

4. *Harvest* – to relinquish intentionally competitive position, emphasizing short-term profit and cash flow but not necessarily at the risk of losing the business in the short term. Often entails consolidating or reducing various aspects of the business to create higher performance for that which remains.
5. *Exit* – to divest oneself of a business because of its weak competitive position or because the cost of staying in it is prohibitive, and the risk associated with improving its position is too high.

Exercise 6.4 The SWOT analysis

Having completed the marketing audit, your task now is to summarize it into a cogent and interesting analysis of your company's particular situation in each major segment. The SWOT approach (the word SWOT incidentally being derived from the initial letters of Strengths, Weaknesses, Opportunities and Threats) will enable you to list in simple terms:

1. Your company's differential strengths and weaknesses *vis-à-vis* competitors.
2. Where the best opportunities exist, i.e. market segments.
3. The present and future threats to your business in the market segments.

The SWOT analysis for each segment should only be a few pages in length and should concern itself with key factors only, supported by relevant data.

Some of the most valuable information for the SWOT analysis will come from the life-cycle analysis and the portfolio matrix you prepared in Chapter 5. The former will give you insights about the prospects for your key products and/or services and this information can then be used on the portfolio matrix, thereby highlighting how the portfolio will change. An example of this is shown in Figure 6.26.

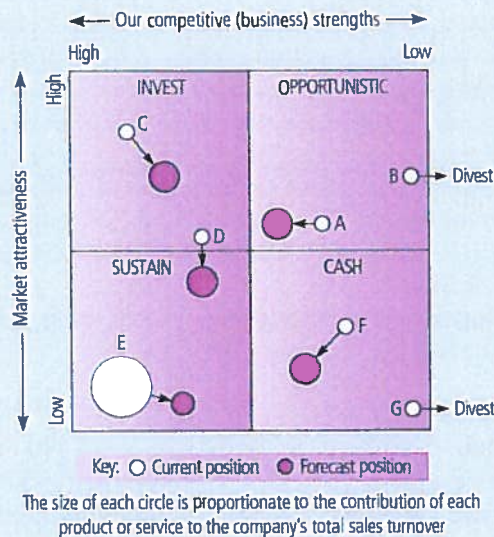


Figure 6.26: DPM example.

(Continued)

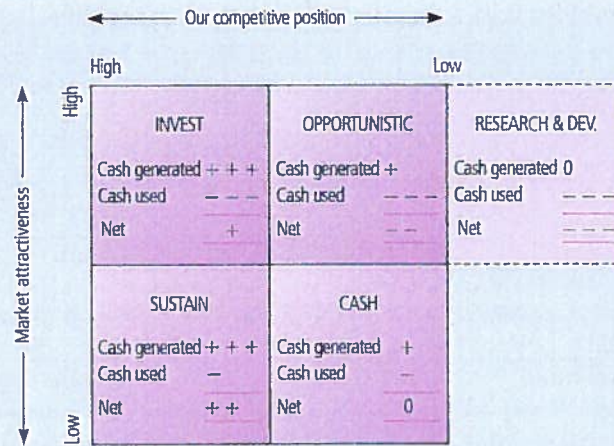


Figure 6.27: DPM guidelines.

In Figure 6.26, clearly the future portfolio is going to be significantly different from the current one. Products/segments B and G will disappear. The sales volume of A, C and D will increase, while that of E will reduce quite dramatically. All this has a tremendous bearing on how funds are generated, and, again, this is where the portfolio matrix can be helpful in letting one understand what is happening. If you recall, the text explained that different quadrants of the matrix had different characteristics when viewed as sources of funds (Figure 6.27). Although this comes from the Boston Matrix, it is just as relevant to the directional policy matrix shown in Figure 6.26.

The significance of this for any company is to have a balanced portfolio, where there are adequate 'sustains' to fund research and development and selected 'opportunistics'.

The effort and costs associated with keeping the market share for 'invests' makes them unreliable sources of funds. The benefits will be reaped later when today's 'invests' sink into the 'sustain' quadrant.

You can now proceed to complete the pro forma provided in respect of all your key market segments. Thus, if you have six key market segments, you will complete six pro formas. In this book, we have provided you with one. If you need more, just repeat the exercise using duplicate forms. See Figure 6.28.

A more detailed approach to completing the pro forma in Figure 6.28 now follows and we recommend that you read this next section most carefully.

Exercise 6.5 Assumptions

Any SWOT analysis should *not* look like the one given in Figure 6.29.

The problem with these is that they are far too generalized and tend to be conducted on what we describe here as 'the average customer/consumer' and, of course, we now understand from the segmentation section in Chapter 4 that there is no such 'person'. The result of SWOTs like this is that they end up with vapid, meaningless words and the authors have

1 SBU description Here, describe the market for which the SWOT is being done		2 Critical success factors What are the few key things, from the customer's point of view, that any competitor has to do right to succeed?		3 Weighting How important is each of these CSFs? Score out of 100		
		1				
		2				
		3				
		4				
		5				
				Total	100	
4 Strengths/weaknesses analysis Score yourself and each of your main competitors out of 10 on each of the CSFs. Then multiply the score by the weight.						
CSF	Comp	You	Competitor A	Competitor B	Competitor C	Competitor D
1						
2						
3						
4						
5						
Total (score x weight)						
5 Opportunities/threats What are the few key things outside your direct control that have had, and will continue to have, an impact on your business?			6 Key issues that need to be addressed			
Opportunities			Threats			
1						
2						
3						
4						
5						
7 Key assumptions for the planning period			8 Key objectives		9 Key strategies	
1						
2						
3						
4						
5						
6						
7						
Final consequences						

Figure 6.28: Strategic planning exercise (SWOT analysis).

Note: This form should be completed for each product/market segment under consideration.

seen hundreds of such analyses over the years. They represent a kind of 'My head is in the oven and my feet are in the fridge, so we must be comfortable on average' sentiment. So, please avoid this at all costs and concentrate on the methodology spelled out below.

At a general level, however, there are some guidelines, which are set out in Figure 6.30.

Conducting meaningful, useful SWOTs, however, is still a difficult managerial exercise. For example, on the pro forma provided in Figure 6.28, it will be seen that in Column 2 there are only five spaces. The problem here, however, is a tendency to write in words for critical

(Continued)



Figure 6.29: A meaningless SWOT analysis.

Strengths

It can create value for the organisation/customer
It is unique
It is inimitable
It is lasting

Opportunities

It is large
It is accessible
It is lasting

Weaknesses

It is meaningful to the customer
It is unique
It is difficult to fix

Threats

It is significant
It is lasting

Figure 6.30: Guidelines for a meaningful SWOT analysis.

success factors (CSFs), such as 'product', 'price', 'promotion' and 'service', all of which are meaningless unless accompanied by more detailed explanation.

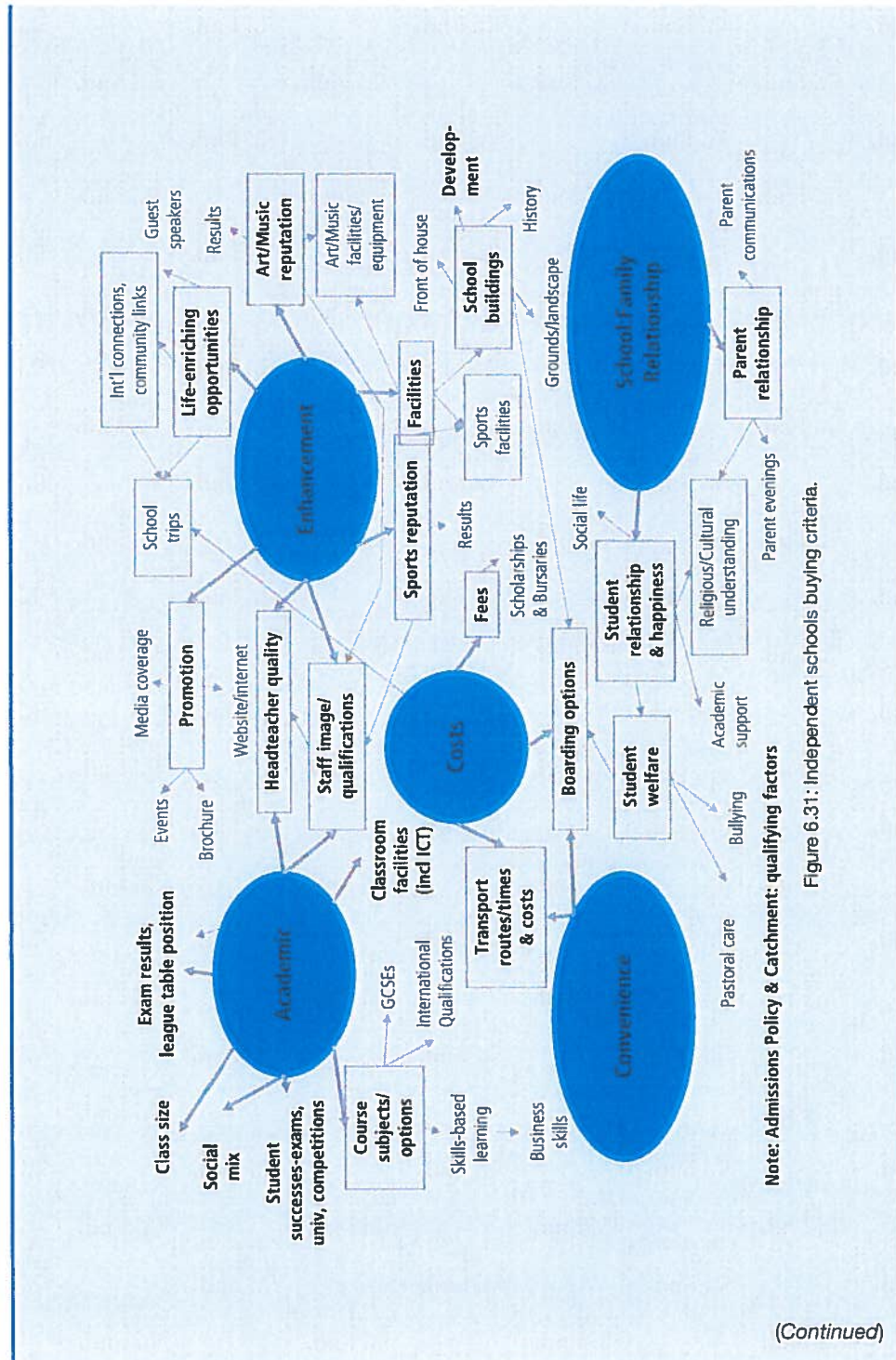
The following case will explain a methodology for making the summary headings in Column 2 of Figure 6.28 more meaningful.

Figure 6.31 shows five key buying principles for parents who are considering which private school to send their children to. More importantly, however, Figures 6.32 to 6.35 show the details behind each of these headings. In this example, it is in order to put in Column 2 of Figure 6.28 'Affordability', for example, but behind this summary heading, a more detailed analysis will have been completed, otherwise 'Affordability' becomes just another vapid, meaningless word.

Finally, for presentation purposes in the actual marketing plan, it is often useful to present the strengths/weaknesses data as a bar chart, as shown in Figure 6.36.

The lessons to be learned from the above example are crucial to conducting a truly powerful SWOT on each important product/market segment.

Often it is forgotten that in conducting the SWOT analysis we have had to make assumptions, or educated guesses, about some of the factors that will affect the business, e.g. about market-growth rates, about government economic policy, about the activities of our competitors, etc. Most planning assumptions tend to deal with the environment or market trends and as such are critical to the fulfilment of the planned marketing objectives and strategies.



(Continued)

Academic factors

Personality and vision of Head
 Exam results
 Class size
 League table position (compared to regional competitors)
 Student academic successes (Oxbridge, major universities, competitions)
 Academic planning: A level, IB, pre-U; IGCSE? New subjects?
 Flexibility of subject choice
 Academic history (results over a number of years)
 Quality/knowledge/experience of staff
 Facilities for teaching and learning
 Learning opportunities outside mainstream subjects (could be vocational skills)
 Reporting procedures
 Innovations in teaching and learning

Figure 6.32: Academic factors.

Enhancement/Attractiveness factors**Facilities**

- **Buildings and grounds**
- **Specialist facilities** (floodlit astroturf, ICT centre, theatre)
- **Development Planning:** plans for new/better facilities

People

- **Quality of staff** (teaching and specialist – ie sports/music coaching)
- Quality of staff recruitment
- Front of House/customer focus
- **Understanding/delivery of mission** by all staff
- Strong **alumni association**
- Active **parents' association**

'Preparation for Life'

- Active **careers department**
- Expertise in **university entrance support**
- **Work experience, Young Enterprise**, Duke of Edinburgh's Award, Sports Leader's Award etc.

Community

- **Links** through activities (charity fundraising, visits to elderly, working with handicapped etc.)
- **Hire of facilities** (pool, theatre, sports, hall for weddings and parties)
- Compliant with **Charities Act**
- **Local reputation**

International links and opportunities

- Language visits
- Trips and expeditions
- Other learning opportunities

Technology

- Up-to-date, **campus-wide access**
- Resources online to enhance study

Environmental

- Clear **policy** and aims
- Strong **student involvement in campaigns and issues**
- Clear **priority status** within School – put into action

Figure 6.33: Enhancement factors.

Relationship factors

Pastoral Care

- **Welfare:** support, information, training, awareness
- Responsiveness
- **Structures**
- **Policies:** availability, clarity

Ethos

- **Mission, values**
- Tangible, delivered from top down

Parents' association

Alumni association

Communications

- Internet, intranet
- Events
- Printed communications
- Policies and procedures
- Management of problems

Figure 6.34: Relationship factors.

Cost factors

Fees

- Fee increases yr-to-yr

Scholarships

- Type? (sports, academic, all-round, music, art)
- % discount

Bursaries

- % range
- Means-testing

Sibling discounts

Transport costs

Trips, other extra costs on the bill

Price relative to regional competitors

Figure 6.35: Cost factors.

What then are the risks attached to making assumptions? Suppose we get it wrong?

To give some measure of risk assessment, a technique has been developed that looks at the assumption from the negative point of view. It leads one to ask 'What can go wrong with each assumption that would change the outcome?' For example, suppose the product was an oil derivative and was thus extremely sensitive to the price of oil. For planning purposes an assumption about the price of oil would have to be made. Using this 'Downside risk' technique we would assess to what level the price could rise before increased material costs would make our products too expensive and cause our marketing plans to be completely revised.

Now complete the following 'Downside risk assessment form' (Table 6.5) to evaluate some of the key assumptions you used in your SWOT analyses, and which you are now to use as the basis for setting marketing objectives and strategies.

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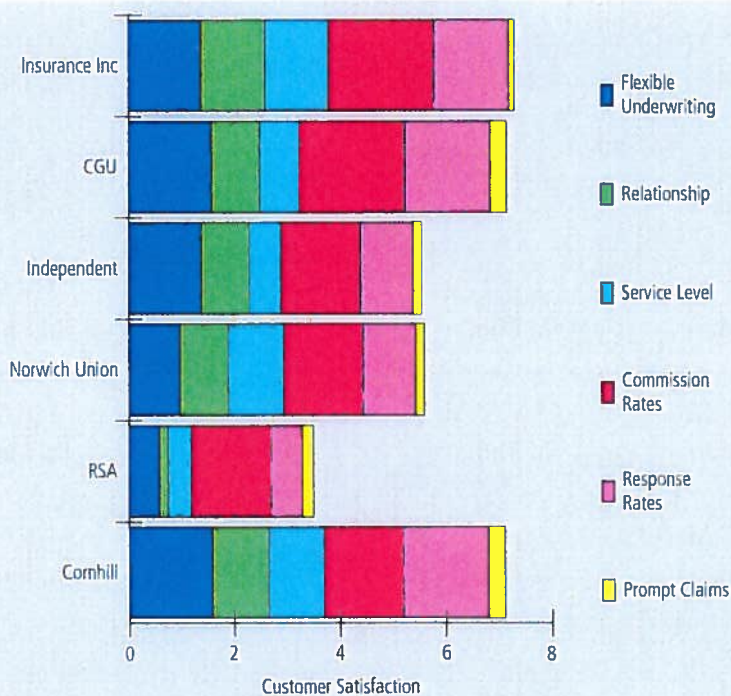


Figure 6.36: CSF barchart.

Key assumption	Basis of assumption	Confidence in assumption (high/med/low)	What would have to happen to make outcome unattractive?	What is the risk of this happening? (high/med/low)	What would be impact if event occurs?	How far could things be allowed to deviate from plan before action is taken?	What contingency action is planned?

Table 6.5: Downside risk assessment.