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The evaluation of Marketing

DIAGEO – A case study

ABSTRACT

Whatever you call Scotland's national beverage, and whichever Scotch you discover, you know that it is a product of quality, crafted in Scotland, with a unique heritage stretching back more than 500 years. Among whisky categories, Scotch is most venerable, enjoying a reputation for sophistication and elegance. Scottish made whisky is once again a hot product, especially in the premium-priced segment of the market. That shows Scotch whisky remains at the heart of a dynamic, competitive, international spirits market and continues to attract consumers tapping into the global trend for premium spirits. Increased demand and increased profits, despite surge amidst the backdrop of tariff uncertainty, accessing new markets, have caused several Scottish distilleries to expand their capacities. Investors are becoming progressively interested in the Scotch whisky market, seeing it as a safer and more rewarding asset occasion. With an estimated contribution of over £5 billion to the British economy, Scotch whisky is accountable for around 21% of U.K. food and drink exports and 1.3% of all U.K. exports (Scotch Whisky Association, 2018).

INTRODUCTION

Marketing is the process by which companies engage with their customers in order to build a strong customer relationship and create customer values. Through this process, the organisation capture value from customers in return (Kotler et al., 2018, p. 29). The two-fold goal of marketing is to attract new customer by making a promise for superior value by delivering constant value and satisfaction through each step of the marketing process. In order to promote their products, many Scotch whisky companies have encouraged the public to tour their distilleries. The purchasing behaviour of a visitor to a distillery during or post-visit will likely be influenced not just by the sampled product, but also by the more extensive experience provided by the maker of the product, as well as the setting and ambience of the product location (Hall et al., 2002; Hall and Mitchell, 2005). This paper aims to evaluate and analyse the core principles of marketing and the tactical communication tools at Diageo Great Britain Limited.

DISCUSSION

Company overview

Diageo PLC produces and distributes an extensive collection of branded premium wine, beer and spirits. It markets a wide range of product portfolio including brandy, vodka, scotch, rum, whiskey, gin, tequila, and ready-to-drink (RTD) alcoholic beverages under various brands such as Smirnoff, Johnnie Walker, Captain Morgan, Baileys, Guinness, Tanqueray and McDowell's No.1 and distributes them through multiple independent retailers and wholesalers, wine and spirits brokers and distributors and through joint venture arrangements and third-party distributors. Through subsidiaries, the company operates worldwide. Diageo operates and manages owned and leased production hubs and R&D centres worldwide ("MarketLine, Diageo Plc., 2019).

The company's operations are divided into five business segments, defined on geographical presence: Africa, North America, Europe, Russia and Turkey, Asia Pacific and Latin America and Caribbean. In Great Britain, the company sells and markets its products through two channels: Diageo G.B. for spirits, beer and ready to drink products, and Justerini and Brooks Retail for wines private clients.

Diageo is known as the top beverages company, producing and distributing a large variety of products and brands. The company has demonstrated its success through outstanding production and trade of drinks, operating globally has allowed the company to earn its popularity and to be one of the leading company in the industry. The company's primary strategy is to focus on quality drinks to grow its trade through organic sales and operating profit growth and the acquisition of premium drinks brands that add value for shareholders. Diageo seeks to be at the forefront of industry efforts to promote responsible drinking and works with other stakeholders to combat alcohol misuse. Diageo's attitude is based on three principles: combating alcohol misuse; setting world-class standards for responsible marketing

and innovation; and promoting a shared understanding of what responsible drinking means in order to reduce alcohol-related harm. According to the statistic report, the London-based company spent approximately 2.04 billion GBP on marketing activities in 2019.

SWOT analysis

In order to evaluate the nature of the business environment and its strategic capability, an organisation need to undertake a SWOT analysis, which focuses on the Strengths, Weaknesses, Opportunities and Threats facing the organisation (see Figure 1). The SWOT analysis may provide a basis for decision-making and problem-solving. Managing the marketing operation begins with a complete analysis of the company's situation. The marketer must perform a SWOT analysis by which it evaluates the firm. The findings should provide information on company markets and marketing environment to find attractive opportunities and identify threats.

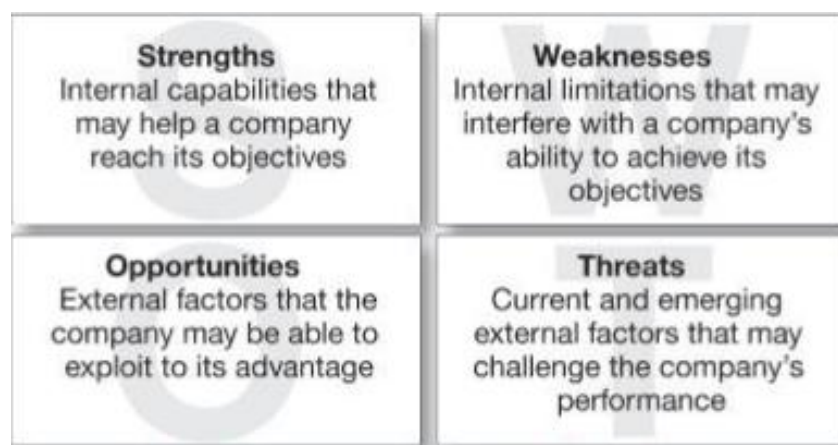


Figure 1 SWOT Analysis: Strengths (S), Weaknesses (W), Opportunities (O), and Threats (T) (Kotler et al., 2018, p. 80)

SWOT analysis of Diageo PLC requires effective coordination among various department within the organisation such as marketing, finance, operations, management information and strategic planning. The study will help the organisation to identify the vital internal factors such as strengths and weakness, and the external strategic factors such as opportunities and threats.

STRENGTHS

- Significant brand strength in the premium segment
- Extensive product portfolio across categories and price points
- Widespread production facilities
- A strong presence on social media with more than millions of followers on the three most famous social media platforms: Facebook, Twitter and Instagram
- brand that has been in the market for years, and people are aware of it. This makes it's brand awareness high.

WEAKNESSES

- high debt
- decision making is highly centralised, and decisions by teams need to be approved by certain officials
- market research should be conducted more often in order to have an accurate information database

OPPORTUNITIES

- positive outlook for the global spirits market
- positive outlook for worldwide beer and cider market
- growing awareness of consumers

THREATS

- dependence on third parties for raw materials
- competitive pressure in the alcohol market
- stringent regulations compliances likely to increase operation costs
- counterfeit and low-quality products

Marketing strategy and the marketing mix

To succeed in today's competitive marketplace, companies must be customer centred. They must win customers from competitors and then engage and grow them by delivering higher value. To do so, the organisations must adhere to a strategic plan to defines the overall company mission and objectives. An essential role for success for each organisation is the marketing strategy and marketing mix, as it is exemplified in Figure 2. At its core, marketing is all about creating customer value and building profitable customer relationships. The very next thing is the marketing strategy using the segmentation, targeting, differentiation and positioning model.

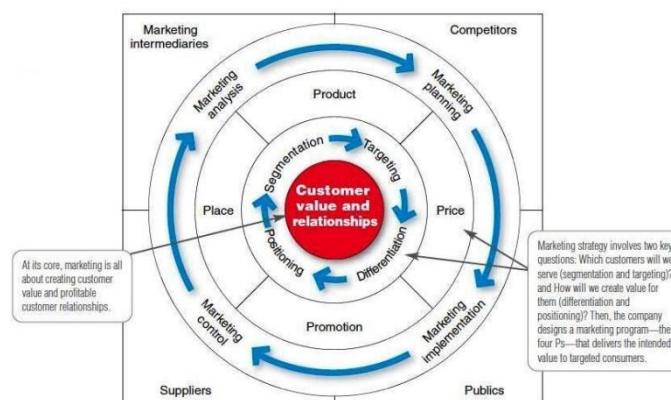


Figure 2 Managing marketing strategies and the marketing mix

Based on the marketing strategy, the company will design an integrated marketing mix. The marketing mix is a conceptual framework that offers information for managers to configure the offerings to the needs of suit consumers. When Borden first introduced the concept of the marketing mix, he saw it as a succinct and graphic means for describing the combination of marketing ingredients, techniques, and policies adopted by a marketing manager in formulating a marketing plan (Banting and Ross, 1973, p. 1).

The marketing mix is made up of factors under organisation control – product, price, place and promotion, also known as the 4 P's. The marketing programme must blend the marketing mix elements into an integrated marketing programme created to obtain the company's objectives. It can be used as a tactical tool for establishing positioning in target markets.

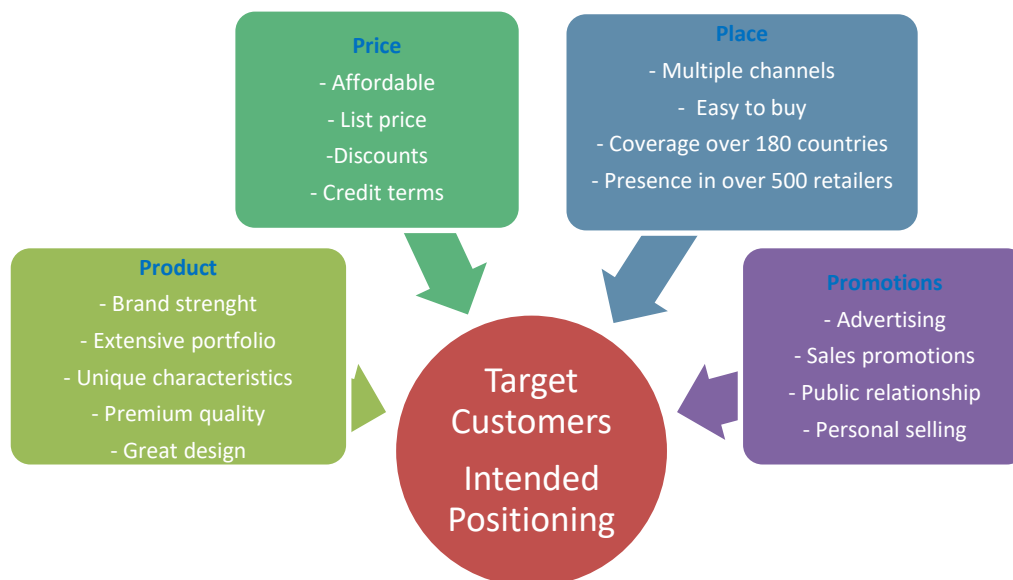


Figure 3 Relation between 4 P's and customers at Diageo

From a theoretical point of view, the **marketing process** can be defined as a five-step model for creating and capturing customer value. In the first four steps, organisations must work to understand consumers and their needs, create customer value and build strong customer relationship. In the final step, organisations collect the benefits of creating superior customer value in the form of sales, profits and customer equity (Kotler et al., 2020). It is crucial that the entire members of the organisation, including top management, stay close to customers. Therefore, **customer relationship management** is probably the most essential concept of modern marketing. In the broadest sense, customer relationship management is the overall process of building and maintain profitable customer relationship by delivering superior customer value and satisfaction. Customer relationship management can provide benefits to

customers that make access difficult for the competition, and that gives rise to a more significant level of loyalty (Marzo-Navarro et al., 2004). Maintaining a stable relationship between the organisation and its customer, the benefits of such a relationship are derived to both parties. From the customer perspective, the benefits that can be obtained may centre, for example, on the increase in confidence, the reduction of risk, economic advantages, well informed, a simplification of and an increase of efficiency in the decision process, social benefits and adaptability. On a larger scale, benefits can be divided into two primary categories: functional benefits and social benefits (Beatty et al., 1996).

For an organisation acting in the for-profit sector, the goal is to obtain profit. In terms of marketing strategy, the ultimate and must seek through the advantage of good marketing is centred on retaining customers by making them brand-loyal. According to Reichheld and Sasser (1990), it is more profitable to maintain customers than attracting new customers. Customer loyalty leads to better business results to the extent that a base of brand-loyal customers contributes to a decrease in the marketing costs, provides and excellent communication route for lifting company image. Engaging customers is another advantage of using a proper marketing strategy and marketing mix. Customers receive relevant information about products and services, insights from the organisations. Another benefit of marketing to customers and prospects is the information obtained which can be used in the managerial process of making informed decisions about the business.

Stakeholders analysis

The marketing plan shows how the organisation will establish and maintain profitable customer relationship. In the process, however, it also shapes a number of internal and external links. Concerning external relationship, it affects how the company works with suppliers, distributors, partners and other stakeholders, such as government bodies, media and community at large. Freeman (1984) wrote a seminal book on stakeholder theory. More recently, Hult et al. (2011) have advanced the theory of stakeholder marketing and how using stakeholder and socially responsible marketing is critical to the very survival of an organisation. The definition of societal marketing or socially responsible marketing strategy is similar to the meaning of stakeholder marketing advocated by Hull et al. (2011). Although marketing research has often addressed the needs of stakeholders beyond the immediate customers, only a few examine multiple stakeholders simultaneously. Further, a lack of focus on other stakeholders has been identified as a major limitation to marketing research, since it

is a 'practical reality that firms increasingly seek to provide value to multiple stakeholders beyond customers and shareholders (Hult et al., 2011, p. 58).

DIAGEO is committed to engage and work constructively with all stakeholder, by listening and responding to the views and needs and by delivering sustainable performance and long term value (Diageo, Annual Report, 2019). The culture of DIAGEO is of everyday efficiency and removed complexity and has to respond and drive what happens in culture. DIAGEO defines a stakeholder as everyone who is affected by their business. Starting with employees to investors to corporate partners, and from consumer to communities, farmers and governments. Operating globally and locally, the organisation engage stakeholders at all levels. DIAGEO runs various types of programmes for each major stakeholder group. Creating a deeper brand relationship with consumers, earning the trust of stakeholders, DIAGEO promotes positive responsibly drinking. The goal is for people to drink better, not more, by looking or more premium brands. The marketing approach is to promote moderation, tackling misuse, improving laws and standards. Marketing has to bring amazing craft and with excellent creativity and further customer engagement.

CONCLUSION

Marketing includes a broader set of activities. At the very start, the organisation must determine on its target, and once the target is determined, the product can be put in the market by offering a suitable product, price, distribution and promotional actions. These variables are controllable by the organisations and can be used and adapted to respond to customers needs. Each organisation goals is to create such a structure that will allow building a strong customer relationship centred on brand loyalty. The utility of such a marketing relationship lies in the reaction of exquisite and hard-to-reproduce know-how. The constant evaluation of customers and stakeholders groups and what they expect and the value constitutes a critical part of achieving the authenticity of a stable relationship.

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