

Marketing Environment

A Report on GlaxoSmithKline (GSK's)
Marketing Environment with
recommendations made for future product
and marketing development.



Tutor: Damien Gallagher
Student name: Aisha Ijaz
Student ID: 10056967

Contents Page

1.0 Terms of Reference.....	3
2.0 Procedure	3
3.0 Findings.....	4
3.1 The Macro Environment.....	5
3.1.1 PEST Analysis	5
3.2 The Micro Environment.....	8
3.2.1 Customers buying decision process.....	8
3.2.2 Marketing mix.....	10
3.3 Future product and marketing opportunities.....	14
3.3.1 Future product – Lucozade for kids (LFK).....	14
3.3.2 Objective and positioning:	15
3.3.3 Strategies and Tactics	16
3.3.4 Budget.....	19
3.3.5 Implementation	20
3.3.6 Evaluation	21
4.0 Bibliography	22

1.0 Terms of Reference

This report analyses the marketing environment of GSK and in light of the analysis, recommendations are made for future product and marketing developments.

It is to be handed into Damien Gallagher on 06/05/05

2.0 Procedure

Secondary information for this report was collected from the following areas:

- Research from the Internet
- Research from a national newspaper
- Academic theory from books
- Journal articles
- Marketing Magazines

3.0 Findings

GlaxoSmithKline (GSK) is “*one of the worlds leading research-based pharmaceutical and healthcare company*” (The Irish Times; 2005) and is the parent company of all Lucozade products ranging from energy drinks, energy gels to energy tablets for sport enthusiasts.

In order to analyse the marketing environment, in which GSK currently operate in, it is important to understand the concept of “*marketing environment*” which is “*the external forces that directly or indirectly influence an organisation’s acquisition of input and generation outputs*” (Dibb et al; 2001:pg.35). The following will be considered:

- Macro Environment, which consists of “*the broader forces affecting all organisations in the market*” (Dibb et al; 2001:pg.59).
- Micro Environment, which are the “*more company-specific forces reflecting the nature of the business*” (Dibb et al; 2001:pg.59).

In light of the analysis made above, a potential gap will be recognised and recommendations will be made within the report for future products and marketing developments in which:

- The Marketing communication decision sequence will be used in order to implement marketing communication decision making strategies for potential products and marketing developments.

3.1 The Macro Environment

The macro environment looks at the “*broader forces affecting all organisations in a market*” (Dibb et al; 2001:pg.59) therefore, the PEST analysis will be implemented.

3.1.1 PEST Analysis

The PEST analysis looks at the contextual forces that affect all organisations. The PEST consists of the Political, Economical, Sociocultural and Technological environmental factors which would need to be scanned in order to analyse GSK’s situational marketing environment. These factors may help or hinder GSK’s performance and effectiveness within the environment it operate in.

Sociocultural environment

The sociocultural environment looks into the “*trend and developments within society as a whole, affecting the demographics structure of the population, life-styles, attitudes, culture, issues on public or private concern, tastes and demands*” (Brassington & Pettitt: 2003:pg.1059). Responding to the sociocultural environment will influence GSK’s ‘acquisition of input’ in order to generate outputs. However, GSK would need to observe and manage trends, attitudes and lifestyles according to the constantly changing customer needs and wants.

Mintel (2003:pg.5) indicated that health and body-consciousness are driving sales. With media and celebrities showing healthy toned bodies, this has contributed towards society becoming more conscious about how they look and has led to fitness and dietary trends. With Lucozade’s perception of improved performance by 33% and a healthy alternative to water (The Irish Times; 2005) coincides with current lifestyle trends which presents Lucozade as a benefit sought product (Dibb et al; 2001:pg.219). This illustrates GSK’s response to the current marketing environment in supplying products which meet current dietary trends.

GSK currently make use of a benefit and a lifestyle base for segmentation (Dibb et al; 2003:pg.219) and have targeted sports enthusiasts who have an interest in sport. STP

(segmentation, targeting and positioning) identifies the sub-sets of buyers within a market who share similar requirements and have similar buying processes. GSK's use of segmentation is compliant with the benefit consumers want from the product, which may be a healthy alternative, improved performance or a convenient format to account for individual lifestyles and acquiring this information from the social marketing environment aids GSK in generating output.

Mintel (2003:pg.5) stated that men are more likely than women to take part in sporting activities and "*compromise the key target market*". 72% of males aged 16-19 and 54% aged 30-44 consume sports drink and this illustrates the popularity of the drink with young men. Consequently, Lucozade Sport Hydro Active, according to Mintel (2003:pg.15) is a hydration, low-calorie water based drink. This is targeted at regular exercisers and is viewed as biased towards women. Evidence of this is through the communicational strategy used on TV, which illustrates a woman jogging and then stopping to consume Lucozade Sport Hydro Active. This advertisement gives a perception of the product being for women who enjoy jogging or have an interest in sports.

Lucozade Hydro Active will extend and influence GSK socially since bottle water popularity is increasing rapidly and had been consumed by 50.8% of UK adults in 2003 (Key Notes; 2004). The increase in the bottled water industry indicates a potential opportunity for GSK to target bottled water to other segments of the market and highlights the importance of observing and managing the social marketing environment.

However, a recent article in Marketing (2005:pg.15) stated how "*Tango had been caught out by the trend for consumers to look for additional functional benefits from drinks*" which resulted in the company's recent decline in profits. Thus, indicating that having no functional benefits may negatively hinder the potential opportunities that a new product developed may bring. Thus, indicating the importance of being aware of barriers within the social marketing environment that GSK would need to be aware of when developing products.

Research (Mintel; 2003) highlighted that orange juice “*continues to dominate the market*” as it rose from 726 m litres consumed in 2002 to 813 m litres consumed in 2004, indicating an increase of 12.0%. Apple juice had also increased by 8.6% and in acquiring this information provides GSK with an opportunity for GSK to experiment with alternative flavoured drinks, when generating output for customers.

Technological environment

This can be described as the “*trend and developments in the technological field that might create new product opportunities*” (Brassington & Pettitt; 2003:pg.1059). Therefore, acquiring information about the trends in the technological field will enable GSK to generate new product opportunities for consumers.

Mintel (2003:pg.14) highlighted an increase of convenience food and nutritional supplements which are used by consumers for improved nutrition. Mintel further suggested that this is the drive for developing new products and new product formats for easier transportation and consumption. Consequently, Lucozade’s Carbo Gel, tablets and energy bars enable users to consume products at “*optimum time*” (Mintel; 2003:pg.14).

As a result, evidence illustrates how GSK have observed and managed new product formats for convenient and nutritional supplements as a result of busier lifestyles (social marketing environment) and created new product opportunities. Therefore, GSK’s technological marketing environment is critical when developing new products or product formats which will give GSK a competitive edge over competitors.

3.2 The Micro Environment

The micro marketing environment looks at the “*more company-specific forces reflecting the nature of the business*” (Dibb et al: 2001:pg.59). Since “*customers are a crucial part of an organizations micro environment*” (Palmer & Hartley; 2002:pg.7) it is important for GSK to understand, anticipate and satisfy these ever changing customer requirements. From this, acquiring information about the customer buying decision process will aid GSK in understanding customer buying behaviours and in generating output.

3.2.1 Customers buying decision process

The consumer buying decision process (See Fig.1) is a five stage process that provides a framework that takes into consideration the more complex elements that affect customer’s needs and want.

Research indicated that even though customers have the intention to purchase a product, this is only an ideal and can be “*influenced by contingencies*” (Storbacka et al; 1994). The ‘possible influences on the decision processes’ are key forces that will either influence or cause a barriers for GSK’s micro marketing environment.

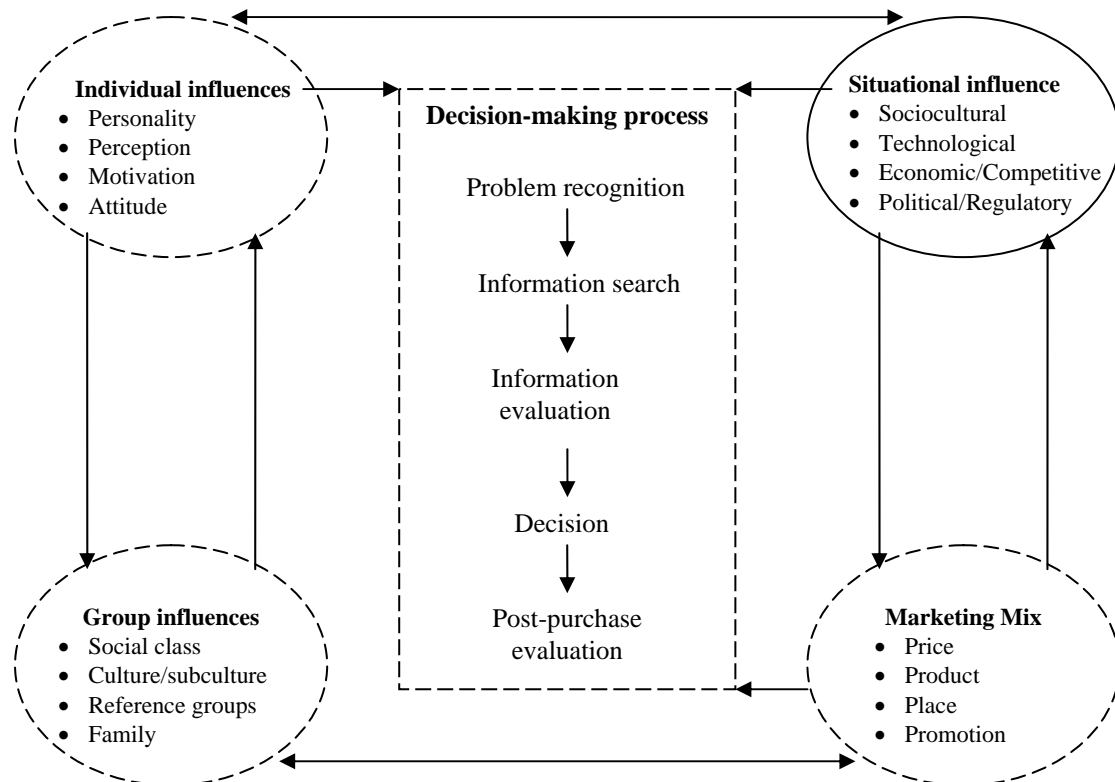


Fig.1

Brassington, F& Pettitt, S (2003) *Principles of Marketing*, Third Edition, Harlow: Prentice Hall, Pg 93

Individual Influences

The perception of Lucozade being for sports enthusiasts has come about by all the media used to promote Lucozade such as TV advertisements featuring sporting heroes and GSK’s association with sports articles and events. Storbacka et al (1998) stated that “*word-of-mouth and advertising*” can contribute to a perception of a quality and can affect the customer buying behaviour. The current perception acquired from Lucozade products is one appealing to sports enthusiast. Though this had been recognized in the social environment this illustrates how the macro and micro marketing environment influences the consumer buying decision process. Thus, perception can lead to increased consumer behaviour.

Group Influences

“Individuals are influenced...by the social and cultural climate they live in” (Brassington & Pettitt: 2003:pg.117). Social influences include the forces that other people may exert on a customer’s buying behaviour. If an individual is part of a sports enthusiast group and consumes Lucozade other individuals may also purchase Lucozade as a result of peer pressure to keep away from thoughts such as *“how will I look if I buy this”*. From acquiring this information GSK can seek appropriate communicational strategies when generating output for example, targeting ‘the cool kids’. Therefore, the type of communication strategy adapted by GSK is vital in targeting key groups which will aid GSK’s marketing environment in understand the social or cultural groups that individuals are influenced by.

3.2.2 Marketing mix

In order to satisfy customer needs and wants the marketing mix is a (Price, Product, Place and Promotion) critical tool that the *“organisation can control in order to facilitate satisfying exchange”* (Dibb et al; 2001:pg.16) in order to adapt to and satisfy customer needs and wants.

Price

As survey showed that many consumers thought sport drinks are *“too expensive”* (Intel; 2003) and this should not go unnoticed. If for example, Lucozade reduced the prices of their product, this may attract a lot more consumers then they currently have and will act as a potential opportunity. However, consumers may believe the product to be less effective then the more expensive energy drinks. From this appropriate communication strategies would need to be developed in order to make consumers aware of the reduced prices.

Product

Lucozade have developed alternative formats for their product and this relates to the fact that consumers have busier lifestyles therefore convenience food is an option that many consumers may opt to take. For example, taking a tablet instead of the Lucozade sports drink enables the consumer to spend more time exercising. Since both formats have the same results to extend performance by 33% (The Irish Times; 2005). This illustrated how alternative product formats is important for customers since, the popularity of convenient supplements may well be the way forwards and aid GSK in generating output for energy consumption.

Storbacka et al (1995) mentioned that customers may be loyal to the relationship with a product if there is a lack of alternatives. Lucozade had been the leading brand before its competitors which plays as an advantage for GSK. Furthermore, Mintel (2003:pg.14) highlighted Lucozade as being the market leader for sports drinks and supplements in 2003.

Branding is vital within the consumer decision making process. The benefits of branding can be seen in Brassington and Pettitt benefits of branding model (Brassington and Pettitt; 2005:pg.278) as this indicates the consumer perspective:

- Easier product identification
- Communication features and benefits
- Helps product evaluation
- Establishes product's position in the market
- Reduces risk on purchasing
- Creates interest/character for products

From this, promotion and packaging will be critical elements in endorsing the brand among consumers to encourage easier identification thus, 'pulling' customers towards the brand in order to increased purchases (See Fig.2). It is further mentioned that if a

brand is recognised it makes it easier for the organisation to “*buy or sell its products*” and can “*help the evaluation of a product*” (Brassington and Pettitt; 2003:pg.278)

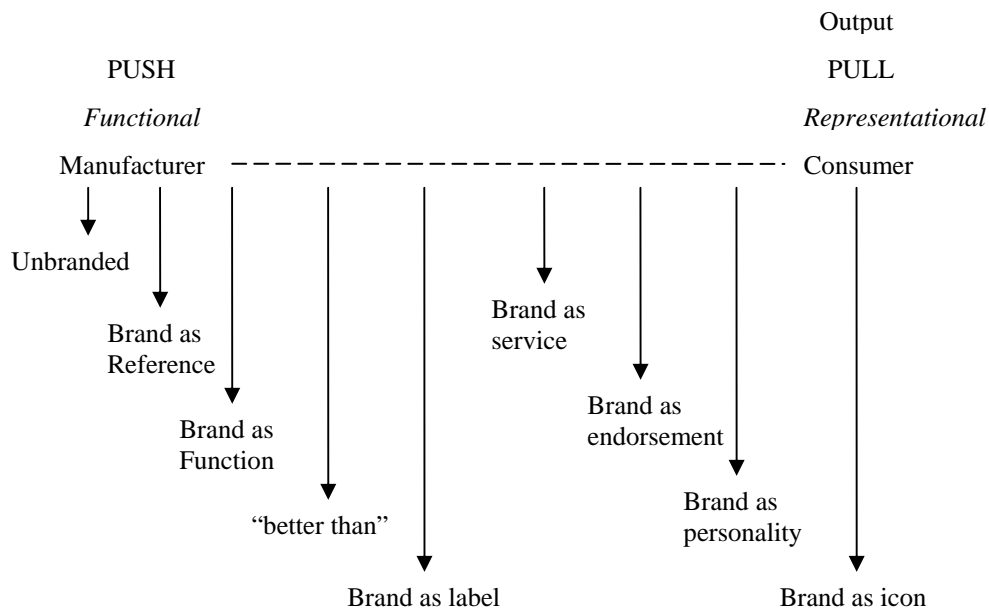


Fig.2

Adapted from Ian Vandewalle slides (2005)

Place

Distribution “*involves activities that make a product available to customers when and where they want to purchase them. It is sometimes referred to the place element in the marketing mix...* ”. (Dibb et al; 2001:pg.351) The distribution channel looks into how the product will flow from the organisation to the customer.

GSK use a ‘Push’ communicational strategy as intermediaries within the communication channel are targeted. For example, GSK push their product to ‘member of the distribution channel’ like Liverpool Hope University College, who then promote the product to the customer and plays a vital role in making the product available for consumers when generating output.

Lucozade also distribute their products in newsagents, universities and supermarkets and can be bought nationally and internationally. With the development of Lucozade tablets and gel more effective communication strategies are required in order to push these supplement and nutritional products to the consumer.

Promotion

The way in which GSK communicate their products to their consumer play a vital role within GSK's marketing environment.

Packaging is “*one of the most important factors in purchase decisions*” (Silayoi & Speece; 2004) and is important in attracting consumer. According to Silayoi and Speece if the packaging stands out then the customer's response is favourable especially during low involvement. Lucozade bottle have been designed to be “*eye-catching*” (The Irish Times; 2000) and have helped distinguish the brand with the vibrant colours, action packed graphics and convenient formats used to stimulate impulse buying which have directly influences GSK micro marketing environment since packaging is a key communicational strategy used in order to attract customers.

GSK's TV communicational strategies use “*competitive advertising*” (Brassington & Pettitt; 2003:pg.594) in order to emphasise their product and brand in order to differentiate and outsell competition. The unique benefits of Lucozade are promoted for example, ‘33% improved performance’.

The following advertising methods are used by Lucozade:

- TV – from sporting heroes to benefits sought in consuming the product
- Sport Associations
- News Papers – the Times
- Sports Magazine
- University – Liverpool Hope University have posters advertised
- Competitions – Liverpool Hope also have competition posters
- Internet – The Lucozade website showing the different products and product formats and their ingredients.

However, there are opportunities to seek and experiment with alternative communicational environment for example, radio and/or hoarding.

3.3 Future product and marketing opportunities

In light of the situational analysis conducted of GSK's macro and micro marketing environment, a gap has been recognised in targeting children, which was also suggested by Mintel (2003:pg.53). The Marketing Communications Decision sequence (see Fig.3) will aid in implementing marketing communicational activities thoroughly and systematically, in order to minimise risks.

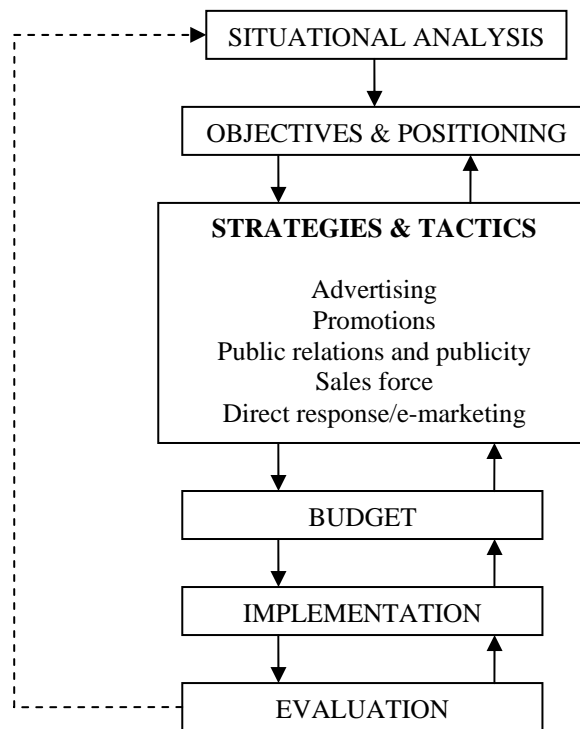


Fig.3

Fill, C. (2002) *Marketing communications: Contexts, Strategies and Applications*, 3rd Edition, Harlow: Prentice Hall

3.3.1 Future product – Lucozade for kids (LFK)

Foodanddrinkeurope.com (2002) reported the “*shocking drinking habits of UK kids*” which stated that “*children are rarely catered for by major water producers*” and from this, Highland Spring commissioned a report to promote healthier drinking habits among children. According to the foodanddrinkeurope.com the launch of Looney Tunes Water in 2001 performed well into the kids market.

Statistics (National Statistics; 2004) highlighted how 27% of girls and 20% of boys aged 2-19 are overweight furthermore, 18% of children spent less than an hour on physical activity. With some 21% (foodanddrinkeurope.com; 2002) of children aged

7-10 drinking around 10 cans of carbonated drinks a week with 80% of these drinks purchased by parents. This illustrates that the importance of healthy drinking for children are not getting through to parents.

However, water has not been “*fashionable*” (foodanddrinkeurope.com; 2002) among children and this has led to the majority of children failing to consume the recommended amount of water required for hydration. From this, may be fair to assume that the increase in water consumption is mainly among adults and is due to recent health-consciousness and dietary trends targeting children offers a possible extension area for GSK in developing a new product into a new market. From this, Lucozade for Kids (LFK) will be an extension to Lucozade sports.

Research and testing

Research would have to be conducted on parents to find which elements can be controlled within the marketing mix in order to attract parents. Market research will also allow GSK to identify key issues that may encourage parents to purchase the product for their children and help GSK to revise their marketing mix for this particular product.

Product testing is critical especially during the product pre-launch stage as it “*assist marketers in predicting the potential results of a product launch and to experiment with changes to different elements of the product’s marketing mix*” (Wilson; 2001:pg.137). In analysing the potential effectiveness of the LFK campaign, testing via ‘simulated test markets’ (Wilson; 2001:pg.137) will prove to be profitable. For example, GSK should test packaging and the different flavours on children before launching it.

3.3.2 Objective and positioning:

Objectives of launching a LFK include:

- Increase brand awareness among children
- Securing a potential customer base
- Increase word of mouth recommendations
- Improved financial position

3.3.3 Strategies and Tactics

70% of children prefer to drink cola compared to the 12% who choose to drink water (foodanddrinkeurope.com; 2002). However, school canteens do not encourage water consumption among children due to the “*increasing sponsorship by carbonated drinks suppliers, coupled with a lack of water fountains*” (foodanddrinkeurope.com; 2002) contributes to why children are addicted to Coke.

Launching LFK should be coincided with Jamie Oliver’s ‘Feed Me Better’ (FMB) campaign with the government¹. The ‘FMB’ campaign is aimed at providing better school meals for children with the support of 271,000 signatures on the petition. This on-going petition illustrates the potential positive outcome of LFK’s campaign as society recognises the need for healthier diets in schools. However, with the constant sponsorship threats GSK should look to offer sponsorships with school canteens.

GSK should use vibrant colours and celebrities to attract children. However, the potential effectiveness of the campaign can have a negative outcome if the advertising strategy is not even-handed between genders. For example, Lucozade Sports previously used male sporting heroes on TV adverts thus the drink was mainly consumed by males and similarly, Lucozade Hydro Active Sport TV advertised via a woman and can be seen as biased towards women. Therefore, getting a balance between genders via TV advertising is important since GSK should not push the product to be dominated by one gender. From this, when launching the LFK campaign, GSK would need to be aware of advertising since the potential effectiveness can be negatively hindered if the campaign is dominated by one gender.

Research (National Statistics; 2004) highlighted apples and pears to be the common consumed fruits capturing 53% of boys and 57% of girls aged 4-18 in the UK. Therefore, GSK may experiment with water diluted apple and pear flavours as this will enhance the potential effectiveness of the campaign in a positive way by offering a variety to appeal to children who dislike orange juice. Furthermore, in promoting though limited availability (Brassington & Pettitt; 2003:pg.278) of a product may

¹ Oliver, J (2005) <http://www.feedmebetter.com/news/archives/2005/03/index.php> Accessed: 14th April 2005

stimulate impulse buying and if these sales are sound then the product may be revised before being placed onto the market permanently.

Duff (1999:pg.138) stated that children are quick in spotting new products and special offers in supermarkets as children are keenly aware of “*what will persuade mum to buy*” since the majority of children consuming fizzy drinks at home or outside (Foodanddrinkseurope.com; 2002). Furthermore, if GSK pricing strategy is similar to canned drinks this may provoke impulse buying among children, since the product is of a similar price.

Taking part in school sponsorships may enhance GSK’s customer dynamics among children. For example, placing money back into the community through school activities sponsorships such as ‘Sports Day’ may increase brand awareness and loyalty. This will encourage “*word-of-mouth and advertising*” (Storbacka et al; 1998) which can contribute to a perception of quality thus, affecting the customer buying behavior.

Furthermore, if GSK encourage the ‘persuader’, the ‘cool kids’, to consume the product this may result in increased purchases as the mainstream of children will follow as a result of ‘peer pressure’. The diagram below indicates factors that GSK may consider when ‘Building Brands using Peer Marketing’ (Lindstrom; 2003):

Build Brands Using Peer Marketing

1.	Identify a Community
2.	Map the Behaviour of the Community
3.	Identify Alternative Distribution Channels
4.	Identify the Leaders of the Community
5.	Building a Peer-to-Peer Mktng Programme Around Leaders
6.	Place Tweens in the Centre – not the Brand
7.	Support the Community with Unique Initiatives
8.	Develop Viral Mktng Tools Enabling the Tweens to Mkt to You
9.	Let the Outside World Know About the Community Success
10.	Spread the Brand to Audiences Outside the Community

Promoting the product via posters in and out of schools may also encourage product awareness and trigger impulse buying during low involvement thus, enhancing the potential effectiveness of the campaign in a positive way.

Further communicational tactics may include:

- Promoting the product via vending machines Duff (1999) is also highly attractive among children.
- Promoting the product via radio during the hours that children are on their way home from school.

3.3.4 Budget

Budgeting	Ratio of expenditure (approx %)
Research	35%
Advertising	30%
Packaging	20%
Testing	15%
<i>Estimate</i>	£ 20m

The “*arbitrary budget*”² (Brassington & Pettitt; 2003:pg.582) is estimated at 20m since the product will be launched in the UK with statistics indicating that there are above 5m children in the UK (National Statistics; 2001) but if GSK look to launch the product internationally then the estimate would need to be increased.

² Based on what has been always spent in the past for a new product.

3.3.5 Implementation of potential outcome

The potential outcome of purchasing LFK is the benefit sought in aiding health and hydration. In reviewing the sections above LFK is a product developed to follow current dietary trends recognised within the macro marketing environment which may build a future customer base for GSK if they increasing child awareness of the brand at present.

School canteens would need to promote LFK in the same way it does Coke in order to achieve similar potential outcomes which may encourage increased purchases and brand loyalty. LFK will be coincided with Jamie Oliver's healthier eating campaign with the potential outcome of raising awareness of healthier dieting.

The Lucozade Sport's brand and its past success will play a critical role in competing with other brands and during the post-launch stage, developing product formats after gaining customer loyalty may give GSK a competitive edge. If GSK pushes the brand towards a personality or an icon when endorsing the product among children will have the potential outcome of pulling children sub-consciously to purchase the product.

In promoting LFK by a means of 'limited availability' will encourage parent and children to purchase the product at least once since customers will assume LFK to be in limited supply thus, encouraging impulse buying. This may lead to securing a potential market for GSK as a result of the child's previous experience of the brand and its benefits sought.

3.3.6 Evaluation of potential effectiveness

In evaluating the potential effectiveness of LFK the product has the potential to perform on or above target. The product is launched to increase water consumption among children to change children's drinking habits however, the original plan of the campaign is to increase brand awareness, brand loyalty thus, increasing sales. Statistics indicated there to be 5,422,766 (National Statistics; 2001) and GSK should aim to attract a minimum of 40% of this segment market and a maximum of 70% of the children's market.

Additionally, if the campaign is a success in the UK the product has the potential to perform above target with the result of gaining huge profits, if the product is launched internationally, especially across Europe and the USA. Furthermore, 'Lucozade Sports' current and past success illustrates GSK's potential to perform well thus, enhancing the campaigns potential performance positively among the targeted market.

4.0 Bibliography

Books:

Brassington, F & Pettitt, S (2003) *Principles of Marketing*, Third Edition, Harlow: Prentice Hall

Dibb et al (2001) *Marketing concept and strategies*, Fourth European Edition, Boston: Houghton Mifflin

Lindstrom, M. (2003) *Brandchild*, UK: Kogan Page

Palmer, A & Hartley, B. (2002) *The Business Environment*, Fourth Edition, London: McGraw-Hill

Wilson, A. (2003) *Marketing Research; An Integrated Approach*, Harlow: Prentice Hall

Internet:

Bonoma & Shapiro (no date) *Marketing Segmentation*, Segmenting the Industrial Market <http://www.educationsupport.co.uk/downloads/rjh/segmentation.pdf>
[Accessed: 20/03/05]

Foodanddrinkeurope.com (2002) *Report highlights 'shocking' drinking habits of UK kids*, <http://foodanddrinkeurope.com/news/printNewsBis.asp?id=16372> [Accessed: 04/04/05]

Lucozade (2001) <http://www.lucozade.com/flash/index.html> [Accessed: 01/03/05]

National Statistics Online (2004) *Diet & Nutrition; Proportion of overweight children up* (address) [Accessed: 04/04/05]

National Statistics Online (2004) *Population: UK*

<http://www.statistics.gov.uk/census2001/profiles/uk.asp> [Accessed: 23/04/05]

The Irish Times: Business 2000 (2005) *Lucozade sport – increasing customer awareness* <http://www.business2000.ie/cases/cases/case4.htm>, Fifth Edition

[Accessed: 08/03/05]

The Value Engineers (no date) *power branding: personal training for your most powerful assets*

http://www.thevalueengineers.com/knowledgebank/articles/conferences/power_branding.pdf#search='the%20value%20engineers%20and%20power%20branding

[Accessed: 07/03/05]

Journals:

Duff, R. (1999) *Children's drinks – what children really think*, Nutrition and Food Science, n3 v99 pp 136-139, MCB University Press Limited.

Mittal, B & Lassar, W.M. (1998) *Why do customers switch? The dynamics of satisfaction versus loyalty*, The Journal of Service Marketing, v12 n 3 pp 177-194

Gelperowic, R and Baharrell, B. (1994) *Healthy Food Products for Children: Packaging and Mothers' Purchase Decisions*, The British Food Journal, v96 n11 pp 4-8, MCB University Press Limited

Silayoi, P. & Speece, M (2004) *Packaging and purchasing decisions: An exploratory study on the impact involvement level and time pressure*, The British Journal, v106 n8 pp 607-628

Storbacka, K, Strandvick, T & Gronroos, C (1994) *Managing Customer Relationships for Profit: The Dynamics of Relationship quality*, International Journal of service industry Management, v5 n5 pp21-38

Wells, A. (2000) *Drinks for young children: the dental and nutritional benefits of milk*, Nutrition and Food Science, n2 v30 pp76-79, MCB University Press Limited

Reports:

Mintel (2003) *Sports Drinks and Supplements*, Market Intelligence, Mintel.

Key Notes (2004) *Soft Drinks* (carbonated and concentrated) Buying Behaviour

Magazines:

Hui, B. (2005) *“Tango seeks comfort in clarity”*, Marketing Magazine, A Haymarket publication