

Chapter 5

What is a good strategic marketing process?

The examples given so far indicate how the demand-responsive marketing approach can be used to pilot water (and possibly sanitation) services to low-income consumers by using an innovative, creative, participatory approach. To ensure that this type of approach can be replicated across all low-income areas in a city in a way that is sustainable in the long term requires a strategic marketing approach. What can be made to work with special effort, perhaps supported by international donors, in a few low-income areas in a city, can have a different impact on a utility's operations when it has to be scaled up across the entire city, particularly when up to 70 per cent of the population may be living in the informal, low-income housing areas.

5.1 Overview

Typical key activities in the strategic marketing process for urban water services are set out in Figures 5.1 (Part A) and 5.2 (Part B). The main stages ask the questions:

- *Where are we now?*
- *Where do we want to be?*
- *How might we get there?*
- *How do we ensure success?*

Note that in these figures there are double arrows between each stage, which emphasizes that this is an iterative process, where it may be necessary to go back one or two stages at certain times.

Strategic planning logically precedes marketing planning by providing a framework within which marketing plans can be formulated (Wilson and Gilligan, 1997). An appropriate strategic marketing process is that which leads to the production of a strategic marketing plan (SMP) or detailed investment plan that is acceptable to all stakeholders.

In this study, with its focus on serving the poor, we have set out in Part II to demonstrate the viability of pricing and service differentiation to serve the poor, particularly in informal housing areas, before considering the necessary strategic planning. From our experience and research we believe that this might have to be the necessary approach, that is to demonstrate that it is possible to serve the poor effectively before considering an integrated methodology for scaling up, city-wide and long term.

This approach is made more possible in the average utility due to the availability of 'surplus water' that is lost through leakage, illegal connections and other means. Water saved through activities such as leak reduction programmes can be directed towards immediate service improvement to the poor. There does not usually have to be any parallel delivery of new water sources and treatment in order to demonstrate the viability of delivery to informal areas because of the extent of non-revenue water, which can be as high as 50-60 per cent. Indeed, the apparent reason for one water utility to serve the unplanned areas around their city was the embarrassment of surplus water achieved through a leakage reduction programme. They needed to do something with it and recognized the ready market on their doorstep (Nickson, 2001).

Having successfully undertaken the pilot projects, and having begun to control unaccounted for water, understanding the strategic situation confronting an organization is an essential starting point in developing a marketing strategy. This understanding can be derived from an assessment of:

- organizational capabilities;
- threats from environmental forces;
- competitors' strengths and weaknesses; and
- consumer needs.

Source: Wilson and Gilligan (1997)

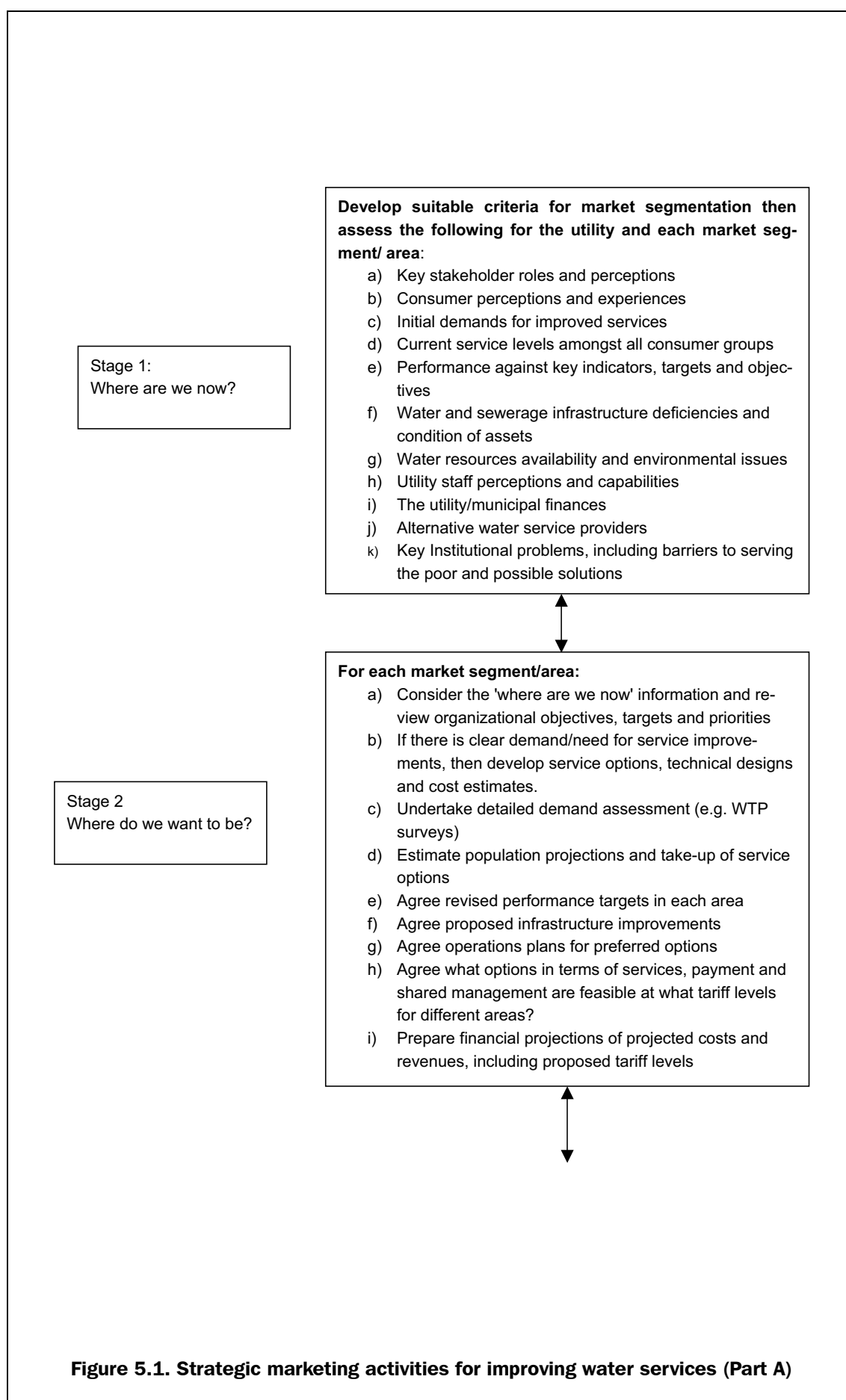
These key areas are captured in the more specifically defined activities in Figure 5.1 and Figure 5.2. This strategic marketing process can potentially be used to determine plans that are comprehensive and viable for all substantial investments in the urban water sector that are dependent on consumer demand.

5.2 Strategic marketing plans

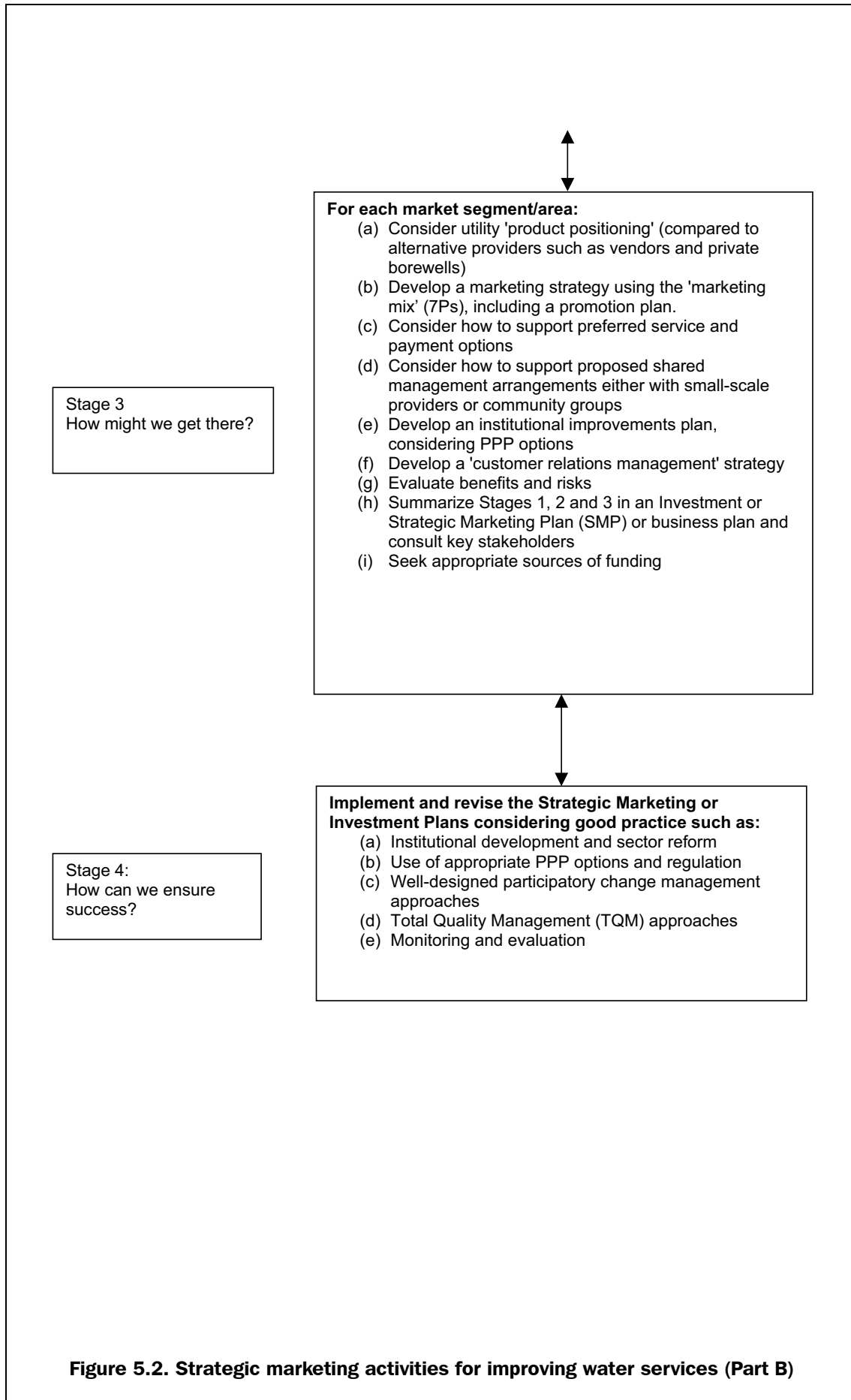
Planning is an activity or a process in business that provides a systematic structure and framework for considering the future, appraising options and opportunities, and then selecting and implementing the necessary activities for achieving the stated objectives efficiently and effectively.

In the context of the water sector in developing countries, the strategic marketing plan (SMP), or business plan, is a framework for the sustainable improvement of water services and mainstreaming of poverty reduction in the utility's business. A good strategic marketing plan (SMP) shows how the utility can improve services to customers and potential customers and at the same time be financially sustainable.

The strategic marketing plan provides a clear and unambiguous statement concerning what strategies and actions will be implemented, by whom, when, and with what outcomes (Brassington and Pettitt, 2000). The SMP will usually be based on reasonably accurate information about the current status of the utility (Where are we now?), the specific objectives and investment proposals of the utility (Where do we want to be?) and the activities necessary to achieve the utility's objectives (How might we get there?). These questions can form a natural structure for an SMP report. However, a utility needs to be mindful of the preferred report formats of potential financiers.



WHAT IS A GOOD STRATEGIC MARKETING PROCESS?



It may be tempting for utility managers to complete each of the four stages of strategic marketing in very broad terms. For example at the end of the 'Where do we want to be?' stage, if the final output is just a statement of the utility's objectives, then the strategic marketing plan and process will be of only limited benefit.

This exercise is much more useful if at the end of the 'Where do we want to be?' phase there is a draft strategic marketing or business plan that includes financial projections of future costs and revenues, based on a thorough analysis of the factors listed in Stage 1. This is a key finding of research in Africa and India conducted by the research partners involved in this publication. The key elements of each stage are described below.

It is important that an element of realism is used in the planning process, as unrealistic plans tend to get ignored. In addition, it is beneficial to involve as many staff and key stakeholders in the planning process as is feasible, in a participatory manner, as this is likely to lead to better commitment at the implementation stage. Developing a shared understanding and agreement about the plans being developed can be done through small group consultations, meetings and workshops. Useful references for how to make workshops more effective is *Participatory Workshops* by Robert Chambers, 2002. and *the Participatory Learning and Action Trainer's Guide* (Jules Pretty, Ian Scoones, Irene Guijt and John Thompson, IIED London 1995)

The overall extent to which the organization is customer and commercially orientated will have a significant impact on the successful implementation of a marketing strategy.

Stage 1 - Where are we now?

It is important for an organization to objectively establish its current position. Information on 'Where are we now?' can be obtained by carrying out institutional analysis of the utility, including an assessment of the utility's existing water supply infrastructure and services.

Comprehensive consumer surveys provide a means of assessing customers' perceptions of the water utility and its services. Such studies provide useful information on the market, such as the perceptions and preferences of existing and potential customers for improvements in services. This can be done as part of a comprehensive performance measurement programme which is discussed in Chapter 6.

Where possible, information should be based on quantitative measures using appropriate indicators - *if you cannot measure it, you cannot manage it!*

Tools such as PEST analysis (political, environmental, social and technological) and SWOT analysis (strengths, weaknesses, opportunities and threats) are useful in understanding and summarizing the institution's environment and performance.

Stage 2 - Where do we want to be?

Decisions on where the utility wants to be, in terms of targets for future investments and targets for improved performance, are best made considering the requirements of existing and potential customers. It is therefore necessary to review and agree utility objectives and targets in the light of information collected at the 'Where are we now?' stage.

For the average utility the investment and revenue implications of achieving universal water supply might be very different from achieving universal sewerage coverage. Service options therefore have to be considered (for respective market segments) and pricing policies agreed. These should be based on reasonable projections of costs and necessary tariffs, while ensuring that the utility achieves financial sustainability at the proposed tariffs. Part of the process of selecting feasible options and determining tariffs is to ensure that the views of consumers have been taken into account, whether through customer committees, NGO representation or information derived from customer surveys and willingness to pay studies.

Projections of costs for improvements and the revenue that the utility can obtain from improvements in water services should also be carefully made. In particular, the projections should show how the utility can improve water services to existing and potential customers and achieve financial sustainability. Estimates for option take-up will therefore need to be made, and spreadsheet calculations undertaken to project future revenues.

The potential revenues are then compared with projected costs to check for financial sustainability. This is an iterative activity that may have to be carried out several times until an acceptable combination of service options, costs and prices is achieved, bearing in mind the consumers willingness to pay. When an acceptable combination is achieved, the utility should then move to the next stage of 'How might we get there?'. There may of course be more than one viable investment scenario in the financial projections, all of which might require further assessment.

The goal of financial sustainability, a return on capital invested, will place a heavy burden on customers who may have been used to receiving subsidized water (though it may deliver a dramatic reduction in prices to the poorest who have been purchasing water from vendors). This higher price burden is only fair if the water utility also bears its share through delivering services in the most efficient manner. 'Where do we want to be?' must also be answered in terms of a 'least cost provider.'

Stage 3 - How might we get there?

The financial projections for new investment programmes and the most viable investment scenarios (developed in the previous stage) need to be assessed after consideration of the marketing and institutional issues, in order to develop the final strategic marketing plan, or investment plan. It is advisable to assess the potential risks and benefits of the preferred SMP.

The development of a viable marketing strategy, perhaps using the 7Ps (product, price, promotion, place, people, process and presence) is important, as are the development of institutional development proposals, including Public-Private Partnership options.

Full consultation of the preferred strategic marketing plan among key stakeholders will assist in achieving a realistic plan and will help gain commitment. Negotiations with potential financiers are advisable, whether they be donors, banks or private operators seeking PPP arrangements. This is particularly important during the 'How might we get there?' stage, so that project proposals can be prepared in the preferred format of interested funding organizations.

Stage 4 - How do we ensure success?

The outputs from Stage 4 (*How do we ensure success?*), will be the successful implementation of activities that have been planned in Stages 2 and 3, making any required changes to the plans in the light of experience. This publication focuses more on the first three (planning) stages. For guidance on dealing with Stage 4 we recommend publications on marketing, Public-Private Partnerships, institutional development and change management, Total Quality Management (TQM), and other conventional business manuals.