can you move into a new market with a new product offer using the skills within the business?

Unrelated Diversification

This involves greater risks and is only undertaken where there is potential for high return on investment, often because the company is undervalued or financially distressed.

- ☑ Consider whether you have a strong management team with the ability to manage diverse business units.

Best Practice Tip 4 Ansoff is an essential tool for annual planning

The Ansoff Matrix is probably my most used marketing model. It gives you the four key strategies a business can adopt. It's easy to use, so my best practice tip is to use Ansoff once a year in your business to identify potential new markets, new products as well as product development opportunities.

What to watch for

If you're a newer business you might only focus on one or two strategies at most and that's likely to be the Market Penetration Strategy and over time, the Market Development Strategy. Don't feel that you have to add something to each quadrant in the box immediately!

Applying Ansoff to digital strategies?

Applying Ansoff to Digital Marketing Strategy

The Ansoff matrix is a useful analytic tool for assessing online strategies too as shown in the diagram, note that the cells are reversed in this application of Ansoff from Dave Chaffey's *Digital Marketing: Strategy, Implementation and Practice*. This tool can help companies think about how online channels can support their marketing objectives, and also suggest innovative use of these channels to deliver new products to new markets (the boxes help stimulate 'out-of-box' thinking which is often missing with digital marketing strategy).

Fundamentally, the market and product development matrix can help identify strategies to grow sales volume through varying what is sold (the product dimension on the horizontal axis) and who it is sold to (the market dimension on the vertical axis). Specific objectives need to be set for sales generated via these strategies, so this decision relates closely to that of objective setting.



Let us now review these strategies in more detail.

1 Market penetration

This strategy involves using digital channels to sell more existing products into existing markets. The Internet has great potential for achieving sales growth or maintaining sales by the market penetration strategy. As a starting point, many companies will use the Internet to help sell existing products into existing markets, although they may miss opportunities indicated by the strategies in other parts of the matrix. The figure indicates some of the main ways in which the Internet can be used for market penetration:

- ✓ **Market share growth** – companies can compete more effectively online if they have websites that are efficient at converting visitors to sale and mastery of the online marketing communications techniques such as search engine marketing, affiliate marketing and online advertising.
- ✓ **Customer loyalty improvement** – companies can increase their value to customers and

so increase loyalty by migrating existing customers online by adding value to existing products, services and brand by developing their online value proposition.

- ✔ **Customer value improvement** – the value delivered by customers to the company can be increased by increasing customer profitability by decreasing cost to serve (and so price to customers) and at the same time increasing purchase or usage frequency and quantity. These combined effects should drive up sales. Many companies will offer competitive online prices or discounts to help increase their market share.

2 Market development

Online channels are used to sell into new markets, taking advantage of the low cost of advertising internationally without the necessity for a supporting sales infrastructure in the customer's country. The Internet has helped low-cost airlines such as easyJet and Ryanair to enter new markets served by their routes cost-effectively. This is a relatively conservative use of the Internet but is a great opportunity for SMEs to increase exports at a low cost, though it does require overcoming the barriers to exporting.

Existing products can also be sold to new market segments or different types of customers. Virtual inventory enables new offerings to be made available to smaller segment sizes, an approach known as micro-targeting. This may happen simply as a by-product of having a website. E.g. RS Components (www.rswww.com), a supplier of a range of MRO (maintenance, repair and operations) items, found that 10% of the web-based sales were to individual consumers rather than traditional business customers. It also uses the website to offer additional facilities for customers placing large orders online. The UK retailer Argos found the opposite was true with 10% of website sales being from businesses when their traditional market was consumer-based. EasyJet also has a section of its website to serve business customers. The Internet may offer further opportunities for selling to market sub-segments that have not been previously targeted. E.g., a product sold to large businesses may also appeal to SMEs that they have previously been unable to serve because of the cost of sales via a specialist sales force. Alternatively a product targeted at young people could also appeal to some members of an older audience and vice versa. Many companies have found that the audience and customers of their website are quite different from their traditional audience.

3 Product development

The web can be used to add value to or extend existing products for many companies. E.g., a car manufacturer can potentially provide car performance and service information via a website. Facilities can be provided to download tailored brochures, book a test drive or tailor features required from a car model. But truly new products or services that can be delivered only by the Internet apply for some types of products. These are typically digital media or information products – e.g. online trade magazine Construction Weekly diversified to a B2B portal Construction Plus (www.constructionplus.com) which had new revenue streams. Similarly, music and book publishing companies have found new ways to deliver products through a new development and usage model such as subscription and pay-per-use. Retailers can extend their product range and provide new bundling options online also.

4 Diversification

In this sector, new products are developed which are sold into new markets. The Internet alone cannot facilitate these high-risk business strategies, but it can facilitate them at lower costs than have previously been possible. The options include:

- ✔ **Diversification into related businesses** – e.g. a low-cost airline can use the website and customer e-mails to promote travel-related services such as hotel booking, car rental or travel insurance at relatively low costs either through its own brand or through partner companies e.g., Ryanair offers its customers discounts if they book car hire with Hertz car rentals.
- ✔ **Diversification into unrelated businesses** – again the website can be used to promote less-related products to customers, which is the approach used by the Virgin brand, although it is relatively rare.
- ✔ **Upstream integration with suppliers** – achieved through data exchange between a manufacturer or retailer and its suppliers to enable a company to take more control of the supply chain.
- ✔ **Downstream integration with intermediaries** – again achieved through data exchange with distributors such as online intermediaries.

Original Source

Ansoff, H. I. (1957). Strategies for Diversification. *Harvard Business Review*. (Vol. 35 Issue 5, Sep/Oct). p113-124.

Model 5. The BCG Matrix

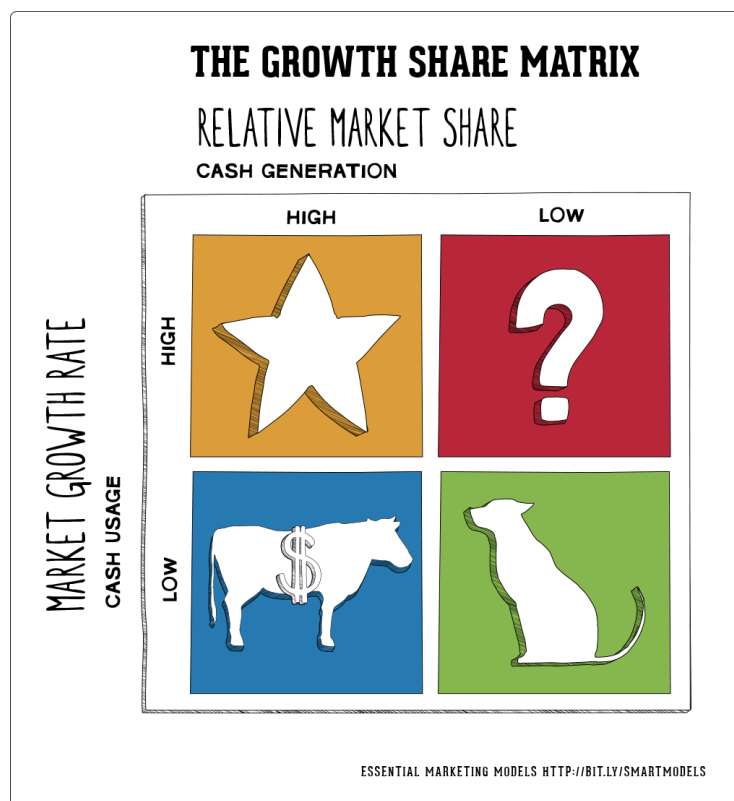
What is it?

The Boston Consulting Group's product portfolio matrix was created in 1982. The model was created to help with long-term planning based on a company's product range.

What is it? The BCG Matrix

A classic known from MBA courses, this considers the opportunities for growth of a business through reviewing its portfolio of products.

The matrix is divided into four named quadrants which are segmented based on market growth rate and relative market share. The aim is to understand where to invest marketing funds and whether to discontinue or develop products.



Dogs

Products with low growth and low market share are called 'Dogs'. The usual marketing advice is to remove any dogs from your product portfolio as they are a drain on resources.

However some dog products can generate ongoing revenue and cost little to maintain. For example, in the automotive sector, when a car line ends, there is still a need for spare parts. As SAAB ceased trading and producing new cars, a whole business has emerged providing SAAB parts.

Questions marks

Products in high growth markets but with low market share are called question marks. They are sometimes referred to as 'Problem Children'.

One of the reasons they are called question marks as it may not be clear as to whether they will become a star or drop into the dog quadrant. These products often require significant investment to push them into the star quadrant. The challenge is that a lot of investment may be required to get a return. For example, Rovio, creators of the very successful Angry Birds game has developed many other games you may not have heard of. Computer games companies often develop hundreds of games before gaining one successful game. It's not always easy to spot the future star and this can result in potentially wasted funds.

Stars

Products in high growth markets with high market share are known as stars. Often the market leader and require ongoing investment to maintain the position. However, they generate more returns than the other product categories.

Cash Cows

Products in low growth markets with high market share are known as cash cows. The idea is to milk these products as much as possible, without killing the cow! They are often mature, well-established products. The company Procter & Gamble which manufactures Pampers nappies to Lynx deodorants has often been described as a 'cash cow company'.

How can I use this model?

The BCG Model is based on products rather than services, however it does apply to both. You could use this if reviewing a range of products, especially before starting to develop new products.

Looking at the British retailer, Marks & Spencer, they have a wide range of products and many different lines. We can identify every element of the BCG matrix across their ranges:

STARS

Example: **Lingerie**. M&S was known as the place for ladies underwear at a time when choice was limited. In a multi-channel environment, M&S lingerie is still the UK's market leader with high growth and high market share.

QUESTIONS MARKS

Example: **Food**. For years M&S refused to consider food and today has over 400 Simply Food stores across the UK. Whilst not a major supermarket, M&S Simply Food has a following which demonstrates high growth and low market share.

CASH COWS

Example: **Classic range**. Low growth and high market share, the M&S Classic range has strong supporters.

DOGS

Example: **Autograph range**. A premium priced range of men's and women's clothing, with low market share and low growth. Although placed in the dog category, the premium pricing means that it makes a financial contribution to the company.

Best Practice Tip 5 Use for a top-level review of your product portfolio

Use the model as an overview of your products, rather than a detailed analysis. If your market share is small, use the 'Relative Market Share' axis is based on your competitors, rather than the entire market.

What to watch for

The BCG Model is seen as simplistic and it can be difficult to classify products in smaller businesses where the relative market share is too small to quantify. It's also based on the concept that market share can be achieved by spending more on the marketing budget.

Original Sources

Barksdale, H. C. and Harris Jr., C. E. (1982). Portfolio Analysis and the Product Life Cycle. *Long Range Planning*. (Vol. 15 Issue 6). p74-83.



Model 6. Diffusion of Innovation

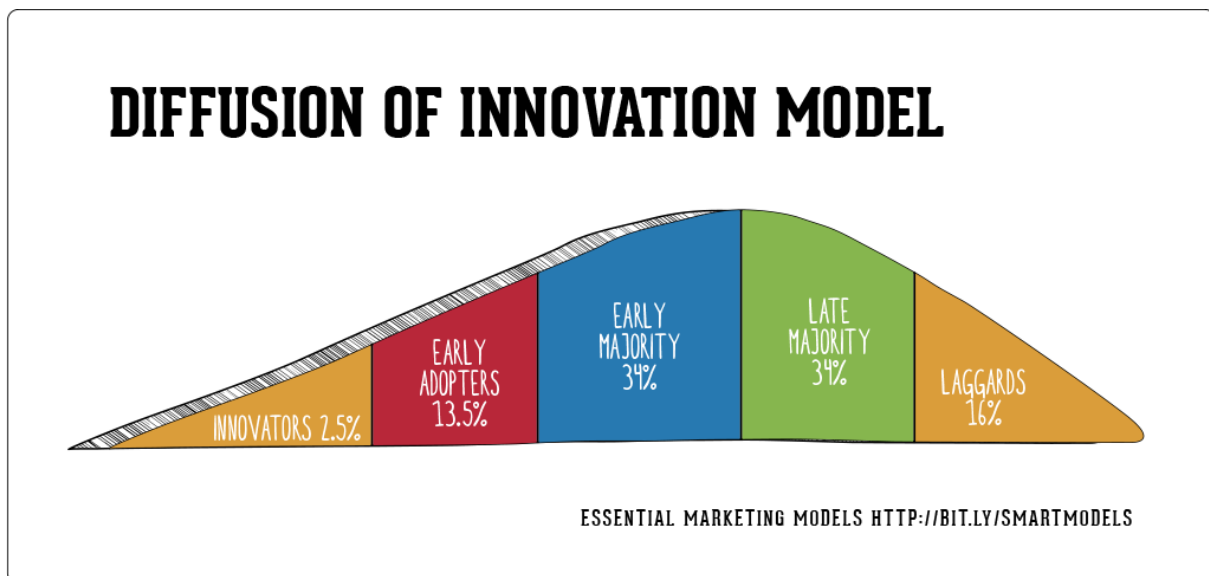
What is it?

Created in 1962 by Everett Rogers, the Diffusion of Innovation (DOI) Theory explains how a product gains momentum and spreads, or diffuses, through a group. The theory created five categories of buyer adopting new products.

What is it? Diffusion of innovation

Diffusion of innovation shows how new products and technologies tend to be adopted by people through time.

Shown as a bell curve with the categories divided into percentages. These are still used today and relevant when launching a new product or service, adapting a product or introducing an existing product into a new market. Note how the percentages change (not shown to scale).



The five categories of innovativeness are:

Category	Types of people	How to engage
Innovator	A small group of people keen to explore new ideas. You can spot them with the very latest gadget!	Get featured on tech blogs and relevant news sites for your business.
Early adopters	Opinion leaders who are happy with new products and services. Often seeking improvements and greater efficiency.	This group don't need to be persuaded to change, they want to. What they need is guides on how to use the product or service
Early majority	Followers who like to read about new products before purchasing.	These people will check out your products on YouTube and read reviews.

Category	Types of people	How to engage
Late majority	The sceptics who are not keen to change and will only do so when they're left behind. Think about people hanging on to the Nokia 6210 when the rest of the world owned smartphones.	They need lots of marketing material, evidence, reviews from opinion leaders and case studies to show how it works.
Laggards	These people may not even own mobile phones! They prefer traditional communications and will only adopt new products when their alternatives have disappeared.	Only when others write about what you've done, provided hard research evidence, statistics and pressure from others, will they come on board.

How can I use this model?

If you are launching a new tech product, such as software, you can use this model to show the marketing materials needed for each group.

Category	Action you can take	Marketing material needed
Innovator	Launch the software on key software sites; Techcrunch, Mashable.	Website to provide information and potential sales via downloads.
Early adopter	Create guides and add to major software sites.	More information, Guides, FAQs, case studies.
Early majority	Conduct blogger outreach for others to write about you.	Links to social media pages, facts and figures, YouTube videos showing 'how to'.
Late majority	Encourage reviews, comparisons and share press commentary on your website.	Press area with information, links to reviews, testimonials, links to review sites.
Laggards	It's probably not worth trying to appeal to this group!	N/A.

Best Practice Tip 6 Apply adoption theory when reviewing new product launches

The Adoption theory is most useful when looking at new product launches, but it can be useful when taking existing products or services into a new market.

What to watch for

The Adoption theory is mainly useful when developing new products. If you're in FMCG and launch many new products or lines a year, it may be less effective as it's not practical to create individuals strategies for hundreds of products.

Original Sources

Rogers, E.M. (1976). New Product Adoption and Diffusion. *Journal of Consumer Research*. (March). p290-301.

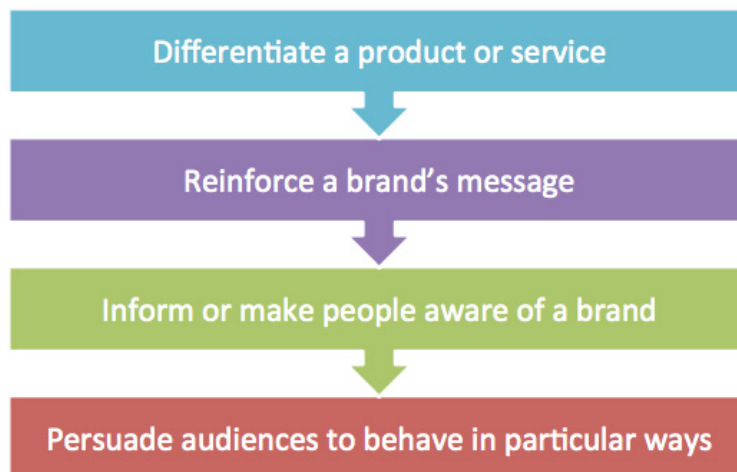
Model 7. DRIP

What is it?

DRIP is an acronym for differentiate, reinforce, inform and persuade. It's a key element in marketing communications theory and extremely useful when setting communications goals.

What is it? DRIP

DRIP is a communications model that defines marketing communications goals from the point of view of what the company wants to achieve. It is an alternative to AIDA.



Developed by Chris Fill, as in the 1970s and 1980s there had been various unrelated ideas, one of which from Bowersox and Morash (1989), about the role of persuasion and information within communications. However, the idea of reassurance and differentiation as tasks of marketing communications were quite alien and there was nothing that brought them altogether into a single framework. Fill first published DRIP in the third edition of Marketing Communications (2002) but under the context of the role of marketing communications. Fill subsequently revised this into the tasks and developed the principle that the role of marketing communications is to engage audiences.

Each of the DRIP elements has a specific purpose and one follows the other as this is a sequential or 'flow' model:

DRIP Element	Explanation
Differentiate a product or service	To make a product or service stand out in the category. This involves showing where the product sits in the market. This is often informed by the digital marketing mix (See the 7Ps).
Reinforce a brand's message	To consolidate and strengthen previous messages and experiences. This means demonstrating or explaining why your product is different, superior, cheaper or easier to use.
Inform or make people aware of a brand	To make known and advise of availability and features. If it's a totally 'new to market' product, this may also be to educate the market.

DRIP Element	Explanation
Persuade audiences to behave in particular ways	To encourage further positive purchase-related behaviour. This could be to visit a website, read about a new product, share with a friend, request a trial.

How can I use this model?

If launching a new product or service, you need to use DRIP to develop your objectives. Let's look at how Nokia is using DRIP to promote the Lumia smartphone.

DRIP Element	Rationale	Objective	How was this executed?
Differentiate a product or service	We're making a new smartphone, so we need to focus on a specific point of difference. A camera, with zoom and a well-known branded lens would work.	To secure 15% of the smartphone market by November 2013.	Many smartphones on the market, so Lumia needed to differentiate their latest phone. They have done this by making the camera the star. The camera is 8.7 mega pixels with auto focus, digital zoom and the only smartphones to have a Carl Zeiss lens.
Reinforce a brand's message	Explain about the camera and why this works well.	To partner with Carl Zeiss for camera lens and launch new smartphone by November 2012.	Lumia's messages focus on the camera (and also on innovation which is confusing). "PureView camera phone. Blur-free photos every time." This is further reinforced with the details "PureView technology with Carl Zeiss lens captures blur-free videos even if the camera's shaking or in low light. Thanks to its Optical Image Stabilisation."

DRIP Element	Rationale	Objective	How was this executed?
Inform or make people aware of a brand	Get others to talk about our brand, give hundreds of phones away for mini trials.	To harness a minimum of 100 bloggers to talk about our new smartphone by November 2013.	Part of the campaign to make people aware of the brand is inviting people to apply for a two week trial. If you have a blog or large twitter following, it's likely you'll be sent a complimentary Lumia for two weeks. In return, you need to tweet and blog about it.
Persuade audiences to behave in particular ways	The challenge is persuading the audience to switch from other smartphones. Get existing smartphone users to switch to Lumia	To start a conversation via twitter and demonstrate the number of people switching by November 2012.	Own and manage a hashtag, to follow the thread and create a buzz. @Nokia_Connects was established as a Twitter handle using the hashtag #SwitchToLumia. Looking at Social Mention, this hashtag has been quoted less than 100 times.

Nokia has reinforced the brand message with the hashtag shown on their Twitter page for Influencers who write about mobile. Interestingly Lumia is about 'life in colour' and the twitter page shows an image from the colour run, but it's bit weird as the girl is wearing a face mask so can't speak – strange image for a mobile phone company!



Those signing up for the trial are encouraged to comment and share, as shown in this email:

Hi there,

Another quick note to all of our trialists this month! We are running a series of technology related question called #OurTechLife on Twitter that focus on technology on a whole rather than just mobile tech. It would be really nice to have your perspective on how technology is influencing your every day life. We have just posted question 4 our of 8 and would love to hear from you: https://twitter.com/Nokia_Connects/status/362728412562984961

If you would not like to receive any more notifications please email paul@nokiaconnects.com

Many thanks,
Nokia Connects team



[NOKIA CONNECTS](#) :: [SWITCH](#) :: [TWITTER](#) :: [FACEBOOK](#) :: [YOUTUBE](#) :: [PRIVACY POLICY](#)

Best Practice Tip 7 Use DRIP to review the focus of your marketing communications

DRIP is a good place to start with marketing communications planning. It's ideal if you are launching a new product or re-positioning an existing business.

What to watch for

DRIP is a strategic model and a more tactical approach may be needed.

Original Sources

Fill, C. (2002). *Marketing Communications*. Third edition. Harlow. Pearson Education.

Model 8. Porter's Five forces

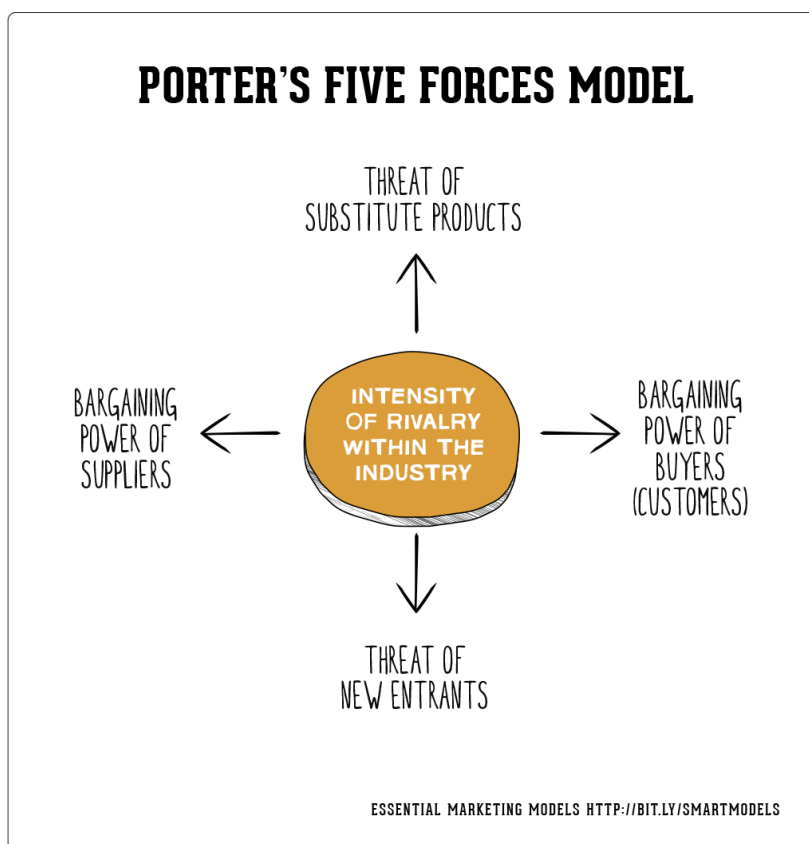
What is it?

Porter's five forces model shows who has the power in a market. Created by Michael Porter at Harvard Business School, the model helps marketing practitioners and business managers to analyse the attractiveness and potential profitability of an industry sector.

What is it? Porter's Five Forces

The Fives Forces model represents the balance of a power in a market between different types of organisations.

It's a strategic rather than a tactical tool and highlights the strength of the market position. Porter's model works on the basis that there are five important forces that determine power.



To apply Porter's Five Forces, you need to work through these questions for each area:

Force	Market characteristics	Questions to Answer
Threat of new entry	If new businesses can easily start up in your sector, this is a threat.	<ul style="list-style-type: none"> ✔ What's the threat of new businesses starting in this sector? ✔ How easy is it to start up in this business? ✔ What are the rules and regulations? ✔ What finance would be needed to start-up? ✔ Are there barriers to entry which give you greater power?
Buyer Power	Where there are fewer buyers, they often control the market.	<ul style="list-style-type: none"> ✔ How powerful are the buyers? ✔ How many are there? ✔ Can the buyers get costs down? ✔ Do they have the power to dictate terms?
Threat of substitution	If there are easily available alternatives, the threat of substitution increases.	<ul style="list-style-type: none"> ✔ How easy is it to find an alternative to this product or service? ✔ Can it be outsourced? Or automated?
Supplier Power	Markets where there are few suppliers means the suppliers retain the power.	<ul style="list-style-type: none"> ✔ Examine how many suppliers are in the market? ✔ Are there a few who control prices? ✔ Or many so prices are lower? ✔ Do your suppliers hold the power? ✔ How easy is it to switch, what's the cost?
Competitive Rivalry	Markets where there are few competitors are attractive but can be short-lived. These are highly competitive markets with many companies chasing the same work reduce your power in the market.	<ul style="list-style-type: none"> ✔ What's the level of competition in this sector? ✔ What's the competitor situation? Many competitors and you're all in a commodity situation or a few?

How can I use this model?

If your business is thinking about moving into new sectors or markets or if your business is

stuck in a commodity situation, Porter's Five Forces enables you to see the issues clearly. Work through each of the forces to identify in your current sector and your potential sectors, to see who has the power.

Here are some examples of where the power lies in different markets.

Element of Five Forces	Examples
Threat of new entrants	Web design – there are many independents in every location, it's an easy market to enter, few requirements and all you need is a PC and internet access.
Buyer Power	Supermarkets typically retain the power over their suppliers. They dictate terms, set prices and can end agreements at any time.
Threat of substitution	The substitute to all services is DIY. For example hairdressing or writing a will. This is where it's essential to focus on expertise, customer service and added value.
Supplier power	Some sectors have monopolistic (one) or oligopolistic (few) suppliers, such as the utilities sectors. Customers often have little option where they buy domestic water supplies. This is changing at present. In the jewellery sector, diamond suppliers hold the power. They can set prices, withhold supply and restrict sales.
Competitive rivalry	Highly competitive markets include estate agents, web design and office stationery. Many competitors so customers often buy on price.

Best Practice Tip 8 Consider a broad scope for Porter's Five Forces

Porter's Five Forces works best when looking at an entire market sector, rather than your own business and a few competitors. It's a strategic tool, designed to give you a global overview, rather than a detailed report on your business.

What to watch for

Sometimes not all the information is available and you may need to make assumptions. Make sure the assumptions are noted so others are aware. For example it's difficult getting specific market information on parts of the Middle East and China.

Original Sources

Porter, M. (1979). How Competitive Forces Shape Strategy. *Harvard Business Review*. (Vol57, March – April). p.86-93.

Model 9. Price-Quality Strategy Model

What is it?

Developing new products means creating pricing strategies. These might follow the company's standard strategies, or take a different approach.

What is it? The Price Quality Strategy model

This model reviews the positioning of a company's products or services relative to competitors as perceived by a market.

Kotler (1988) created nine price-quality strategies. Some are better known than others! The matrix below shows different price and quality strategies.

		Price		
		High	Medium	Low
Product or service quality	High	Premium	High value	Superb value
	Medium	Over charging	Average	Good value
	Low	Rip-off	False economy	Economy

The pricing strategy depends on the desired pricing objective. These are the most frequently used pricing objectives:

Objective	What it means	Example	Strategy
Maximum current profit	A higher price when there are few competitors and demand is high.	Apple's iPhones were the first smart phones and were at high prices due to lack of competitors. As Android smartphone sales have grown, the actual cost of the iPhone has dropped	Premium

Objective	What it means	Example	Strategy
Product-quality leadership	Providing more expensive components for a longer lasting (higher-quality) product.	Dyson vacuum cleaners and fans are based on greater research, better parts and higher prices.	High value
Survival	'Buying work' or dropping the price to gain market share. Often used when customers' needs change or when competitors move into a market.	Waitrose introduced its Essential range on 2010 as the UK moved into recession in 2009. Although this wasn't a survival decision Waitrose was trying to re-capture shoppers going to discount stores and dropped prices in basic foodstuffs.	Superb value
Maximum sales growth	Setting a low initial price to capture market share and when the market grows and costs decrease, they reduce costs further.	Subway sandwiches offer a lower price lunchtime snack and now have more outlets across the UK than MacDonalds.	Good value

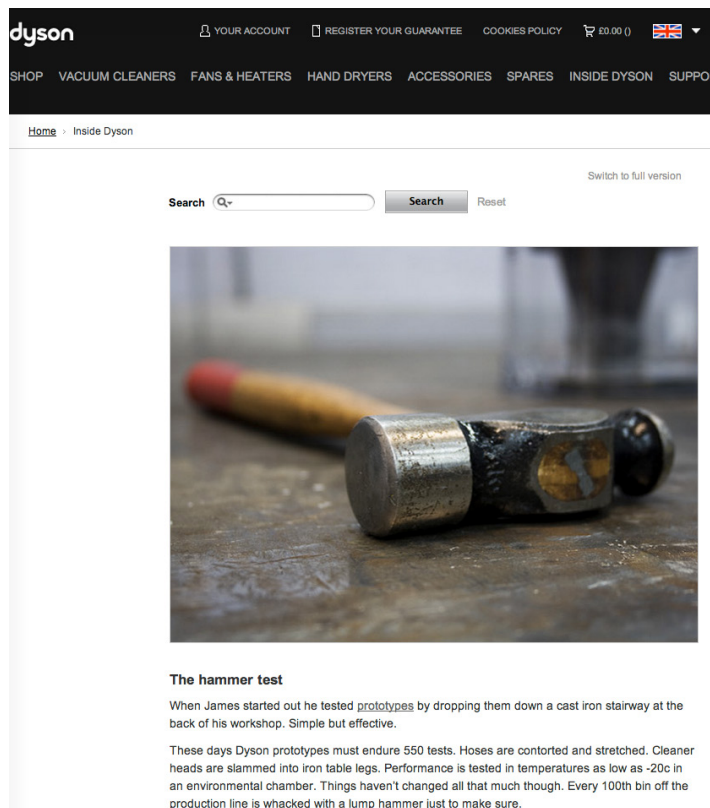
How can I use this model?

When developing new products think of the price strategy before the product is completed.

What are you trying to achieve? The cost-plus pricing model has long gone as we expect goods and services to be appropriately priced. One marquee hire company I worked with offered high quality service and a very low price which was a superb-value strategy. It didn't work. Research showed that potential customers were suspicious and didn't place orders with them as they thought the product quality was low because the price was low. They raised their prices adopting a high value strategy and increased sales by 40%.

You can use the Price - Quality Strategy Model to review competitors' products and services. Why do they charge more? Why do they charge less? Sometimes if aspects of a service are removed, this can contribute to lower prices.

As an example, Dyson vacuum cleaners adopt a premium pricing strategy. They design and manufacture quality products, based on years of research, testing and significant investment into patents. As their website states: "New ideas are the lifeblood of Dyson. Every year, we invest half our profits back into harnessing them at our research and development laboratory in Wiltshire. There are 650 engineers and scientists based there." They share their story and 'behind the scenes' details, such as the hammer test (below), to justify their premium pricing strategy.



When they introduce a new product, such as fans and heaters, these follow the same premium pricing strategy.

Best Practice Tip 9 Be realistic, research perceptions

“If it sounds too good to be true it usually is”. It’s essential to make sure that your prices fits with the product’s perceived quality.

What to watch for

If you’re developing products and changing the quality, perhaps saving money and reducing one element of the process, review the price too, or you could fall into False Economy or Rip-Off strategies.

Original Sources

Kotler, P. (1988). *Marketing Management: Analysis, Planning, Implementation and Control*. 6th Ed. Englewood Cliffs, New Jersey. Prentice-Hall Inc.

Model 10. Push and Pull

What is it?

Push and pull strategies are promotional routes to market. Either by the product being pushed towards customers or your customers pulling the product through the retail chain towards them.

What is it? Push and Pull

Defines promotional routes to market.

Chris Fill advised us that the Push-Pull model has its origins in supply chain management and was then adopted by marketers and adapted to fit a communication context.

PUSH TACTICS	PULL TACTICS
<ul style="list-style-type: none">• ANY TACTIC THAT RESULTS IN A THIRD PARTY STOCKING YOUR PRODUCTS.• Trade shows demonstrate your products or services to win new distributors.• Sales visits to retailers asking them to stock your products.• Competitions with retailers to increase sales.• Point of sale displays to make it easy for retailers to stock your products.• Videos demonstrating the product or service.	<ul style="list-style-type: none">• ANY TACTIC THAT RESULTS IN CUSTOMERS DEMANDING YOUR PRODUCT FROM RETAILERS.• Advertising.• Viral marketing.• Word of mouth (online and offline).• Social media; Facebook is an especially good example of push tactics as when your friends like a product, this can be shared with you, making you aware of products you didn't know existed!• Blogging.• Email marketing.

How can I use this model?

Manufacturers often based their business on a push strategy; finding distributors to promote their products. For example, Mars who manufacture chocolate bars, sell via distributors. It would be impossible to manage requests to buy single bars of chocolate! They have a large product portfolio and sell ranges into their distributors.

Service businesses often use pull strategies, for example, Intel, the computer chip company created "Intel Inside" their brand ingredient programme by persuading manufacturers that their computers would have higher perceived value if they featured Intel in their own marketing, resulting in customers wanting to know if the PC they were buying included an Intel chip.

As would be expected, there are advantages and disadvantages to both strategies:

PUSH STRATEGY

PUSH STRATEGY	
Advantages	Disadvantages
<ul style="list-style-type: none"> ✔ Useful for manufacturers looking for a distributor to provide product promotion. ✔ Ideal when manufacturing or selling low value items as the distributor is likely to place bulk orders. ✔ Gives your product exposure in potentially large retail environments. ✔ Good way to test new products in the market. 	<ul style="list-style-type: none"> ✘ The distributor may source alternative products (cheaper, faster delivery) once your product has established the market need. ✘ Distributors may not organise a formal contract, so no guarantee of regular orders. ✘ Distributors may demand financial contribution towards promotion ✘ Distributors may demand lower prices to fit in with their promotional campaign. ✘ Distributors can establish dependence and then request price reductions ✘ Distributors can demand lengthy credit terms.

PULL STRATEGY

PUSH STRATEGY	
Advantages	Disadvantages
<ul style="list-style-type: none"> ✔ Direct contact with customers. ✔ Instant payment as customers do not have credit facilities and pay online or in store at the checkout. ✔ Greater margins as no discount needed. ✔ Customers can generate ideas for new product development. ✔ Ideal for premium priced products. 	<ul style="list-style-type: none"> ✘ Greater admin required in-house to fulfil customers' orders. ✘ Many smaller and one-off orders.

How does your business operate right now? If you only sell via retailers, you have a push strategy. If you sell to merchants like supermarkets or major retailers, the challenge is often when your product establishes sufficient demand; the merchant may wish to replace your product with its own alternative.

If you only sell direct to customers, that's a pull strategy.

As markets, the environment and customers change, it's wise to consider both strategies. Thornton's Chocolates operate both strategies in different ways. They have an own label option and sell to specific retailers and package their goods using the retailers' own brand packaging and they sell direct to customers via high street stores, online and in other retailers.

An example of Push and Pull can be seen with a South African winery. Stormhoek wines went from selling 50,000 cases of wine a year in 2004 to 200,000 cases in 2006. As a small business on a budget, they had a challenge competing for supermarket shelf space and

needed customers talking about them, so the supermarkets would want to talk to them. They were looking at changing their traditional business model from a push to a pull strategy. Via a blog (gapingvoid) a bottle of wine was offered to 100 bloggers in the UK and Ireland. The bottle carried the message 'Maybe you will write about it. Maybe not. You never know.' It was a successful campaign and many bloggers started writing about the wine, resulting in the orders from supermarkets.

See more at: <http://is.gd/stormhoek>.

Best Practice Tip 10 Look at your competitors

What are they doing? Push or pull? Look at overseas competitors too as they may have introduced other ideas.

What to watch for

To grow a business you may need both strategies. A push strategy gets a larger volume of products out to customers faster. A pull strategy can take longer and involve many smaller orders.

Original Source

We haven't been able to track down the original source! We've looked through The Chartered Institute of Marketing's EBSCO database containing access to thousands of journals, articles and other publications dated back to 1902 and it's not there. We can assume it was created before this time.

Anonymous (n.d.).

Model 11. Product Life Cycle

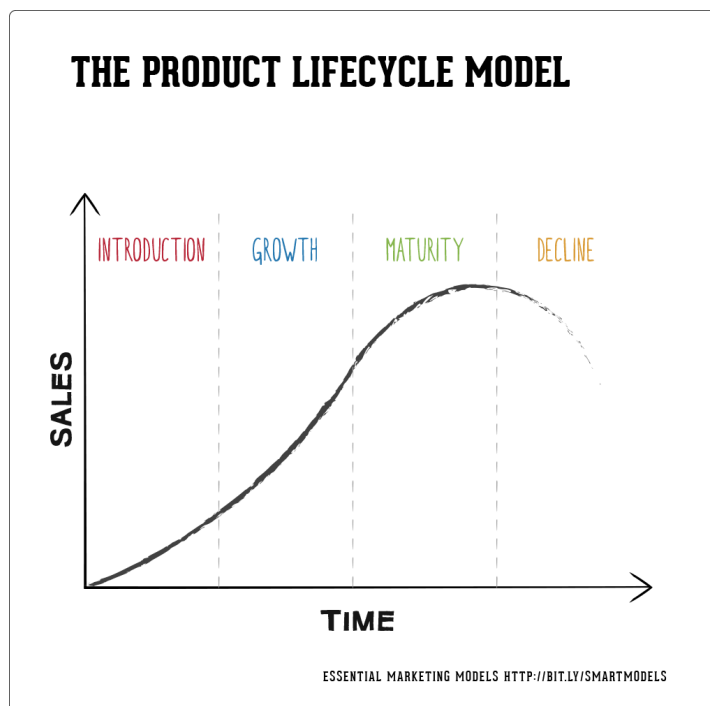
What is it?

The Product Life Cycle (PLC) describes the stages of a product from launch to being discontinued.

What is it? The Product Lifecycle

Defines the development of a Product through time.

It's widely accepted that there are four stages in the process, although decline can be avoided by reinventing elements of the product. It is also recognised that some products never move beyond the introduction phase whilst others move through the life cycle much faster than others.



Stage	What this means
Introduction	Newly introduced product, profits are non-existent and product is unknown. The price is often higher and distribution is limited. Promotion likely to be personalised.
Growth	The product is being bought and with volume, the price declines. Distribution increases and promotion focuses on product benefits.
Maturity	The product competes with alternatives and pricing drops. Distribution becomes intense (it's available everywhere) and promotion focuses on the differences to competitors' products.
Decline	The product is reaching the end of its life and faces fewer competitors. The price may rise and distribution has become selective as some distributors have dropped the product. Promotion aims to remind customers of its existence.

How can I use this model?

When reviewing your business you need to understand which stage your products or services have reached. This enables business managers to plan for new products, reinvent existing products or discontinue products that are in serious decline.

This example shows how yoghurt has moved through the product life cycle by remixing elements of the marketing mix.

Stage	How the Product Life Cycle has evolved
Introduction	<ul style="list-style-type: none">✓ Yoghurt available in health food stores✓ Functional and plain packaging.✓ Promoted as a health food.
Growth	<ul style="list-style-type: none">✓ Yoghurt available in supermarket chiller cabinets.✓ Packaging gets a makeover.✓ New flavours introduced; Strawberry, Vanilla.
Maturity	<ul style="list-style-type: none">✓ Product re-invented with added fruit, added muesli, added chocolate!✓ Packaging changes into different shapes and sizes.✓ Promoted as a fun snack, luxury treat.
Decline	<ul style="list-style-type: none">✓ Not yet

Best Practice Tip 11 Review customer feedback continuously

To ensure your products don't reach the end of their shelf life, carry out regular customer surveys. Get feedback and find out what works, what doesn't and why.

What to watch for

If product sales are declining, you need to know why. Products move into decline due to improved offers from competitors, changes in behaviour or because there is no longer a need for the product. Across Morocco there are long-established 'Ecrivains Publics' or people who read your mail and write the responses. If the literacy levels in the country continue to improve (currently around 70%, from 60% ten years ago) this service will move into rapid decline.

Original Sources

Levitt, T. (1965). Exploit the Product Life Cycle. *Harvard Business Review*. (Vol. 43 Issue 6 Nov/Dec). p81-94.

Cunningham, M.T. (1969). The application of product life cycles to corporate strategy: some research findings. *European Journal of Marketing*. (Vol. 3, Issue 1). p.32 – 44.

Model 12. RACE Planning

What is it?

The RACE mnemonic stands for Reach-Act-Convert-Engage. RACE Planning is focused on increasing the commercial returns from digital marketing across the RACE conversion funnel shown at the end of this section. It features an initial planning phase to create to a strategy with defined Objectives and KPIs for evaluation. Best practices are then developed to manage and optimise communications in an integrated way across the many online and offline customer touchpoints that are involved when a consumer selects a product or service today.

What is it? RACE Planning

RACE™ Planning is a system developed by Smart Insights to help marketers to develop digital marketing plans focused on sales growth. The five areas of RACE planning are:

- ✓ **Plan** – This is your overall strategy for digital marketing. Defining a strategy to integrate communications across different customer touchpoints is often forgotten. Planning involves setting goals, creating a coherent strategy to achieve them and putting in place evaluation tools in place to make sure you're on track.
- ✓ **Reach** – Creating awareness of a brand through increasing the online visibility of its sites to drive site visitors. Increasing the online footprint of the brand across social media, publisher and partner sites.
- ✓ **Act** – Encouraging interaction of prospects with a brands content through desktop and mobile experiences, social media and partner sites so they become engaged leads.
- ✓ **Convert** – Encouraging conversion to sale through online and, if relevant, offline channels.
- ✓ **Engage** – Encouraging customers to buy again and to become advocates who recommend the brand and share its content.

Recommended Guides?

The RACE framework is used to structure our [7 Step guide to creating a digital marketing strategy](#). We also have an [interactive version](#) that is available on our site where it links to free quick guides on all these topics containing links and stats.

How can I use this model?

The RACE model can be used to create a digital marketing plan and supporting dashboards and measures as explained in the Smart Insights Guide to [Delivering Results from Digital Marketing](#). Each aspect of RACE can then be continuously reviewed to improve performance through a 90 day plan for example as explained in outline in this table.

RACE element	Aim	Sample KPIs
Reach	Build awareness across paid and earned media to drive awareness, preference and visits to owned media such as websites and company social pages.	<ul style="list-style-type: none"> ✓ Unique visitors and fans ✓ Audience share ✓ Revenue or goal value per visit ✓ Brand search volume and share of conversation
Act	Encourage audience to interact with brand on desktop and mobile and other online presences to generate leads.	<ul style="list-style-type: none"> ✓ Bounce rate ✓ Pages per visit ✓ Conversion to lead
Convert	Achieve conversion to sales and maximise average order value.	<ul style="list-style-type: none"> ✓ Conversion rate to sale ✓ Average order value ✓ Revenue and margin
Engage	Build customer and fan relationships through time to achieve retention goals and encourage sharing.	<ul style="list-style-type: none"> ✓ % active customers ✓ Customer satisfaction ratings ✓ Customer advocacy ✓ Repeat conversion rate

Best Practice Tip 12 Create a Success Map for each stage of RACE

The [Smart Insights Success Map for Ecommerce](#) defines all of the main factors which affect lead and sale volume. For optimisation of marketing activities which have the biggest impact on commercial growth it's important to identify the levers which give the biggest improvements, so that time can be focused there.

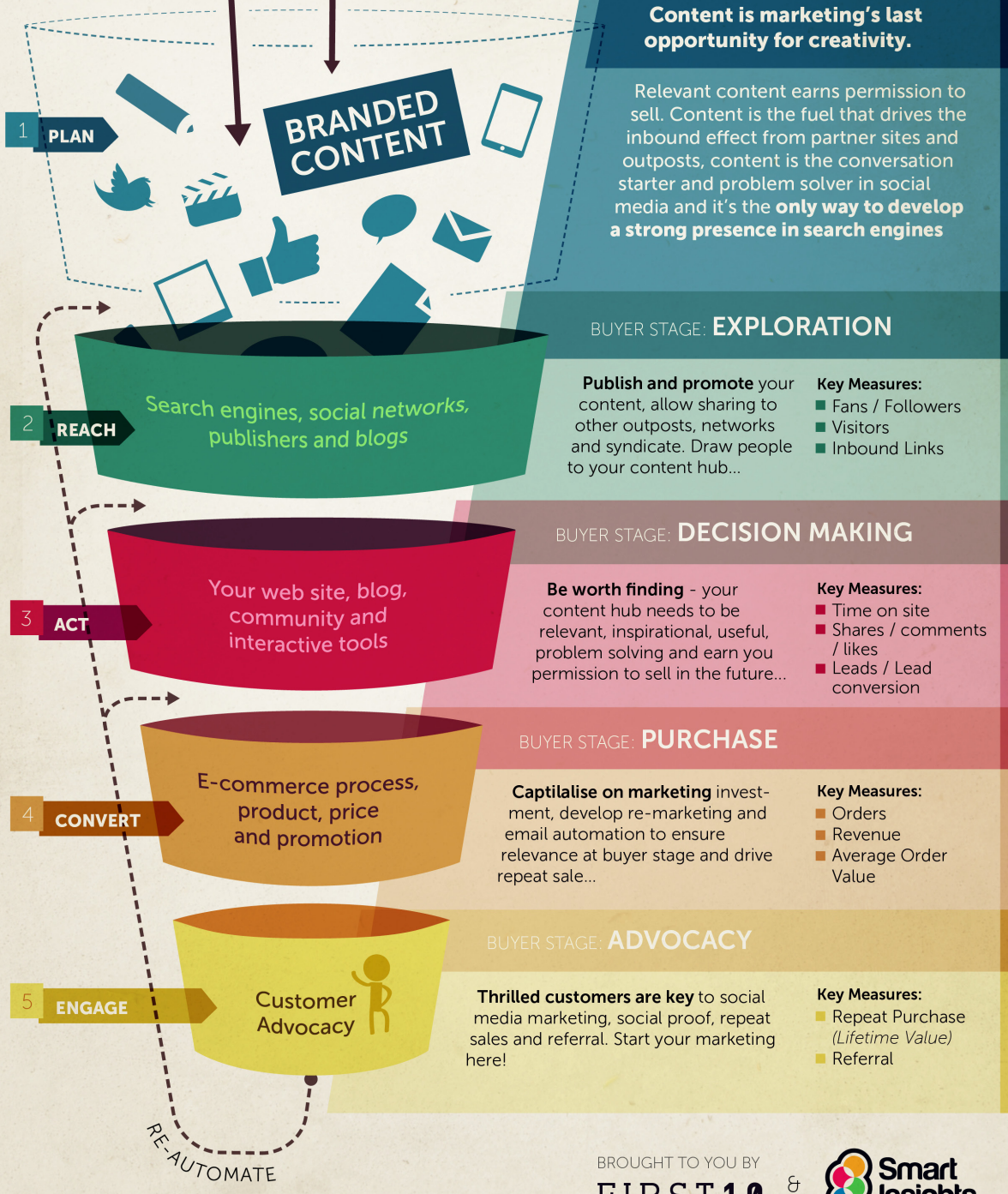
What to watch for

When measures to review digital marketing effectiveness are defined, they often break the funnel down into three - from Acquisition to Conversion to Retention. Within RACE the conversion stage is broken down with separate KPIs for Act and Convert. This helps assess how well a brand is at engaging its visitors on its online presences - a notoriously difficult challenge since if Relevance and Engagement isn't delivered, visitors will leave immediately.

Original Sources

Chaffey, D. (2010) [Introducing RACE = A practical framework to improve your digital marketing](#), July 15th 2010. [Available from](#) by SmartInsights.com. Now updated [Accessed 18 September 2013].

INBOUND MARKETING FUNNEL



BROUGHT TO YOU BY
FIRST 10

&



Model 13. Segmentation, Targeting and Positioning (STP)

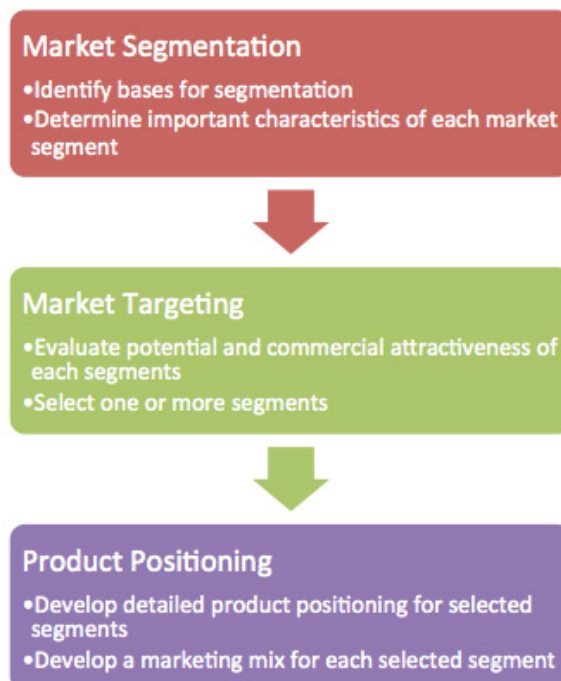
What is it?

The 1950s saw product differentiation as the primary marketing strategy. As customers became more sophisticated and their different needs were spotted, Segmentation, Targeting and Positioning (STP) was introduced.

What is it? Segmentation, Targeting and Positioning

STP is core to marketing strategy linking and prioritising audiences with propositions.

STP is a model for expanding sales by dividing your market into smaller units (segments). This is achieved by identifying the segments, evaluating the commercial attractiveness of those segments, developing a marketing mix and product positioning strategy for each segment, as shown below:



Why does STP matter?

- ✓ You can identify niches; Smaller groups of customers with specific needs.
- ✓ Mature markets can find new customers.
- ✓ You can deliver more focused and more effective messages. The needs of the segment are the same, so the marketing messages and methods are also the same – instead of ‘one size fits all’.
- ✓ It’s more efficient; Delivering the right mix to the same group of people, rather than a

scattergun approach and hoping some will stick.

How can you segment your existing markets?

You can segment your existing markets based on nearly any variable, as long as it's effective as the examples below show:

Segment	What this means?	Example
Demographics	Age, gender, income, education, ethnicity, marital status, education, household (or business) size, length of residence, type of residence, profession / occupation.	Firebox sells the 'coolest things' and is mainly aimed at a younger, male audience. Whereas Moshi Monsters provides parents with a fun, safe and educational space for young children.
Psychographics	Personality and emotionally based behaviour linked to purchase choices, including: attitudes, lifestyle, hobbies, risk aversion, personality traits, leadership traits, magazines read, TV watched.	Virgin Holidays has segmented its holiday offer into 6 groups as shown in Figure 1.
Lifestyle	Hobbies, recreational pursuits, entertainment, vacations, and other non-work time pursuits.	Some online and offline magazines are aimed at specific hobbies, such as FourFourTwo for football fans.
Belief and value systems	Religious, political, nationalistic and cultural beliefs and values.	The Islamic Bank of Britain offers Sharia compliant banking which meets specific religious requirements.
Life stages	Chronological benchmarking of people's lives at different ages.	Saga holidays are only available for people aged 50+. They claim a large enough segment to focus on this life stage.
Geography	Country, region, area, metropolitan or rural location, population density, climate.	Neiman Marcus, the upmarket department store chain in the USA now delivers to the UK. See Figure 2.
Behaviour	The nature of the purchase, brand loyalty, usage level, benefits sought, distribution channels used, reaction to marketing factors.	In a B2B environment, the benefits sought are often about 'how soon can it be delivered?' which includes the 'last minute' segment, the planning in advance segment. parcelmonkey.co.uk offers same day, next day and international parcel deliveries.



Segment	What this means?	Example
Benefit	The use and satisfaction gained by the consumer.	Smythson stationery offer similar products to other stationery companies, but their clients want the benefit of their signature packaging: tissue-lined Nile Blue boxes and tied with navy grosgrain ribbon!

Our Family

- HOLIDAYS + HIP HOTELS**: Hotels so stylish, they're destinations in their own right. Our Gurus offer you a personalised service to bring all the elements of your holiday together. Call today on **0844 573 2451**.
- HOLIDAYS CRUISES**: Make more of your holiday by adding a cruise to your stay. Wherever in the world floats your boat, we'll find the perfect cruise holiday that's just right for you. Call today on **0844 488 1828**.
- worldwide journeys**: Experience a touring holidays with a virgin twist. With our knowledgeable staff and expert guides, you will be in safe hands, experiencing the culture and spectacular sights. Call today on **0844 488 3405**.
- TRAVEL CITY DIRECT**: Experts in affordable, quality holidays to Florida. Their Price Match Promise is Guaranteed, making your budget go a lot further.
- Balesworldwide**: Experience some of world's most inspiring journey's with pioneers in authentic luxury travel for 65 years. Call us today on **0844 488 3404**.
- HUMAN | NATURE COLLECTION**: Sample real local flavour and go on truly authentic adventures that take steps to look after the environment and take you away from the crowds.

Figure 1 – Virgin Holidays segments

Neiman Marcus

Now shipping to United Kingdom
 We make it easy to shop from United Kingdom with:

- All prices in Pounds sterling
- Duties and taxes calculated at checkout
- Low international shipping rates
- Guaranteed landed costs (no additional charges at delivery)

More information about shipping internationally is available on our website.

[CONTINUE SHOPPING](#)

Not shipping to United Kingdom? [Click here.](#)

FREE SHIPPING* to select countries for a **LIMITED TIME** with your **\$100 USD** purchase.

Figure 2 – Neiman Marcus extending its geographical boundaries

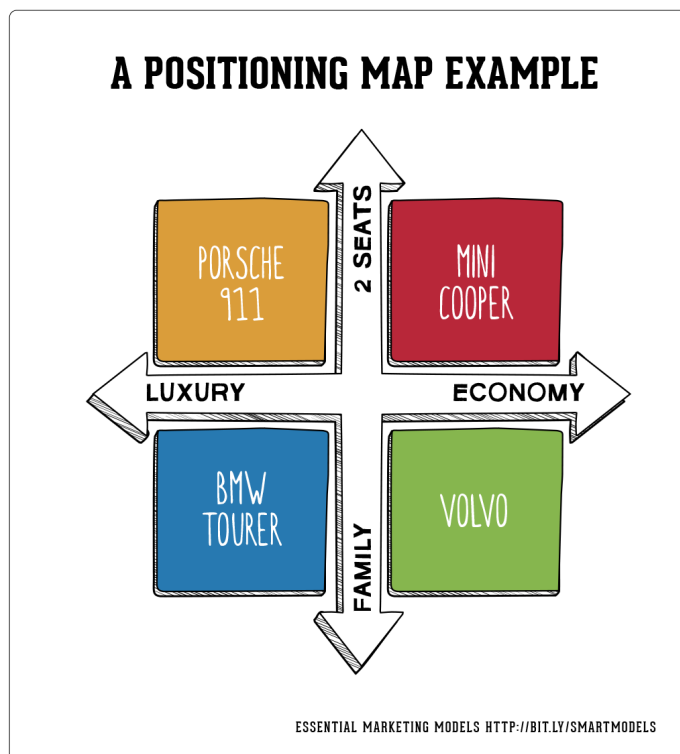
Market targeting

The table below shows what's needed to evaluate the potential and commercial attractiveness of each segment.

Segment criteria	Evaluation
Size	The market must be large enough to justify segmenting. If the market is small, it may make it smaller.
Difference	Measurable differences must exist between segments.
Money	Anticipated profits must exceed the costs of additional marketing plans and other changes.
Accessible	Each segment must be accessible to your team and the segment must be able to receive your marketing messages.
Focus on different benefits	Different segments must need different benefits.

Product positioning

Positioning maps are the last element of the STP process. For this to work, you need two variables to illustrate the market overview. In the example here, I've taken some cars available in the UK. This isn't a detailed product position map, more of an illustration. If there were no cars in one segment it could indicate a market opportunity.



How can I use this model?

Any time you suspect there are significant, measurable differences in your market, you should consider STP. Especially if you have to create a range of different messages for different groups.

A good example of segmentation is BT Plc, the UK's largest telecoms company. BT has adopted STP for its varied customer groups; ranging from individual consumers to B2B services for its competitors:



Figure 3 – BT's Customer Groups

Best Practice Tip 13 Keep it focused

Successful companies focus on specific markets. This enables them to send better communications that are more effective and get better results.

What to watch for

Make sure the market is large enough to matter and customers can be easily contacted.

Original Sources

Lancaster G. and Massingham, L. (1988) *Essentials of Marketing*. Maidenhead, Berkshire, England. McGraw-Hill.

Smith, W. R. (1956). Product differentiation and market segmentation as alternative marketing strategies. *Journal of Marketing*. (Vol. 21, Issue 1, July). p3-8.

Model 14. SOSTAC®

What is it?

SOSTAC® is a planning framework that can be used to structure all types of plans from business, to marketing strategy and communications plans through to Digital Marketing Plans.

It gives both a process to follow to create a plan or strategy, but can also be used to structure the strategy document. Note that each stage of SOSTAC® shown on the following page is not discrete, rather there is overlap during each stage of planning – previous stages must be revisited and refined, as indicated by the reverse arrows.

What is it? SOSTAC®

PR Smith's SOSTAC® is a planning process framework to help structure and manage implementation of plans. SOSTAC® stands for Situation, Objectives and Strategy, Tactics, Action and Control originally developed by PR Smith for marketing communications planning. In *Emarketing Excellence* Chaffey and Smith (2012) apply PR Smith's SOSTAC® framework to digital marketing as shown in the diagram on the next page.

View introduction post: [SOSTAC®](#)

How can I use this model?

The elements of SOSTAC® planning to help develop digital marketing strategy are:

Element	Planning activities
1. Situation Analysis means 'where are we now?'	Planning activities involved as this stage include performing a marketplace analysis reviewing the different aspects of the micro-environment including customers, competitors and intermediaries forming the online marketplace. The wider macro-environment as indicated by the PEST mnemonic can also be reviewed here. PEST stands for Political, Economic, Social and Technology factors.
2. Objectives means 'where do we want to be?'	Objectives can be divided into broad vision and goals for a marketing or digital marketing strategy, with more specific SMART objectives for growth in sales, profit and increasing customer touchpoint interactions to support this. Specific KPIs can be defined to review effectiveness at the control stage.
3. Strategy means 'how do we get there?'	Strategy summarises how to achieve the objectives through reviewing the options and taking decisions about segmentation, targeting and proposition development.
4. Tactics defines the specific details of the strategy.	Tactics includes specific details of the marketing mix, customer relationship management and marketing communications channels.
5. Actions refers to plans and tasks to implement the strategy and tactics.	Plans list all the activities, resources and budgets and should be presented on a timeline or in Gantt chart format.

Element	Planning activities
6. Control looks at keeping plans on track against target.	Control is a regular review process of dashboards containing KPIs defined at the objective setting stage to check the strategy is on track to meet objectives.

Best Practice Tip 14 Iterate through the stages of SOSTAC® to refine your strategy

You don't have to work through the model in a linear sense. If anything, working through the process might require you to make refinements to an earlier position in order to create a strategy that works for you.

Example

We have an example of a complete SOSTAC® marketing plan for a business.

Recommended Guides? Examples SOSTAC® plan

See details of the [Business Marketing planning guide and example template](#) by Annmarie Hanlon, available to Expert members.

What to watch for

SOSTAC® is often used alongside by Smart Insights members alongside RACE planning to create digital marketing plans. In this case, you have to think carefully about which is the main framework you use. The options are:

- Use SOSTAC® for overall structure for plan broken down by different customer touchpoints - Reach - Interact - Convert - Engage. Our members have asked for this structure and to help we have created a matrix for an entire SOSTAC® plan with the key issues to consider for RACE at each stage. This is the [SOSTAC® and RACE planning checklist](#) in our strategy toolkit. For example, at the Situation and Objective Setting stages, the review and goals can be reviewed for each of RACE.
- Use a PRACE structure for overall plan broken down into a simplified form of SOSTAC® namely Opportunity, Strategy and Action applied within each stage of RACE. The initial plan section should contain an initial overall digital strategy section which can include Situation Analysis, Objectives and Strategy.

Original Sources

SOSTAC® first appeared in PR Smith's Marketing Communications books where it is still used. Further details available from [PR Smith's site](#).

Smith, P. (2012) *Marketing Communications: Integrating offline and online with social media*, 5th edn. Kogan Page, London.

Smith, P.R. (2012) *The SOSTAC® Guide - to writing the perfect plan V1.1* [Kindle Edition]

The SOSTAC® Planning System

HOW DO WE MONITOR PERFORMANCE?

Optimising through:
 5 S's, KPI's and web analytics
 User experience review
 Conversion rate optimisation
 Frequency of reporting
 Process of reporting and actions

WHERE ARE WE NOW?

Marketplace SWOT:
 5 S's performance and other KPI's (& trend)
 Customer insight (who, why, how?)
 Market Trends
 Competitor analysis
 Internal capabilities and resources

WHERE DO WE WANT TO BE?

5 S's objectives:
Sell - customer acquisition and retention targets
Serve - customer satisfaction targets
Sizzle - wow factor (added value)
Speak - engaging customers
Save - quantified efficiency gains

THE DETAILS OF TACTICS

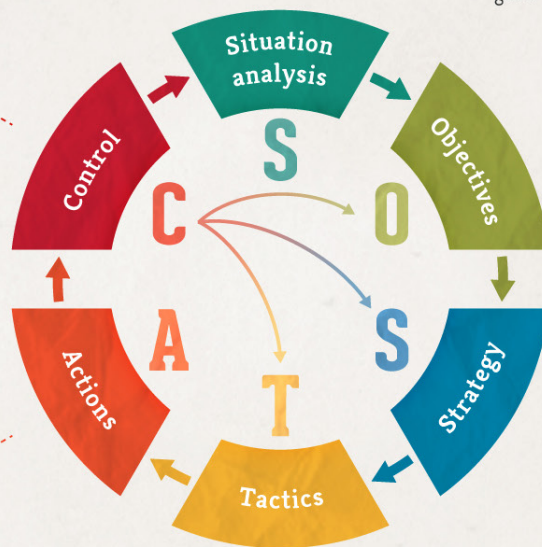
Who does what and when:
 Responsibilities and structures
 Processes and systems
 Internal resources and skills
 External agencies

HOW EXACTLY DO WE GET THERE?

Marketing mix:
 8 P's
 Incl. Communications Mix
 Content Plan
 Contact Plan

HOW DO WE GET THERE?

STOP & SIT:
 Segments
 Target markets
 Objectives
 Positioning (OVP)
 &
 Sequence (Trust, Try, Buy...)
 Integration (CRM & D/Base)
 Tools (e.g. SEO, PPC)



Created by PR Smith, SOSTAC® is a simple yet powerful planning system, which is easily applied to help create the perfect plan. SOSTAC® is a registered trade mark with SOSTAC® eBook, workbook, webinars & workshops by PR Smith: www.PRSmith.org

LICENCED BY



DESIGNED BY



PARTNERED BY



Model 15 SWOT (TOWS) matrix

What is it?

For us, a SWOT analysis is an essential part of any business, marketing or digital marketing plan. It allows you to create a strategy or plan of action based not on what you're interested in doing or on your gut-feel, but what you need to do given the situation in the marketplace. It considers your existing capabilities for marketing against competitors and "best-of-breed" practices across all industry sectors, plus looks at opportunities created as new technologies are introduced.

What is it? SWOT and TOWS matrix

A SWOT summarises the *internal strategic strengths and weaknesses* of a marketing or business strategy and the *external strategic opportunities and threats* that are available to all competitors in a market.

The TOWS matrix reviews not only the situation through internal strengths and weaknesses and external opportunities and threats around the edge, but also shows 4 boxes for creating strategies to succeed in the marketplace. This is the beauty of TOWS - it helps define future direction rather than just focusing on the present.

Introductory post: [Why SWOT isn't "Utterly Pointless"](#)

The TOWS matrix

When we develop SWOT, we find the so-called TOWS matrix approach invaluable, but wish there was a more sensible name for it! We find that while almost everyone we speak to knows the simple 2 by 2 SWOT matrix, relatively few know TOWS.

The power of the TOWS matrix format is in the way it not only enables a review, but also helps you create and summarise strategies to improve relative to competitors. Often SWOT are put in the appendix of a report or on the shelf and do not drive action, but the TOWS approach integrates the SWOT into the whole strategy process to help create a plan.

The organisation	Strengths – S 1. Existing brand 2. Existing customer base 3. Existing distribution	Weaknesses – W 1. Brand perception 2. Intermediary use 3. Technology/skills 4. X-channel support
Opportunities – O 1. Cross-selling 2. New markets 3. New services 4. Alliances/Co-branding	SO strategies Leverage strengths to maximise opportunities = Attacking strategy	WO strategies Counter weaknesses through exploiting opportunities = Build strengths for attacking strategy
Threats – T 1. Customer choice 2. New entrants 3. New competitive products 4. Channel conflicts	ST strategies Leverage strengths to minimise threats = Defensive strategy	WT strategies Counter weaknesses and threats = Build strengths for defensive strategy

How can I use this model?

When creating a digital marketing plan, SWOT or TOWS analysis is also an essential step. It's sometimes seen as an academic exercise and there's the feeling that the time should be spent on improving the execution of the tactics like email or search marketing or improving the site, but the SWOT analysis will give you the strategic view of the main opportunities and challenges available from online marketing. The high-level view will help you see the most important issues which need to be managed for your online success.

This is how we recommend you apply the TOWS matrix to online marketing.

1. Based on existing SWOT for the business

Before looking at SWOT for your online marketing, you need to look at the broader picture. What are the key issues that need to be managed for the business to be successful. As Malcolm MacDonald has recommended this should ideally not be too generic, but should focus on a particular market or customer segment.

2. Use a TOWs matrix approach to define strategic options

Start by reviewing the internal strengths and weaknesses - these are usually easy to identify, especially the weaknesses. The move onto the external strengths and weaknesses - these are more of a challenge, but brainstorming helps. Considering new approaches that sector leaders or new entrants are trialling to identify these together with external PEST (Political, Economic, Social and Technology) factors which will create opportunities and threats.

Once the border of the matrix is complete, now for the most difficult part.. Fill in the middle four boxes. For example, define WO strategies which counter current weaknesses by exploiting new opportunities in the marketplace such as new marketing models or technologies.

Best Practice Tip 15 Create a separate SWOT for different activities

If you're struggling to limit yourself to top-level strategic issues it may help to focus on a particular market or product. In training workshops we often get different team members to focus on just some one market. Within digital marketing a different SWOT can be created for each of the RACE Planning activities. Alternatively, a letter from PRACE can be added next to each potential strategy.

3. Select the priority strategic options

We recommend you develop a scoring method to assess the business value of the strategic options generated. Otherwise, it will be he or she who shouts loudest! Criteria to consider for selecting the right options are:

- Potential value generated
- Investment and reallocation of resources needed
- Alignment with brand and other strategic initiatives
- Pursuit of similar strategies by others in the market

- ☑ Risk of following strategy

What to watch for?

When completing the matrix you will often find that...

1. You create more strategic options in the SO and WO boxes. Don't worry, this is typical.
2. It will sometimes be unclear which box to place the strategic option in. Again, don't worry, this is again normal. Remember that what is important in this analysis is to create the strategic options.

Original source

Not known.



Model 16 PESTLE analysis

What is it?

PESTLE is one of a well known series of acronyms used in business and marketing planning which summarises how to review the broader forces sometimes known as 'macro-environment' which shape a business.

What is it? PESTLE analysis

PESTLE stands for:

- ✓ Political
- ✓ Economic
- ✓ Sociological
- ✓ Technological
- ✓ Legal
- ✓ Environmental

PEST analysis is used when conducting an environment scan; to review competitors, markets and the situation in which an organisation finds itself.

PESTLE is also known by a confusing number of similar acronyms; PEST, PESTEL, STEEPLE, SLEPT, PEST, DEEPLIST. The difference between these meanings is simply based on the additional factors that are added from the basic "PEST analysis" which is best known. The longer forms stress the importance of Legal and Environmental factors. Within digital marketing Legal factors governing Data Privacy and Promotional laws are particularly important, so we prefer PESTLE to emphasise these factors.

How can I use this model?

The key technique with PESTLE is to dig deep. Many managers simply work through or tick off one element after another. There is real value in PESTLE, but only if you adopt a deeper approach and subsequently act on the information.

One company which ignored broader PESTLE factors for years was HMV, a UK retailer of music with a long heritage. Originally selling 'vinyl records', it failed to address the sociological impact of the internet, especially online retailing. Its sales continued to drop as fewer people walked into a physical store on main street to buy music. Emerging competitors such as Napster and later Spotify, offered music streaming and download services, effectively making the HMV model redundant. The downfall of HMV has been in part explained by Philip Beeching who was part of the ad agency team that had worked for HMV for some time. He said that when re-pitching for the HMV work, after a new MD had been appointed, they pulled out all the stops, clearly they had done some research – possibly even a PESTLE analysis and told the MD and new team of directors "*The three greatest threats to HMV are, online retailers, downloadable music and supermarkets discounting loss leader product*". The tragedy was that the MD had perhaps not had the same research and reacted badly to this information. As Beeching commented "*Suddenly I realised the MD had stopped the meeting and was visibly angry*".

Getting directors to listen to good advice can be a challenge and I remember conducting an in-depth PESTLE as part of a future planning session, with a leading manufacturer of

ladies garments for a well-known department store. At the time I identified an economic factor as being the pressure on prices decreasing rather than increasing. As a result, my team predicted that their competitors would seek offshore production of clothing. At the time, the Finance Director made it clear and told me I had no idea how their business worked; “that sort of thing would never happen here”. Actually it did. And three months later, the MD contacted me and said my predictions had become reality and they needed to adapt quickly.

This is a classic example of having the information available, but ignoring the results.

Using PESTLE in a digital situation presents additional challenges as the implications can be less obvious. Let’s look at each of the factors in turn, with examples:

Political

We often think that all political issues become laws and that this is a duplication of ‘legal’, however, governments can ban or block activities, but this is not always enshrined in law. For example, Facebook has been blocked in Iran, Vietnam and North Korea. Twitter is currently banned in several other countries. This social media map from Mother Jones, shows what’s banned where.

This means if you’re a business using Facebook in these areas, you cannot use these advertising options and it is less likely that your target audience can see your updates. It also means you need to consider local alternatives, for example, Sina Weibo in China and Facenama in Iran and Afghanistan.

Economic

The arrival of the Internet created many pricing options that would have previously been impossible to imagine. For example:

- ✓ First visitor and return visitor pricing is available through the use of cookies
- ✓ 24 hour sales are easier to accommodate with a code to enter at checkout, “only available until midnight”
- ✓ Dynamic pricing based on availability and quantity is now used by most airlines and by many hotel groups and hotel chains
- ✓ Auction pricing focused on highest and lowest offers (reverse auctions) is used by eBay, Priceline and many others
- ✓ Software being sold as a service, with monthly payments rather than an upfront fee for a box of disks!
- ✓ Free, freemium and premium services have evolved with some services such as games, being free, but showing ads and premium options available for ad-free services

A major challenge to many businesses are price comparison websites, where the prices are compared in a situation that isn’t always accurate as delivery charge may be excluded.

In the future, most delivery charges will be removed as free delivery becomes the norm. The difference may be the speed of delivery with options for premium charges for super-fast delivery.

Advantages of a digital environment mean that companies can adapt to local economic conditions and offer:

- ✓ Flash or 24 hour sales to move older stock
- ✓ Email customers with advance access to sales

- ✔ Stock sales via other outlets, such as Amazon and ebay, perhaps not under the main brand name

Sociological or socio-cultural

Understanding what's acceptable socially or within a culture as well as greater appreciation of different societies and beliefs is more available online than ever before.

This knowledge has created opportunities and has opened new markets. One of my favourite examples of a company adapting to opportunities is Moonpig. There may have been a time where they offered cards for birthdays, weddings and events like Christmas. Today they offer a wide range of cards for all occasions and religions.

Other issues on a socio cultural level include

- ✔ **Access to Internet** – surprising as it may seem, not everyone has access to the internet. This is especially true of the 80+ demographic, as well as those on lower incomes.
- ✔ **Acceptance of the technology** – as the age profile in Facebook grows with more parents and grandparents adopting the platform, younger users are finding it less socially acceptable and are moving towards What's App.
- ✔ **Does your business know its target audience?** What level of access to the internet do they have? If they're in that group without access, how can you make contact?

Interestingly this question led to the development of Babajob. India has one of the world's lowest levels of internet penetration, so these entrepreneurs started a job service, accessible via SMS. All you need is a mobile phone.

Technological

This issue is an easier element to understand within the PESTLE mix when it comes to digital marketing. It's all about the technology being used, whether that's desktop or mobile, tablets or wearables.

Issues for your business could include:

- ✔ Screen size and where the internet is accessed
- ✔ How you can make your user journeys easier
- ✔ Whether new technology makes elements of your marketing mix redundant
- ✔ Screen size and where the internet is accessed

Within most organisations, this concerns whether their website is usable across all channels.

How you can make your user journeys easier

You may discover, as British Airways did, that their customers used Twitter as a self-serve customer service platform. Eventually BA decided to play the role given to them by their customers.

Whether new technology makes elements of your marketing mix redundant

Thinking about your marketing mix, which of the 7Ps are likely to change within a digital environment? Do read another article where we've looked at using the 7Ps.

Legal

Spotify, the music streaming service, has been available in the USA since it started in 2013,

but was not available in Canada until October 2014. It seems that this may have, in part, been due to legal reasons. There was no clarity about the royalty rate that companies like Spotify, would have to pay. It would be difficult to set up a business in a location where the pricing was a mystery!

In May 2014, the Copyright Board of Canada issued a decision on the royalty rate that music streaming services should pay for the use of recordings. Under the ruling, the payment will be about 10.2 cents in royalties for every 1,000 plays. It is interesting to note that this rate is substantially lower than the one required by some members of the Canadian music industry, who were aiming for between \$1 and \$2.30.

Legal issues online are a major consideration. Here are some issues that you may need to consider within your local laws:

- ☑ Bloggers being paid, but not disclosing that they are promoting a business (misleading practices)
- ☑ Product placement including verbal mentions during 'editorial content'
- ☑ Stealing images from other websites (copyright infringement)
- ☑ Using well-known brand names on your own website (passing off – common tort)
- ☑ Paying commissions direct to staff (Bribery Act)
- ☑ Selling customer data (Data Protection)

Plus, when setting up social media pages, you may need to adapt to meet different laws in different places. For example, if you're setting up a Facebook page to promote alcoholic drinks, it's essential to age-gate and country-gate; ensuring your page is only available to those aged over 18 and those in the UK. If you ignore this, you could be breaking laws in other jurisdictions and this could have a negative impact on your business.

Environmental

Environmental can be interpreted as ecological (that's the extra 'e' in STEEPLE) and this is a fast growing consideration in marketing. The biggest impact has been in packaging and waste. Companies are needing to re-think packaging in some countries, for example in Ireland, where carrier bags are a chargeable item at the point of sale. This in itself has created a business opportunity for companies like Envirosax, selling fold-up bags that fit into hand-bags and pockets.

And don't forget that environmental issues are often led by legislation such as carrier bag tax or local waste taxes!

Whatever your size of business, PESTLE can identify threats, and more importantly, it can also highlight opportunities. Successful companies in a digital age see these opportunities and adapt or create new product ranges and boldly move into new markets.

What to watch for?

Note that not everyone considers PEST type analysis vital in comparison with the more direct influences of the macro environment. As Dave Chaffey has commented "*PESTLE/PEST/DEEPLIST make me groan – to me they're a text book approach which is far removed from practical actions to improve results in digital marketing. In assignments, I find students tend to review these in-depth at the expense of creating innovative, differentiating strategies. The focus should be on the customer*".

So, I suggest you use it as much more than a check list and without the text book approach - I hope my introduction will help.

Original source

Terry, P.T.(1977) Mechanisms for Environmental Scanning. *Long Range Planning*. Jun77, Vol. 10 Issue 3, p2-9.

Please share or feedback

Thank you for taking a look at our guide to [Essential Marketing Models](#) - please share it if you found it useful!

If you have any questions, comments or suggestions for other essential models we can include in future, please get in touch via the [Smart Insights Answers forums](#).



