MARKETING

Marketing and product strategies for growth

Introduction

As an organisation develops a strategy, it is not making short-term decisions. Instead, it is creating a pathway that leads to a long term goal. Strategic managers have to make many decisions. For example, they have to differentiate their activities from their competitors. This means making their products and services distinctive and different from those of rivals, creating a unique selling point (USP) that, in turn, strengthens its brand. They also have to consider the scope of their activities. For example, should they simply operate in one market or should they enter a range of different markets? If they do enter different markets, how should they enter them?

This case study illustrates how Enterprise Rent-A-Car has expanded its operations beyond its core business of car hire. The case study uses Ansoff's matrix to illustrate how it has developed its strategies to improve and grow the business, creating new products and extending its services into new markets.

More than 55 years ago, in 1957, Enterprise was founded by Jack Taylor, an entrepreneur, in Missouri, USA. Starting with just seven cars he invested his money and ideas into Executive Leasing, which later became Enterprise. Since then the company has become the largest car rental company in North America, and arguably the world, with annual revenues of $14.1 billion and 68,000 employees in 2011. Enterprise Rent-A-Car is an internationally recognised brand, operating within the United States, Canada, the UK, Ireland and Germany. It currently has more than 7,000 rental offices in five countries.

However, as the company has developed it has maintained the approach and feel of a smaller business. In fact, Enterprise is still a privately-owned business, with three generations of the Taylor family involved in managing the organisation. Even though Enterprise is a big company, it is run like a small business. Its branches are decentralised. This means that local managers have the freedom to make decisions based on the needs of each location.

Enterprise's ability to keep the customer at the centre of everything it does depends on the skills and commitment of its employees. The main focus for Enterprise is to find new ways to provide real solutions for people and businesses with transportation problems. A focus on customer service is the driving force behind the business. For example, customers benefit from a local pick-up service to take them to the branch to collect their car. It is this level of customer service that makes Enterprise different from its competitors.

Ansoff's matrix

According to the Chartered Institute of Marketing, *'Marketing is the management process responsible for identifying, anticipating and satisfying consumer requirements profitably'*. To do this, organisations require a marketing strategy. A marketing strategy is something that affects every part of an organisation. It is about using everything that a business does to create value for others. This includes customers but it also benefits employees and shareholders. The main purpose of a marketing strategy is to set out the means by which agreed marketing objectives are to be achieved.

Curriculum topics covered: • Ansoff's matrix • Market development • Product development • Diversification

There are many types of marketing objectives. For example, these might include:

- increasing market share
- growing sales/turnover
- enhancing the strength of the brand
- creating loyal customers
- managing costs effectively, thus increasing profitability.

A common marketing objective is to achieve growth. There are a number of ways in which organisations can grow. For example, they might expand internally. This is known as organic growth. A quicker but higher risk option is external or inorganic growth. This involves acquiring or merging with another business.

One positive benefit of growth is that it helps a business to reduce costs through economies of scale. These include:

- efficiencies arising from use of new technologies
- improved buying power as it can bulk buy at lower costs
- the ability to recruit more specialists to improve decision making.

By lowering costs, an organisation increases its profitability and becomes more competitive.

One way of analysing the various strategies that an organisation may use to grow the business is with Igor Ansoff's (1965) matrix. This considers the opportunities of offering existing and new products within existing and/or new markets and the levels of risk associated with each.

Increasing risk →

Market \ Product	Existing products	New products
Existing markets	Market penetration	Product development
New markets	Market development	Diversification

Increasing risk ↓

This matrix suggests four alternative marketing strategies:

a) Market penetration - involves selling more established products into existing markets, often by increased promotion or price reductions or better routes to market, for example online.
b) Product development - involves developing new products or services and placing them into existing markets.
c) Market development - entails taking existing products or services and selling them in new markets.
d) Diversification - involves developing new products and putting them into new markets at the same time. Diversification is considered the most risky strategy. This is because the business is expanding into areas outside its core activities and experience as well as targeting a new audience. It also has to bear the costs of new product development.

Enterprise has focused most of its growth strategies on market development, product development and diversification. These are highlighted in the following sections.

Market development

In 1957 Jack Taylor was a 35 year-old sales manager interested in the unheard-of practice of leasing cars. This was then a new and affordable alternative to running a car. Jack Taylor's background in the US Navy made him realise the importance of taking care of those around you. His motto was, *'Take care of your customers and employees, and the profits will follow'*. Customer service and good employee relations therefore became the cornerstone of the business. It was this that helped the business to grow.

From 1957 – 1993 Enterprise concentrated on expanding its operations across the USA. In this time it opened over 1000 rental branches. Throughout the 90s Enterprise developed into markets in Canada, the UK, Germany and Ireland.

In the car rental business, as all organisations are providing a similar product, a key factor that differentiates one organisation from another is the quality of the service that is provided for customers. Enterprise's dramatic growth strategy has been made possible through its high level of customer service. By listening to its customers, it is able to provide greater satisfaction, with employees being a vital part of that process.

To provide superior customer service, Enterprise locates its branches as close as possible to its customers. The convenience of this service gives Enterprise a competitive advantage over its rivals. However, in response to customer needs, Enterprise opened its first on-airport location in 1995. The demand for this service was so great that by 2005 Enterprise had over 200 on-airport branches. This meant that Enterprise kept ahead of its competitors and increased its market share.

Product development

Product development strategies have helped Enterprise to develop services in a market where it was already an established and profitable business. This was considered to be a medium risk strategy. Examples of Enterprise's product development include its unique 'Pick-up' service. This helped to lead the market in this product offering. Enterprise's Flex-E-Rent service (a long term vehicle rental solution designed to meet the growing needs of today's businesses) and its Business Rental Programme (offering customers a bespoke programme with special pricing) are examples of product developments. These have widened its service range to improve the customer experience and strengthened its brand identity.

Factors in the external environment affect decisions about product development. These are things taking place outside the business that influence decisions within the organisation. Governments around the world are committed to reducing global warming through more eco-friendly technologies, while consumers are looking for different mobility solutions. Enterprise therefore created WeCar, a membership car-sharing programme which offers customers a car at an affordable hourly rate. It typically uses fuel-efficient vehicles or hybrids to help address concerns about the environment. Car sharing or hourly car rental can also help to reduce the number of cars on the road. In this way, WeCar members help to contribute to a cleaner environment.

Having the ability to respond quickly to the external environment with new products and services is a benefit of being a privately-owned business. Enterprise allows employees to make decisions at a local level and has created an entrepreneurial spirit within the organisation. This means that strategies are constantly reviewed to ensure that Enterprise remains the market leader. New avenues of business are explored and researched. Underlying all of these changes are Enterprise's founding values. These are Enterprise's driving forces behind growth and include values such as:

- *'Our brand is the most valuable thing we own.*
- *Great things happen when we listen...to our customers and to each other.*
- *Customer service is our way of life.'*

As a result, Enterprise's activities are polycentric. This means that some services are only offered in certain markets. For example, Rent-A-Car is operated in all markets globally. WeCar is operated in the UK and the USA and Flex-E-Rent is only available in the UK.

Diversification

Diversification strategies involve widening an organisation's scope across different products and market sectors. It is associated with higher risks as it requires an organisation to take on new experience and knowledge outside its existing markets and products. The organisation may come across issues that it has never faced before. It may need additional investment or skills.

On the other hand, however, it provides the opportunity to explore new avenues of business. This can spread the risk allowing the organisation to move into new and potentially profitable areas of operation.

Enterprise's values help to define what the organisation stands for. They also identify its capability and competences. Its core values of 'brand, honesty, service, fun, hard work, listening, inclusion and community' are transferable. This means that the skills from the main business can be applied to other business opportunities through diversification, potentially reducing the risks associated with this strategy. Examples of Enterprise's diversification strategies include:

a) Car Sales was established by Enterprise in 1962. This business involves selling used cars to both the public and businesses. It is now one of the largest sellers of used cars in the USA.
b) In 1974 Enterprise purchased Keefe Coffee Company, which later developed as the Centric Group. The 1973 energy crisis had created uncertainty for Enterprise. As fuel became scarce and expensive, many customers swapped large cars for smaller and more economical vehicles. This led to a collapse of sales in the used car market. Enterprise relied on that market to sell on its vehicles. The future of the business was not certain and so Enterprise diversified to buy Keefe. It was hoped that acquiring small, underdeveloped businesses would generate more opportunities for Enterprise.
c) In 1977 Enterprise invested in Mexican Inn Chili Products. However, the company had little experience of both the packaged goods industry and the packaged food business. Poor sales and a guaranteed buy-back arrangement with retailers (where unsold goods could be returned) meant that the business did not make a profit. Therefore the company sold the business but learned a lot from the experience.

This last example illustrates the risk that diversification poses. Just because a business is successful, like Enterprise, it can never guarantee success in every venture it undertakes. However, the experience with Mexican Inn did not put Enterprise off later acquisitions that were outside the car rental business, for example, TRG Group which is a leading manufacturer of luggage, backpacks and travel accessories.

Conclusion

A marketing strategy is something that constantly evolves, adapting to changing market conditions. Within Enterprise, the outcomes from its many different types of business are constantly reviewed and evaluated. Judgements are then fed into the decision-making process. This enables new strategies to be developed to improve operations.

However, while strategies change, one aspect of the business has remained in place. This is a continued focus on high levels of customer service and employee relations. This strategy has enabled Enterprise to enjoy continued growth for more than 55 years and the prospect of further growth in the future.

Exam-style questions

1. What is a marketing strategy? *(2 marks)*
2. Explain how the diversification strategy within the Ansoff matrix differs from the other three strategies. *(4 marks)*
3. Show with examples how research into product development at a local level helps organisations to respond to the needs of its local environment. *(6 marks)*
4. Evaluate why some diversification decisions might be higher risk than others. *(8 marks)*