

# **Strategic Marketing of ABC Consulting Services**

By

Kevin Hundley

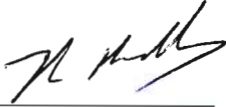
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In fulfilment of the requirements for the degree of Masters of Business Administration at the  
School of Management, University of Kwa-Zulu Natal, Pietermaritzburg.

2006

## **Declaration**

I, Kevin Mark Hundley, hereby declare that this is my own original work and that all sources have been accurately reported and acknowledged, and that this document has not previously in its entirety or in part been submitted at any university in order to obtain an academic qualification.



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K.M. Hundley

September 2006

## **Acknowledgements**

This research dissertation would not have been made possible without the help and support of the following:

- My Father in heaven, who has supported me and always answered my prayers throughout my studies and this dissertation.
- My Wife, whose encouragement and support has kept me going and helped me to focus on the end goal, for which I am tremendously grateful.
- Prof. D. Vigar-Ellis, who has kept me on track and assisted me in completing a piece of work that I can be proud of.
- My employers, for allowing me to choose this topic to research. I trust that this document will assist the company with their marketing efforts in the future.

## **Executive Summary**

ABC Consulting Services is a Consulting Engineering firm based in Pietermaritzburg. Primary and secondary research was conducted in an attempt to identify the key marketing issues that ABC Consulting Services faces in its internal and external environments.

The primary research done on the company (micro factors) and its environment (macro factors) was in the form of qualitative descriptive research with the source of information coming from internal semi structured focus groups and questionnaires sent to selected individuals involved in the consulting engineering industry. The secondary research includes a study of the current state of the South African Consulting Engineering industry.

The content analysis of the primary and secondary research resulted in the identification of six key threats in the macro environment and five main opportunities for the company to increase its current work. The key threats identified are the lack of engineering skills, the lack of skills in the client organisations, inexperienced firms in the market, tendering processes and slow payment from clients. With further unpacking of these issues, it was found that many of the issues are as a result of the lack of skills in client organisations. The opportunities identified include agricultural development for historically disadvantaged individuals, the relatively low value of the Rand making the company's services cheaper for internationally funded projects, increased infrastructure budgets as a result of the 2010 Soccer World Cup, agricultural development in Africa and an increase in floodline determination work.

The internal resource analysis identified that that the company is very strong in terms of the quality of its human resources; however, it is under staffed for the current work load. Financially, the company is in a good position and the current environment should continue to yield very good returns in the short to medium term, however, the firm is inflexible in terms of financial commitments. The firms lack of formal marketing systems and their low client and contact bases in Government departments were identified as weaknesses. The company's facilities and processes are good and represent a strength, however there are some procedures such as quality management systems which need to be implemented.

It is recommended that the company institute formal marketing procedures and market themselves to prospective clients by means of networking and doing presentations to selected prospective clients in order to inform them of the service that the company has to offer. The company should also do limited advertising in selected specialist magazines which deal with irrigation and the sugar industry. In order to establish themselves as leaders in sugarcane estate development, they should write and present papers at the annual SASTA conferences.

To promote the profession, they should do presentations at high school level to encourage high school students to study engineering and at a University level; the company should offer their services to the local University for lecturing certain modules of suitable courses. This can be used as a platform for promoting the profession to the students to encourage them to stick to engineering as a career.

To solve the staff shortage problem, the company should recruit two new engineers, one with approximately 3 years relevant experience and another with approximately 5 years relevant experience.

## **Table of Contents**

**Page**

### **Chapter 1**

<b>Introduction</b>	<b>1</b>
<b>1.1. Background and Motivation</b>	<b>1</b>
<b>1.2. Research Question</b>	<b>3</b>
<b>1.3. Research Objectives</b>	<b>3</b>
<b>1.4. Research Design</b>	<b>3</b>
<b>1.5. Anticipated Contribution</b>	<b>4</b>
<b>1.6. Chapter Plan</b>	<b>4</b>

### **Chapter 2**

<b>Literature Review : Part 1 : The Strategic Marketing Process for Services</b>	<b>6</b>
<b>2.1. Characteristics of a Service</b>	<b>6</b>
<b>2.2. Services Strategy</b>	<b>10</b>
<b>2.3. Developing a Strategic Marketing Plan</b>	<b>23</b>

### **Chapter 3**

<b>Trends in the Consulting Engineering Industry and ABC's Current Marketing Strategy</b>	<b>27</b>
<b>3.1. Global Trends in the Consulting Engineering Industry</b>	<b>27</b>
<b>3.2. State of the South African Consulting Engineering Profession</b>	<b>29</b>
<b>3.3. ABC's Current Services and Marketing Situation</b>	<b>35</b>

### **Chapter 4**

<b>Methodology</b>	<b>40</b>
<b>4.1. Research Question</b>	<b>40</b>
<b>4.2. Research Objectives</b>	<b>40</b>
<b>4.3. Research Design</b>	<b>40</b>
<b>4.4. Conclusion</b>	<b>45</b>

<b>Chapter 5</b>	
<b>Findings</b>	<b>46</b>
<b>5.1. External Focus Group</b>	<b>46</b>
<b>5.2. Internal Focus Group</b>	<b>53</b>
<b>Chapter 6</b>	
<b>Key Issues Facing ABC</b>	<b>65</b>
<b>6.1. Macro Environment</b>	<b>65</b>
<b>6.2. Micro Environment</b>	<b>70</b>
<b>Chapter 7</b>	
<b>Recommendations</b>	<b>75</b>
<b>7.1. Introduction</b>	<b>75</b>
<b>7.2. Strategic Marketing Plan</b>	<b>75</b>
<b>7.3. Research Limitations</b>	<b>85</b>
<b>7.4. Recommendations for Future Research</b>	<b>86</b>
<b>References</b>	<b>87</b>
<b>Appendix A</b>	
- Informed Consent Form	
- Internal Interview Schedule	
- External Questionnaire	
<b>Appendix B</b>	
- Action Plan with Projected Costs and Benefits	

**Note: The names of the Group, the Company and the individuals have been changed in order to keep the identity of the firm confidential.**

## **List of Tables and Figures**

	<b>Page</b>
<b>Table 2.1 The Seven P's of Services Marketing</b>	<b>21</b>
<b>Table 5.1 Environmental Impact Matrix (PESTIE)</b>	<b>54</b>
<b>Table 5.2 SWOT Analysis for ABC</b>	<b>62</b>
<b>Table 6.1 Organisation Resource Analysis</b>	<b>71</b>
<b>Figure 1 XYZ Services Group : Company Structure</b>	<b>2</b>
<b>Figure 2.1 Tangibility Spectrum</b>	<b>7</b>
<b>Figure 2.2 Major Approaches to Services Market Segmentation</b>	<b>11</b>
<b>Figure 2.3 Three Alternative Market Coverage Strategies</b>	<b>14</b>
<b>Figure 2.4 Example of a Positioning Map</b>	<b>18</b>
<b>Figure 2.5 Strategic Planning Process Model</b>	<b>23</b>
<b>Figure 3.1 Gross Domestic Product</b>	<b>30</b>
<b>Figure 5.1 Product/Market Matrix</b>	<b>59</b>



## **List of Abbreviations**

ABC	ABC Consulting Services (PMB) (Pty) Ltd
BBBEE	Broad Based Black Economic Empowerment
CEO	Chief Executive Officer
DAEA	Department of Agriculture and Environmental Affairs
DOW	Department of Works
DWAF	Department of Water Affairs and Forestry
HDI	Historically Disadvantaged Individual
PESTIE	Political, Economic, Soci-cultural, Technological, International and Environmental Factors
PDI	Previously Disadvantaged Individual
SAACE	South African Association for Consulting Engineers
SWOT	Strengths, Weaknesses, Opportunities and Threats
XYZ	XYZ Services Group

## 1. INTRODUCTION

In 1979, Gummesson (cited in Morgan and Morgan, 1991) said this of marketing in professional service firms:

“Within the professional services sector, marketing is considered at worst as an alien concept, and at best as a new development that is viewed with scepticism. This can be contrasted with the role of marketing in the consumer goods industry.” (p.355)

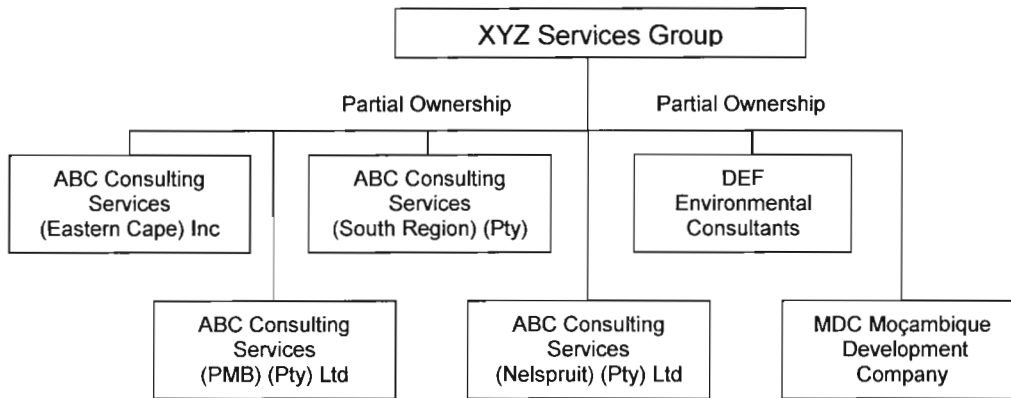
This fear of marketing in professional service firms has slowly been decreasing over the past decade. In today’s professional services environment, the concept of “survival of the existing” no longer applies as traditional professions are facing major competition not only from within, but among one another as well (Kotler *et al*, 2002, p.1). As a result of this, more professional service practitioners are turning to marketing as a way to ensure their survival in this environment (Kotler *et al*, 2002, p.5).

This dissertation deals with the strategic marketing of ABC Consulting Services which is a professional service firm specialising in consulting engineering.

### 1.1. BACKGROUND AND MOTIVATION

ABC Consulting Services (PMB) (Pty) Ltd is a Consulting Engineering firm based in Pietermaritzburg. The company formerly previously part of ABC Consulting Engineers which included five Consulting Engineering offices positioned strategically throughout South Africa. As a result of recent restructuring, each of the five offices have been converted into semi independent companies, with the majority of the shares being in the hands of Engineers in the local companies and the balance of shares being held by the holding company XYZ Services Group (XYZ). The diagram below depicts the companies that XYZ co-owns with the local shareholders in each company.

**Figure 1. XYZ Services Group : Company Structure**



(ABC Consulting Services (PMB) (Pty) Ltd Company Profile, 2005, p.2)

The motivation for this dissertation stems from the re-structuring of the company and the increasing need for the company to operate in accordance with a strategic marketing plan. The current situation in the South African industry is very different to what it was when ABC Consulting Engineers was founded 35 years ago. At that time, competition between Consulting Engineering firms was less intense, which resulted in a more constant flow of work. Presently, with the increased competition in the market place and the implementation of Black Economic Empowerment (BEE), ABC is finding it more challenging to maintain a steady stream of projects to ensure positive returns in the long term.

As an employee of the Pietermaritzburg ABC office, the researcher is particularly interested in the well being of the company and thus decided to address the company's strategic marketing issues as a dissertation topic.

The purpose of this dissertation is to develop a strategic marketing plan for ABC to help ensure positive returns for the next five years.

## **1.2. RESEARCH QUESTION**

The research questions for this dissertation are as follows:

- a) What are the current trends in the Consulting Engineering Industry?
- b) What markets are receiving the most funding and what markets will receive funding in the future?
- c) How should Consulting Engineering firms target these markets?

## **1.3. RESEARCH OBJECTIVES**

The objective for this dissertation is to determine what key marketing issues ABC faces and to establish how ABC should deal with these issues.

## **1.4. RESEARCH DESIGN**

This study comprises mainly of primary research done on the company (micro factors) and its environment (macro factors) in the form of qualitative descriptive research with the source of information coming from internal semi structured focus groups and questionnaires sent to selected individuals involved in the consulting engineering industry.

The internal focus group was run semi formerly with the objective of gaining a solid understanding of the company's internal and external environment.

The following items were addressed:

- a) External Audit
  - o Macro environmental analysis to expose trends, events and issues in each sub environment (PESTIE)
  - o Industry environment analysis to expose trends, events and issues in the industry, its clients, suppliers, competitors and other stakeholders.
- b) Internal Audit
  - o Assess the company's resources and capabilities
  - o Evaluation of :
    - the mission and goals / objectives
    - the current portfolio
    - the current competitive strategy

- position of the companies service offerings on the product life cycle
- current clients and target markets
- current positioning strategies
- current marketing mix strategies
- current customer satisfaction

A SWOT analysis was also done as part of the focus group. These results form a vital part of the strategic marketing plan.

In addition to the information gathered on the company's internal and external environment, questionnaires which dealt with the consulting engineering macro environment were sent out to selected individuals of the consulting engineering industry.

## **1.5. ANTICIPATED CONTRIBUTION**

This dissertation identifies key strategic marketing issues that face consulting engineering firms in the current economic environment. In addition to the identification of these issues, one of the outcomes of the study is a strategic marketing plan which is to be implemented by ABC Consulting Services.

## **1.6. CHAPTER PLAN**

The following chapter (Chapter 2) begins with an overview of the elements of marketing service businesses and some of the processes involved in creating a strategic marketing plan. The next chapter is the context chapter which looks at the global and local trends in the consulting engineering industry as well as ABC's current position and service offerings in the industry (Chapter 3). This is followed by a chapter which explains the research methodology of the dissertation in more detail (Chapter 4). The following chapter is the findings chapter which includes the results from the internal and external research (Chapter 5). This chapter provides a basis for the next chapter which summarises the key issues facing ABC in the current market (Chapter 6). The dissertation then concludes with the recommendations chapter which includes a strategic marketing plan for ABC (Chapter 7).

As discussed above, the purpose of this dissertation is to identify key issues facing ABC and then to use these key issues to formulate a strategic marketing plan. The following chapter goes through the theory required for this process and explains the various elements of a marketing plan.

## **2. LITERATURE REVIEW : PART 1 : THE STRATEGIC MARKETING PROCESS FOR SERVICES**

The aim of this chapter is to provide a foundation for the methods used to answer the research questions of this dissertation.

Firstly, the chapter looks at some of the characteristics of services marketing and how marketing services differs from traditional product marketing. Secondly, services strategy is discussed with particular reference to targeting, positioning and the service mix. The chapter then concludes with a discussion on developing a strategic marketing plan by means of internal and external environment analyses. Together, the information in the chapter provides a theoretical framework of the elements that need to be considered and analysed in order to answer the research questions listed in chapter one of this dissertation.

### **2.1. CHARACTERISTICS OF A SERVICE**

Kotler (2000), defines a service as follows:

“A service is any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product” (p.428)

Zeithmal and Bitner (2003, p.3) define services as deeds, processes, and performances. They expand on this definition by citing Quinn *et al* (1987) who state that:

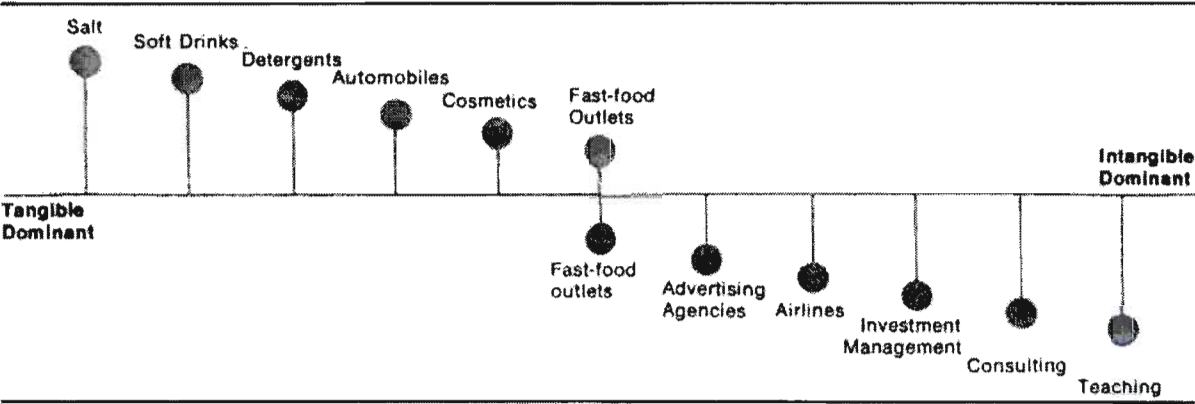
“Services include all economic activities whose output is not a physical product or construction, is generally consumed at the time it is produced, and provides added value in forms (such as convenience, amusement, timeliness, comfort, or health) that are essentially intangible concerns of its first purchaser” (p.50)

There has, however, been no consistent definition of a service, as in practice, it is very difficult to distinguish a service from a good, for when a good is purchased, there is usually an element of service included and similarly, a service is usually augmented by a tangible product (McColl *et al*, 1998, p.45).

McColl *et al* (1998, p.46) say further that it would be more appropriate to speak of degrees of service orientation rather than to describe the service sector as a homogeneous group of activities. He explains that all productive activities can be placed on a scale somewhere between being a pure service (with no tangible output) and a pure good (with no intangible service being added to the tangible good).

For this reason, Shostack (1977, p.74) proposed that goods and services can be ranked along a tangibility spectrum according to their degree of tangibility dominance. Figure 2.1 below shows schematically that considerable diversity exists within the service sector.

**Figure 2.1 Tangibility Spectrum**



(Shostack, 1997, p.77)

In terms of marketing, there are several distinguishing features of a service. These can be described as intangibility, inseparability, variability and perishability (Kotler *et al*, 2002, p.12).

**2.2.1. Intangibility**

The most basic, and universally cited, difference between goods and services is intangibility (Zeithaml and Bitner, 2003, p. 20). This means that services cannot be seen, tasted, felt, heard or smelled before they are bought. For example, if a person undergoes cosmetic surgery, they cannot fully see the results of the surgery until they are complete, thus, customers attempt to reduce the uncertainty by looking for “signals” of service quality. They draw conclusions about service quality from the physical evidence, equipment used, people involved or the communications they have been exposed to (Kotler *et al*, 2002, p.12). Therefore, the service



provider's task is to "tangibilise the intangible" (Levitt, 1981, cited in Kotler, 2000, p.430). Whereas product marketers are challenged to add abstract ideas, service marketers are challenged to add physical evidence and imagery to abstract offers (Kotler, 2000, p.430).

A very important result of intangibility is that services cannot be inventoried, and therefore fluctuations in demand are difficult to manage (Zeithaml and Bitner, 2003, p. 21). One way of overcoming the problem of intangibility, as McDonald's exemplifies, is through the importance of the company as a brand, reinforced by a well presented corporate identity to evoke clear functional and emotional values (Diefenbach, 1992, cited in Chernatony and Segal-Horn, 2001, p.646).

### **2.2.2. Inseparability**

Production and consumption of a tangible good are two discrete activities, however, the consumption of a service is said to be inseparable from its means of production as producer and consumer must normally interact in order for the benefits of the service to be realised (McColl *et al*, 1998, p.49). Kotler *et al* (2002, p.12) state that because a service cannot be separated from the service provider, how that individual is perceived (ie. Professionalism, appearance and demeanour) will be used in judging the quality of the service.

As a result, inseparability has a number of implications for marketing:

- Services generally need to be sold first, then produced and consumed simultaneously (McColl *et al* 1998, p.49).
- The production process itself is crucial to the customer's perception of the quality of the service because the customer is involved in the production by receiving the service (McColl *et al*, 1998, p.49).
- It is not usually possible to gain significant economies of scale through centralisation because usually the operations need to be relatively decentralised so that the service can be delivered directly to the consumer in convenient locations (Zeithaml and Bitner, 2003, p. 22).
- The quality control of service delivery is made difficult by the fact that it is highly dependant on what happens in "real time" and thus there is room for error (Zeithaml and Bitner, 2003, p. 22).

However, Norman and Ramirez (1994, cited in Chernatony and Segal-Horn, 2001, p.646) suggest that rather than regarding inseparability of production and consumption as a challenge, it can be interpreted as an opportunity to regard consumers as co-producers of value and thus be able to tailor the brand to their needs.

### **2.2.3. Variability**

Because they depend on who provides them and where and when they are provided, services are highly variable (Kotler, 2000, p.432). Services also often need to be tailor-made for specific customer needs and are very difficult to monitor and control (McColl *et al*, 1998, p.51). A further complication arises when a service is provided by a third party, such as the case where a consulting organisation contracts a sub consultant to perform a particular service (Zeithaml and Bitner, 2003, p. 21). Issues such as these can create problems for brand building in services compared to tangible goods (McColl *et al*, 1998, p.51). Chernatony and Segal-Horn (2001, p.660) did a study of 28 brand management consultants and one of them had this to say about the variability of services:

“You’re dependent on people.... and it takes only one person to have a bad day for the entire brand delivery and experience to be fractured” (p.660)

### **2.2.4. Perishability**

Services cannot be saved, stored, resold, or returned (Zeithaml and Bitner, 2003, p. 22). A car manufacturer who is unable to sell all its output in the current period can carry forward stock to sell in subsequent one. In contrast, the producer of a service which cannot sell all of its output for a period has no opportunity to carry it forward for sale in subsequent periods (McColl *et al*, 1998, p.51). The most important result of this is the inability to inventory, and thus demand forecasting and capacity planning become challenging areas for management (Zeithaml and Bitner, 2003, p.22). Another important result is that strong recovery strategies are required when something goes wrong with the delivery of the service. Unlike faulty products that can be returned and replaced, a bad haircut cannot be returned to a hairdresser and as a result, the hairdresser needs to have effective plans in place to regain the goodwill of that customer (Zeithaml and Bitner, 2003, p.22).

As shown above, there are inherent differences between goods and services and as a result, different management challenges exist for services (Zeithaml *et al*, 1985, cited in Zeithaml and Bitner, 2003, p.22). Marketing managers need to consider these differences when developing a services strategy.

## **2.2. SERVICES STRATEGY**

As competition intensifies in the service sector, it's becoming progressively more important for service organisations to differentiate their products in meaningful ways (Lovelock, 1996, p.164).

Kotler *et al* (2002, p.149) state that the professional service organisation must develop a marketing strategy for each service market it chooses to compete in and defines marketing strategy as follows:

“Marketing strategy is the selection of target markets, the choice of competitive position, and the development of an effective marketing mix to reach and serve chosen clients.” (p.149)

Lovelock (1996, p.164) states that marketers define a market as the set of all actual or potential buyers of a particular core product. However, he goes on to say that it is usually unrealistic for a firm to try and appeal to all the buyers in a particular market and hence, each firm should adopt a strategy of market segmentation, identifying those segments of the market that it can best serve.

The process of selecting target markets has two elements, namely segmentation and targeting, which are discussed in the following sections.

### **2.2.1. Market Segmentation**

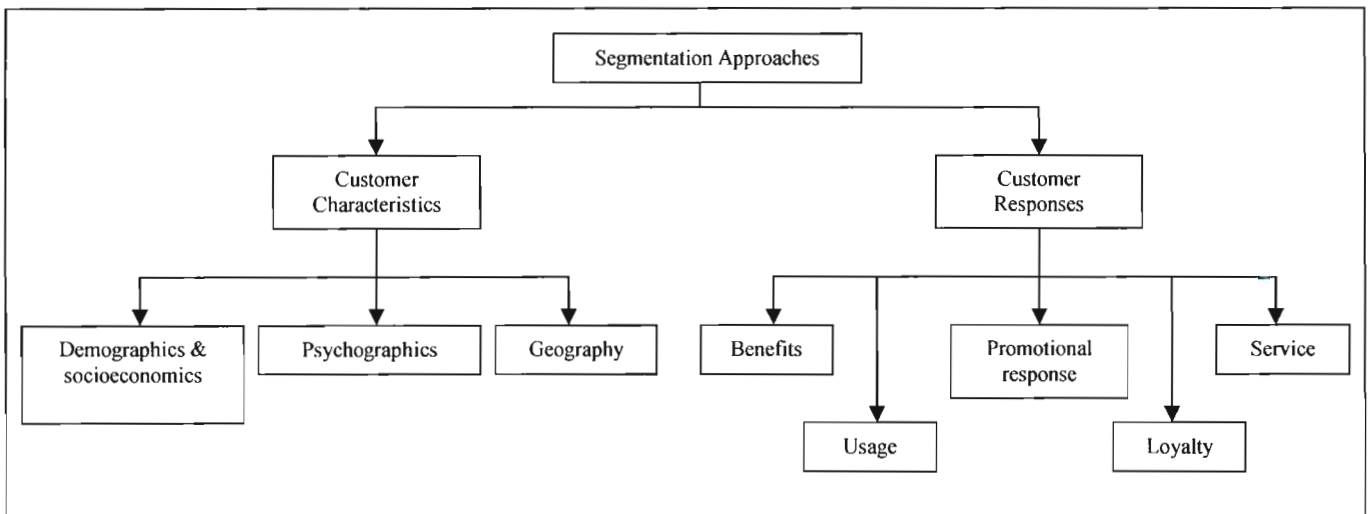
Market segmentation is central to most professionally planned and executed marketing programs (Lovelock, 1996. p.184). It is the process by which a market is divided into distinct subsets of customers with similar needs and characteristics that lead them to respond in similar ways to a particular product offering (Walker *et al*, 2003, p.151).

McDonald & Payne (2006) expand the definition of market segmentation as follows:

“Market segmentation is the process of splitting customers, or potential customers, in a market into different groups, or segments, within which customers share a similar level of interest in the same, or comparable, set of needs satisfied by a distinct marketing proposition.” (p.95)

From this definition, they depict the major approaches to services market segmentation as shown in Figure 2.2 below:

**Figure 2.2 Major Approaches to Services Market Segmentation**



(McDonald & Payne, 2006, p. 94)

There are many ways by which a service company can approach market segmentation. These “segmentation bases” fall under the two broad headings of customer characteristics and customer responses (McDonald & Payne, 2006, p. 94). Customer characteristics are useful descriptors of the groups buying services; however, on their own, they are rarely sufficient to explain why they buy and what they buy. On the other hand, customer responses are more likely to explain what customers buy and why they buy. Ideally, one or more of these customer characteristics should be combined with one or more of the customer characteristics (McDonald & Payne, 2006, p. 95).

There is no single best way to segment a market. The marketer has to try different segmentation variables and combinations to find the best way to view a market structure;

however, a segment base is best if it yields segments possessing the following characteristics (Kotler *et al*, 2002, p.179):

- Measurability – The degree to which the size, purchasing power, and profile of segments can readily be measured
- Reachability – The degree to which the resulting segments can be effectively reached and served through the companies normal processes of doing business.
- Sustainability – The degree to which the resulting segments are large or profitable enough to warrant special effort.
- Mutual exclusivity – Each segment should be different from other segments.
- Exhaustiveness – Every potential target member should be included in some segment.
- Differential responsiveness – A segmentation plan may meet all the above criteria, but several segments may respond exactly alike to different types of strategy (Kotler *et al*, 2002, p.179).

Once the segments have been determined, the company needs to determine which segments it wants to focus on and how it wants to focus on them. The process of making these decisions is called targeting.

### **2.2.2. Targeting**

One of the biggest marketing mistakes that a company can make is to not specify a target audience. No matter what product you have, not everyone is going to want to buy it and trying to appeal to everybody just does not work (Koeppel, 2005, p.12).

Walker *et al* (2003) define target marketing as follows:

“Target marketing requires evaluating the relative attractiveness of various segments (in terms of market potential, growth rate, competitive intensity, and other factors) and the firm’s mission and capabilities to deliver what each segment wants, in order to choose which segments it will serve.” (p.152).

A target segment is one that a firm has selected from among those in a broader market. Target markets are defined on the basis of several variables such as geographic, demographic and behavioural segmentation (Lovelock, 1996. p.165). Every market is heterogeneous, that is, it

is made up of different types of buyers, or market segments and therefore, marketers find it helpful to construct a marketing segmentation scheme which can reveal the major groups making up the market. Then, they can decide whether to serve all the segments (mass marketing) or only to concentrate only on a portion of the segments (target marketing) (Kotler et al, 2002, p.150).

#### 2.2.1.1 Ways of Appealing to the Market Place

Kotler et al (2002, p.175) describe the five basic ways of appealing to the marketplace:

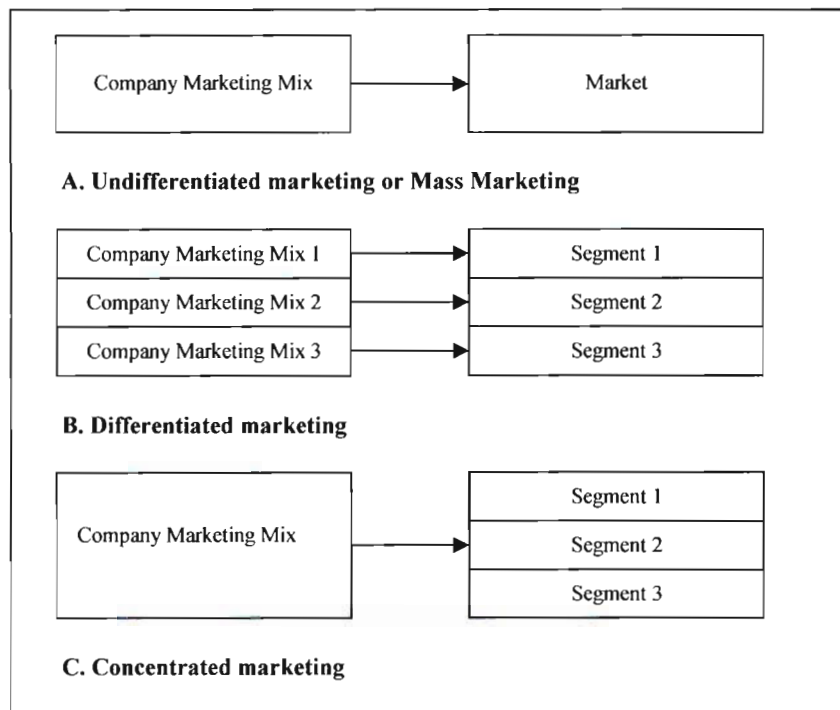
- *One-Size-Fits-All (Mass) Marketing* – This approach might work well in a monopolistic situation, but in a competitive world, it is similar to organisational suicide.
- *Program Differentiation Marketing* – This approach meets the needs of many firms who have a mandate to provide services to a wide variety of clients.
- *Focused (Target) Marketing* – This is a more tailored approach which focuses the firms efforts on identifying and serving a particular target market. Target marketing can produce at least three benefits. Firstly, the firm can spot market opportunities better when it is aware of different segments and their needs, secondly, the firm can make finer adjustments of its program to match the desire of the market and thirdly, the firm can make finer adjustments of its marketing mix.
- *Niche Marketing* – A niche is a narrowly defined group whose needs are not being served well by the market. Niches attract less competition and firms serving these markets succeed through specialisation, however, niche marketers are in a precarious situation because they rely on a limited market and risk losing their customer base if something happens to change the demands of the niche.
- *Micro Marketing* – Micro marketing is the process of tailoring products and marketing programs to meet the needs of specific clients. This is sometimes referred to as one-to-one marketing or mass customisation.

Choosing one of these five options helps the company to identify and serve the market in the best way (Kotler et al, 2002, p.175).

### 2.2.1.2 Market Coverage Strategies

Market segmentation reveals the market segment opportunities facing the organisation. Once this process is completed, the firm then needs to establish how best to target these segments (Kotler *et al*, 2002, p.189). Kotler *et al* (2002, p.190) depict the three alternative market coverage strategies in figure 2.3 below.

**Figure 2.3 Three Alternative Market Coverage Strategies**



(Kotler *et al*, 2002, p.190)

In undifferentiated marketing or mass marketing, the organisation chooses not to recognise the different market segments making up the market, but rather focuses on a basic buyer need rather than on differences among buyers (Kotler, 2000, p.275). The primary object of this strategy is to capture sufficient volume to gain economies of scale and a cost advantage (Walker *et al*, 2003, p.167). In differentiated marketing, an organisation decides to operate in two or more market segments but designs separate services and/or marketing programs for each. This way, it hopes to attain higher sales and a deeper position within each market segment. As a result it hopes to achieve higher revenues; however, it also tends to create higher costs (Kotler *et al*, 2002, p.191). Concentrated marketing, otherwise known as niche marketing, involves serving one or more segments that, while not the largest, consist of substantial numbers of customers seeking somewhat specialised benefits from a product or service (Walker *et al*, 2003, p.167). The aim of this strategy is to avoid spreading itself thinly

in many parts of the market but rather to serve a particular segment well. As a result, the firm usually enjoys a greater knowledge of the market segments needs and behaviour, as well as achieving better operating economies (Kotler *et al*, 2002, p.192).

Once the company has decided which segments it wants to target, the next decision in the services marketing strategy is to determine how best to position the service in the minds of the target market.

### **2.2.3. Positioning**

Positioning plays a fundamental role in marketing strategy, because it links the market analysis and competitive analysis to the internal corporate analysis (Lovelock, 1996, p.169).

Kotler (2000) defines positioning as follows:

“Positioning is the act of designing the company’s offering and image to occupy a distinctive place in the target market’s mind.” (p.298)

He goes on to say that the end result of positioning is the successful creation of a market-focused value proposition, or in other words, a convincing reason why the market should buy the product (Kotler, 2000, p.298).

Lovelock (1996, p.167) explains that positioning is the process of establishing and maintaining the company and its services or products in a distinctive place in the market. He cites Heskett (1984) who frames the issue as follows:

“The most successful service firms separate themselves from “the pack” to achieve a distinctive position in relation to their competition. They differentiate themselves.....by altering typical characteristics of their respective industries to their competitive advantage.” (p.167)

Kotler (2000, p.298) cites Ries and Trout (1981) who see positioning as a creative exercise done with an existing product:



“Positioning starts with a product. A piece of merchandise, a service, a company, an institution, or even a person.....But positioning is not what you do to a product. Positioning is what you do to the mind of the prospect. That is, you position the product in the mind of the prospect.” (p.298)

To simplify the buying process, clients organise services in categories in their minds. The service’s position is a complex set of perceptions, impressions and feelings that the customers hold in their minds. This position is held with respect to the competitor’s positions and is formed without the help of the marketer. The marketer, however, should not leave these perceptions to chance and needs to plan positions that will give their services the greatest advantage in the target markets (Kotler *et al*, 2002, p.196).

The success of a positioning strategy lies in the firm’s ability to differentiate itself along one or more important dimensions, from its competitors, in a positive way in the minds of the customer (Reis and Trout, 1981, cited in Schouten and McAlexander, 1989, p.69)

Lovelock (1996, p.167) suggests that understanding the concept of product positioning is key to developing a competitive posture and states that in order to do so, the firm needs to find answers to the following questions:

- What does our firm currently stand for in the minds of current and prospective customers?
- What customers do we now serve and which ones would we like to target for the future?
- What are the characteristics of our current service offerings?
- In each instance, how do our service offerings differ from those of the competition?
- How well do customers in different market segments perceive each of our service offerings as meeting their needs?
- What changes do we need to make, within the market segment of interest, to our firm?

McDonald and Payne (2006, p.126) summarise the positioning process into five action steps:

- Determining levels of positioning
- Identifying the key attributes which impact on selected segments

- Locating these attributes on a positioning map
- Evaluating positioning options
- Implementing the new positioning strategy

These steps are looked at in more detail below.

#### *2.2.3.1 Determining levels of positioning*

The level of positioning required is often fairly self evident because it needs to be in line with the organisation's strategy for success in a given market segment. Positioning at a product sector level is now used widely among hotel chains with different types of hotels. For example, Marriott Hotels have thirteen hotel "products", each with different positioning. Some offerings are positioned as high-quality hotels with exquisite architectural detail and fine dining and others are designed for business travellers with all the services that a business traveller will require to stay productive while on the road (McDonald and Payne, 2006, p.126).

#### *2.2.3.2 Identifying the key attributes which impact on selected segments*

A company can differentiate itself in many ways, including; location, quality, special features, performance quality, technologies used, price charged and the personal manner of the employees (Kotler *et al*, 2002, p.200).

Kotler *et al* (2002, p.200) state that the attributes the firm selects should meet the following criteria:

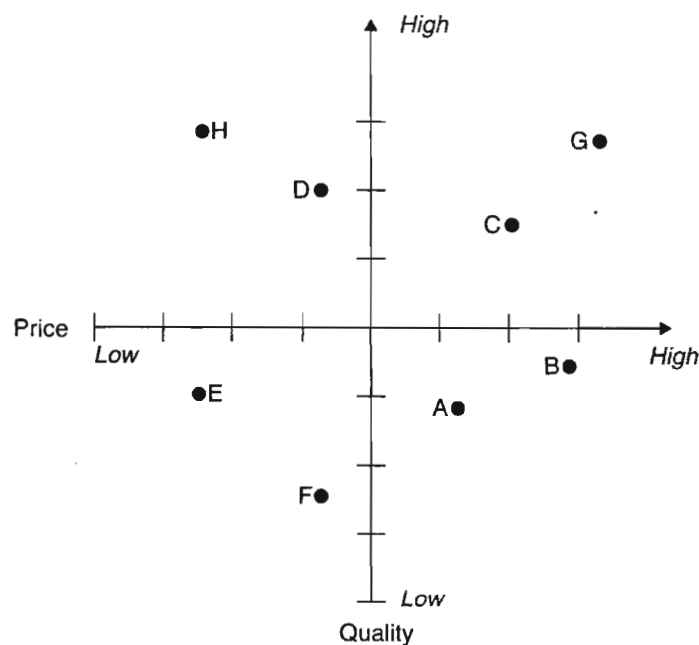
- *Important* – The difference delivers a highly valued benefit to target buyers.
- *Distinctive* - Competitors do not offer the difference, the company can offer it in a more distinctive way.
- *Superior* – The difference is superior to other ways that customers might obtain the same benefit.
- *Communicable* – The difference is communicable and visible to buyers.
- *Pre-emptive* – Competitors cannot easily copy the difference.
- *Affordable* – Buyers can afford the difference.
- *Profitable* – The company can introduce the difference profitably.

In using one or more specific attributes as a basis of a brand's positioning process, it is important to realise that not all attributes carry the same importance to clients. It is therefore essential to identify the determinant attribute or the attribute which plays a major role in helping the client differentiate among alternative products or services (Walker *et al*, 2003, p.178).

### 2.2.3.3 Locating these attributes on a positioning map

Positioning maps usually include two dimensions which are chosen to reflect key customers preferences. For example, if price and quality were key determinants, it would be possible to construct a map of competing services (McDonald and Payne, 2006, p.127). Figure 2.4 is an example of a positioning map.

**Figure 2.4 Example of a Positioning Map**



(McDonald & Payne, 2006, p. 127)

In addition to allowing comparisons to be made, positioning maps can also identify areas of core demand, which in Figure 2.4 would be the top left-hand quadrant, i.e. high quality/low price. Knowing the core demand area enables the company to decide on how it can reposition any of its service which fall outside this area (McDonald and Payne, 2006, p.128).

#### *2.2.3.4 Evaluating positioning options*

An organisation may discover a number of potential positions but these may not be feasible if they result in uneconomically small market segments or are too costly to develop. Selection of options should be on the basis of the organisation's greatest differential advantage in areas that are most valued by target customers (McCull *et al*, 1998, p.119).

#### *2.2.3.5 Implementing the new positioning strategy*

The new or reinforced positioning strategy needs to be communicated in all implicit and explicit interactions with target customers. In order for this to be successful, the process needs to involve the service company, its staff, its policies and image all conveying a consistent message to clients (McDonald and Payne, 2006, p.129).

Once the target markets have been selected and positioning strategies have been developed, the next step is to develop marketing mix which serves to reach the target markets in an appropriate manner.

### **2.2.4. Services Marketing Mix**

Kotler *et al* (2002) on the marketing mix:

“The key to long term profitability for any professional firm is the creation of a service that satisfies the needs and wants of one's clients and facilitates the exchange of those services in such a manner that provides value and satisfaction to the client. One creates these services through a combination and blend of a set of tools that are referred to as the marketing mix.” (p.9)

Zeithmal and Bitner (2003, p.23) define the marketing mix as the elements that an organisation controls that can be used to satisfy and communicate with customers. Designing the marketing mix essentially involves working out the tactical details of the positioning strategy (Kotler *et al*, 2002, p.203).

The marketing mix is the set of tools available to the marketing manager to shape the nature of the service offered to consumers (McCull *et al*, 1998, p.17). McCarthy (1996, cited in Kotler, 2000, p.15) classified these tools into four broad groups that he called the four P's of

marketing: product, price, place and promotion. The four P's are strategic weapons in the firms market struggle against its rivals (Magrath, 1986, p.46).

The notion of a mix implies that all the variables are interrelated and depend on each other to some extent. It also implies that there is an optimal mix of the four factors for a given market segment at any point in time (Zeithmal and Bitner, 2003, p.23). The typical question is, if the company were to alter one of these strategic factors, would it aid the company in gaining an edge on its competitors (Magrath, 1986, p.46)?

When service businesses try to develop marketing plans around the four P's, one fundamental difficulty they encounter is making the four P's meet the nature of their operations (Magrath, 1986, p.47). Because services are usually produced and consumed simultaneously, customers often interact directly with the firms personnel and are directly involved in the production process. Also, because services are intangible, customers often use physical attributes such as appearance of the premises to help them understand the nature of the service. Services marketers have therefore adopted the concept of an expanded marketing mix for services. The additional three P's of the expanded mix are personnel, physical evidence and promotion (Zeithmal and Bitner, 2003, p.24).

These three P's are interconnected and represent vital marketing elements in the management of service businesses (Magrath, 1986, p.48).

The key strategy decision areas for the seven P's are captured in Table 2.1 below:

- Product means the good or service combination that the company offers to the target markets in order to satisfy its needs (Kotler *et al*, 2002, p.10). Items such as product variety, quality design, features, brand name, packaging, sizes and warranties are covered by the product definition in the marketing mix (Kotler, 2000, p.15). Product decisions for services can be very different from those for goods. Most fundamentally, the more intangible the service the more it needs to be defined in terms of process descriptions rather than tangible descriptions of outcomes (McCull *et al*, 1998, p.19). An example of an extremely intangible service would be cosmetic surgery as the results cannot be seen until after the service has been performed (Kotler *et al*, 2002, p.13).

**Table 2.1 The Seven P's of Services Marketing**

<b>Product</b>		<b>Price</b>		<b>Place</b>		<b>Promotion</b>	
<ul style="list-style-type: none"> <li>• Quality</li> <li>• Features</li> <li>• Options</li> <li>• Style</li> <li>• Packaging</li> <li>• Sizes</li> <li>• Services</li> <li>• Warranties</li> <li>• Returns</li> <li>• Brand</li> </ul>		<ul style="list-style-type: none"> <li>• List Price</li> <li>• Discounts</li> <li>• Allowances</li> <li>• Payment Period</li> <li>• Credit Terms</li> </ul>		<ul style="list-style-type: none"> <li>• Channels</li> <li>• Coverage</li> <li>• Location</li> <li>• Inventory</li> <li>• Transport</li> </ul>		<ul style="list-style-type: none"> <li>• Advertising</li> <li>• Personal Selling</li> <li>• Sales Promotion</li> <li>• Publicity</li> </ul>	
<b>Physical Evidence</b>		<b>Processes</b>		<b>People</b>			
<ul style="list-style-type: none"> <li>• Arrangement of objects</li> <li>• Materials used</li> <li>• Shapes/lines</li> <li>• Lighting/shadows</li> <li>• Color</li> <li>• Temperature</li> <li>• Noise</li> </ul>		<ul style="list-style-type: none"> <li>• Policies &amp; procedures</li> <li>• Factory/delivery cycle time</li> <li>• Training &amp; rewarding systems</li> </ul>		<ul style="list-style-type: none"> <li>• Service provider</li> <li>• Customer being serviced</li> <li>• Other employees and customers</li> </ul>			

(Kotler *et al*, 2002, p.9)

- Price consists of the amount of money the customer has to pay to obtain the product, along with any non-financial costs such as time, hassle and inconvenience (Kotler *et al*, 2002, p.10). Pricing decisions include varying quantity discounts, payment terms, cash discounts, published prices and trade discounts (Magrath, 1986, p.47).
- Place includes everything the organisation does to make its services available to the target consumer such as the positioning of a firm in a major city (Kotler *et al*, 2002, p.10).
- The promotional mix includes various methods of communicating the benefits of a service to potential customers, traditionally broken down into four mix elements namely; advertising, sales promotion, public relations and personal selling. The promotion of services usually places particular emphasis on increasing the apparent tangibility of a service (McColl *et al*, 1998, p.19).
- For most services, people are the vital element of the marketing mix (McColl *et al*, 1998, p.20). People, represent all the actors who play a part in service delivery and thus influence the buyer's perceptions (Zeithmal and Bitner, 2003, p.25). In service industries, everybody is what Gummesson (1991, cited in McColl *et al*, 1998, p.20)



calls a “part-time marketer” in that their actions have a much more direct effect on the output received by customers.

- Physical evidence refers to the environment in which the service is delivered and where the firm and customer interact, as well as any tangible components that facilitate the performance of the service (Zeithmal and Bitner, 2003, p.25). The intangible nature of a services means that in many cases, potential customers cannot judge a service prior to it being consumed, which increases the risk of the purchase decision. An important element of the marketing mix is therefore to reduce this level of risk by offering tangible evidence of the quality of the service. The simplest example of this is a well designed brochure which shows evidence of the quality of previous service deliveries (McCcoll *et al*, 1998, p.21).
- Pure services are more appropriately described by their production processes rather than tangible outcomes (McCcoll *et al*, 1998, p.22). Process includes the actual procedures, mechanisms, and flow of activities by which the service is delivered (Zeithmal and Bitner, 2003, p.25). Service marketers must examine the processes involved in service delivery to identify ways in which a better service may be provided to a customer. In many cases, this may include removing bottlenecks in order to streamline the service delivery system (McCcoll *et al*, 1998, p.22).

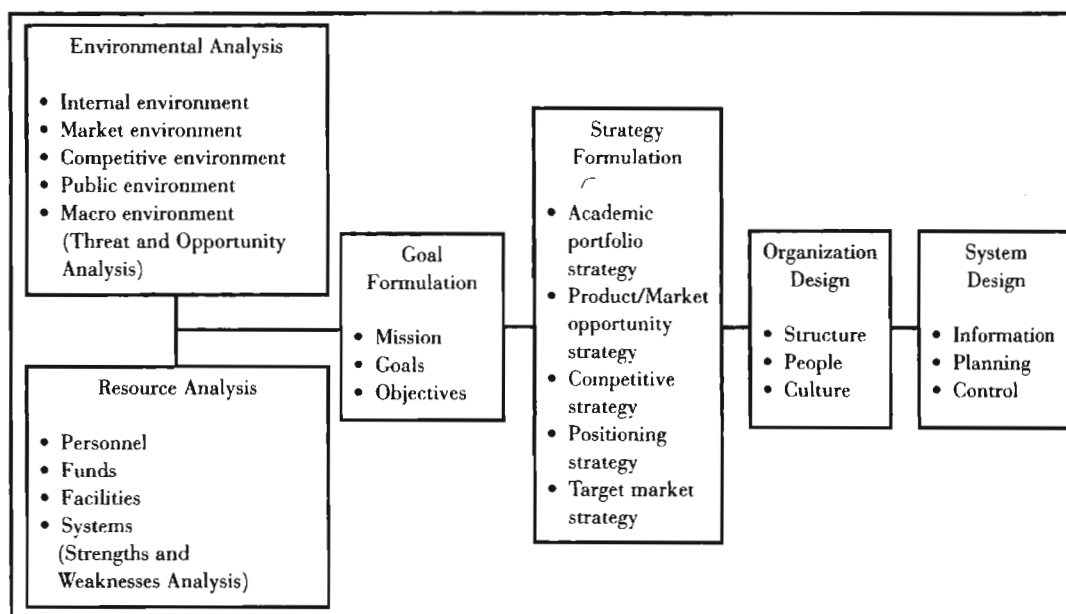
Marketers must design the right combination of these seven P’s to satisfy their target customer. They must use market research to find the right combination of the seven P’s, however, the real challenge is that once the right combination is discovered, it will more than likely change as competitors introduce processors, features or prices that change client expectations (Kotler *et al*, 2002, p.11).

The segmentation, targeting and positioning processes all play a role in determining the correct marketing mix combinations that a company should choose in its marketing strategy formulation process, however, all of these elements need to be looked at in the context of the company’s internal and external environments. Developing a strategic marketing plan prompts the company to analyse its environment and apply the findings to the development of the marketing strategy.

### 2.3. DEVELOPING A STRATEGIC MARKETING PLAN FOR SERVICES

Strategic marketing planning is organised in three stages. Firstly, the firm must carry out an analysis of the current and expected environment. Secondly, the firm must set its goals, objectives and strategy and thirdly, the firm must carry out its implementation plan (Kotler *et al*, 2002, p.123). Figure 2.5 below shows a graphical representation of the strategic planning process:

**Figure 2.5 Strategic Planning Process Model**



(Kotler *et al*, 2002, p.126)

The previous sections of this chapter focused on the strategy formulation part of the strategic marketing planning process. This section will look into the environmental analysis in more detail.

Kotler *et al* (2002) emphasise the importance of environmental analysis with the following statement:

“Understanding the firm’s internal and external environment is the bedrock on which all strategies should be formulated.....The more one knows about his or her own capabilities and understands about the environment in which they operate, the more he or she should be able to anticipate scenarios with a higher probability” (p.126)



The environmental analysis is often referred to as the situational analysis or marketing audit (McDonald and Payne, 2006, p.381). The process reviews the business environment at large (with particular attention to economic, market and competitive aspects) as well as the company's own internal environment (McDonald and Payne, 2006, p.384). The outcome of the situational analysis includes a set of assumptions about future conditions as well as an estimate or forecast of potential market demand during the period covered by the marketing plan (McDonald and Payne, 2006, p.384).

The internal analysis focuses on the firm's strengths and weakness, while the external analysis focuses on the firm's opportunities and threats (McDonald and Payne, 2006, p.139).

### **2.2.1. Analysis of the Internal Environment**

A firm involved with marketing planning needs to consider four resource issues associated with its internal environment (Kotler *et al*, 2002, p.127):

- Its institutional environment and character – shaped by its original mission, early history, geographical location, size, past success and the match between the firms offerings and its market.
- Its stage in the institutional life cycle – in order to attempt to keep the firm, or return the firm to a stage of healthy growth or extended maturity.
- Its potential for adaptation
- Its tangible resources and market assets – to identify its strengths and weaknesses (Kotler *et al*, 2002, p.127).

The resource analysis looks at things such as people, money, facilities, systems and market assets. A firm should pay particular attention to its distinct competencies, which are those resources and abilities that the organisation is especially strong in (Kotler *et al*, 2002, p.131).

One tool that is useful in identifying a firm's strengths and weaknesses is the Importance/Performance Matrix (Kotler *et al*, 2002, p.131). The first step is to identify those attributes that are important to one's clients in the delivery of a service and secondly, to establish the level of the firm's perceived performance on each attribute. It is then useful to

plot the attributes on a four cell matrix which ranks low to high importance versus low to high performance (Kotler *et al*, 2002, p.131).

Once the internal environment has been assessed, the external environment then needs to be analysed in order to identify threats and opportunities that exist in the market environment.

### **2.2.2. Analysis of the External Environment**

All companies and their customers operate in a microenvironment of forces and trends that shape opportunities and pose threats. These forces represent “noncontrollables”, which the company must monitor and respond to (Kotler, 2000, p.138).

Within the rapidly changing global picture, the firm must assess the business and economic environment by monitoring six major forces (Kotler, 2000, p.139):

- Demographic – marketers must be aware of worldwide population growth; changing mixes of age, ethnic composition and educational levels; the rise of non-traditional families; large geographic shifts in population; and the move to micromarketing and away from mass marketing.
- Economic – marketers need to focus on income distribution and levels of savings, debt and credit availability.
- Natural – marketers need to be aware of raw-materials shortages, increased energy costs and population levels, and the changing role of governments in the environmental protection.
- Technological – marketers should take account of the accelerating pace of technological change, opportunities arising from innovation, varying R&D budgets and increased government regulation brought about by technological change.
- Political-legal – marketers must work within the laws regulating business practices and with various special-interest groups.
- Social-cultural – marketers must understand people’s views of themselves, others, organisations, society, nature and the universe (Kotler, 2000, p.155).

In addition to these business and economic factors, the company must assess the market in which it is operating. Aspects such as market size, growth, value and volume should be

analysed. The firm's competition should also be assessed in terms of the industry structure, i.e. their size, capacity, capabilities, extent of diversification; as well as the industry profitability (McDonald and Payne, 2006, p.138).

Porter (1980, cited in Thompson and Strickland, 2004, p.79) suggests that a powerful tool for systematically analysing a firm's competition is through the five forces model. The model looks at five competitive forces:

- The rivalry among competing sellers in the industry.
- The potential entry of new competitors.
- The market attempts of companies in other industries to win customers over to their own substitute products.
- The competitive pressures stemming from supplier-seller collaboration and bargaining.
- The competitive pressures stemming from seller-buyer collaboration and bargaining (Porter, 1980, cited in Thompson and Strickland, 2004, p.80).

This model is particularly useful due to the thoroughness with which it exposes what competition is like in a given market. It gives the user a good idea of the strength of each of the five competitive forces, the nature of competition in the market and the overall structure of competition. The general rule is, the stronger the collective impact of competitive forces, the lower the combined profitability of the participant firms (Thompson and Strickland, 2004, p.92).

Proper analysis of the company's internal and external environments allows the firm to make strategic decisions which are a good fit with the company's goals, existing resources and the environment in which the company is operating. The analyses mentioned in this chapter are just a few of the methods that a company may use in order to assess its current position and allow it to strategically plan its marketing effort for the future.

The following chapter looks at the current situation in the consulting engineering industry by detailing some of the macro environmental issues which face consulting engineering companies today, as well as giving a brief overview of ABC's current service offering and marketing situation.

### **3. TRENDS IN THE CONSULTING ENGINEERING INDUSTRY AND ABC'S CURRENT POSITION IN THE INDUSTRY**

Before making strategic decisions about how ABC should market themselves now and in the near future, it is important to look at global and local trends in the consulting engineering industry in order to see what other companies are doing and to establish where opportunities may exist in the market. This chapter looks briefly at global trends in the consulting engineering industry and at the current state of the local industry. It also describes ABC's current service offerings and how the company is marketed to new and existing clients.

#### **3.1. GLOBAL TRENDS IN THE CONSULTING ENGINEERING INDUSTRY**

As downsizing, outsourcing, consolidation and a more "one-stop-shopping" approach to life become prevalent, even consulting engineers are finding they must reinvent themselves and perform duties that take them well beyond their traditional roles (Weisenberger & Schultz, 2005, p.38).

In a study done by Weisenberger & Schultz (2005, p.38) in the United States, it was found that many large consulting engineering firms are now adding additional services such as commissioning and master planning to their list of service offerings. They also discovered the following challenges as being the top five business challenges currently facing consulting engineering firms:

- Recruiting design talent
- Finding new business
- Getting paid by clients
- Funding benefit plans
- Professional liability (Weisenberger & Schultz 2005, p.38)

Consulting engineering companies need to find innovative ways of combating these challenges. Section 3.2.6 explains some of the challenges facing consulting engineering

firms in South Africa and many of them are very similar to the five challenges mentioned by Weisenberger and Schultz above.

With the changes of the new century, Lewis (1999, p.15) detailed the design tendencies which he felt would become prevalent. These are as follows:

- The market will demand user-centred design as people all over the world demand more control over their environments.
- Clients will start returning to their core businesses and thus will appreciate the value of design and consider designers to be on a par with other consultants and pay them accordingly.
- Designers and industry will share new risks and new partners.
- Technology will allow the design of more sophisticated products, however, this will result in more financial risk.
- “Green design” will require a clearer definition. Designers, industry and communities will emphasise environmental issues.
- An aging population will accelerate acceptance of universal design. Models such as multigenerational housing will be refined (Lewis, 1999, p. 15).

So far, in the global environment and in the South African Consulting Engineering industry, many of these tendencies have and are materialising.

The following section summarises the results of a market survey by the South African Association for Consulting Engineers (SAACE) which highlights tendencies and trends in the South African industry as well as some of the key issues facing consulting engineering firms today.

### **3.2. STATE OF THE SOUTH AFRICAN CONSULTING ENGINEERING PROFESSION**

The SAACE has been doing research on the consulting engineering industry for many years. Research is done by means of questionnaires which are sent out to member consulting engineering firms. Surveys are done on a biannual basis to review industry issues such as financial indicators, employment, training, client distribution, delayed payments and ownership as well as the general outlook in the industry (SAACE, 2006b, p.3).

This section first looks at the findings with respect to the general economic position in the industry and then summarises some of the key issues from the July-December 2005 survey.

#### **3.2.1. General Economic Overview**

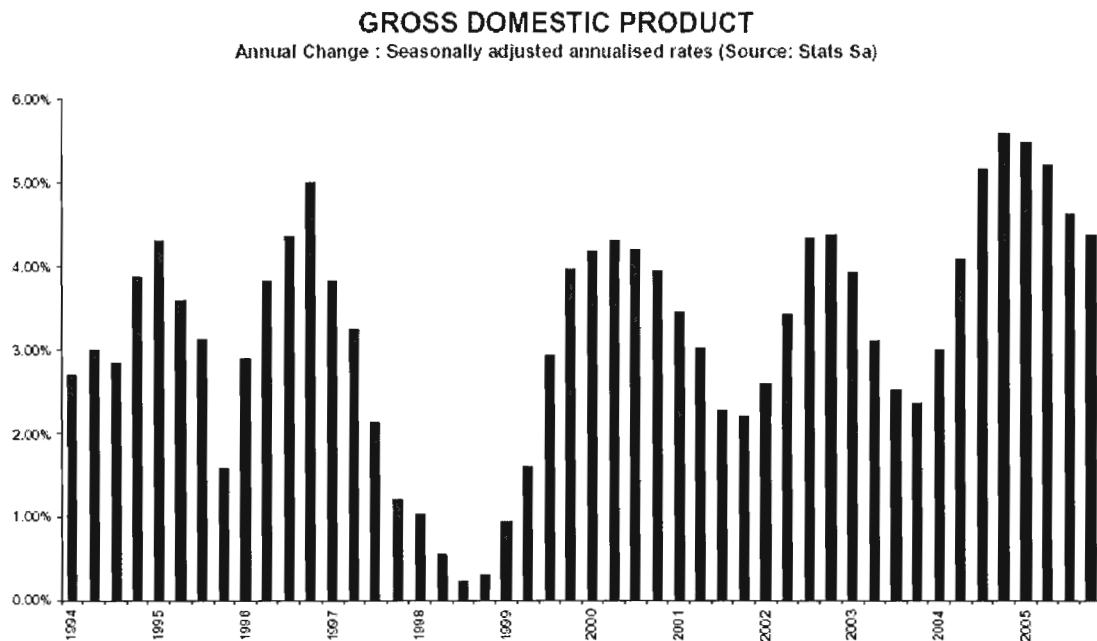
Economic growth slowed down during the second half of 2005 mainly as a result of a drop in the mining sector. Growth is expected to shift from a consumer-driven growth to an investment-driven growth as higher levels of infrastructure expenditure are expected to be a key driver behind the GDP in the short to medium term (SAACE, 2006, p.3).

Growth in the construction industry was higher than the average annual growth rates in all other economic sectors with an estimated real increase of 10% in 2005 (SAACE, 2006, p.4). Figure 3.1 below depicts the long term quarterly change in the Gross Domestic Product (GDP).

It is clear that economic growth is cyclical, however, the lower turning points are moving higher with each cycle which sets the way for stable higher economic growth in the next few years, especially leading up to the 2006 Soccer World Cup (SAACE, 2006, p.4).

The National Treasury expect growth to average 4.9% in 2006, softening to 4.7% in 2007 and rising to 5.2% in 2008 (SAACE, 2006, p.4).

**Figure 3.1 Gross Domestic Product**



(SAACE, 1996, p.4)

The 2006 budget is firmly built on the foundations laid over the past 10 years with a substantial amount of money being allocated to infrastructure expenditure. Total infrastructure expenditure is expected to increase by 18.5% annually over the medium term peaking at R32,4 billion in the 2008/09 fiscal year (SAACE, 2006b, p.6).

A clear thread throughout the budget is increasing focus to empower municipalities to deliver on basic services. Proof of this can be found in the Municipal Infrastructure Grant which includes R21,5 billion to be spent over the next three years (SAACE, 2006b, p.6).

With spending amounting to billions being channelled through the municipalities, new tendering procedures were announced in May 2005, which, stated that municipalities must put all contracts exceeding R200 000 out to tender (SAACE, 2006b, p.6). This will result in consulting engineering firms relying on getting work from municipalities and not from local government departments in the future.

### **3.2.2. Fee Income**

The total fee income of the respondents increased by 17.3% from 2004 to 2005, which is the highest increase noted since the inception of the survey in June 1995 (SAACE, 2006b, p.3).

Fee income earned from local government represented 26.9% of total fee earnings during July-December 2005, making it the sole largest government client in the industry. The private sector contributed 33.7% to earnings in the latter part of 2005. Central government stabilised around 15% of fee earnings, while provincial government increased its contribution to earnings to 17,6% (SAACE, 2006b, p.23).

According to information provided in the 2006/2007 National budget, billions will be channelled through the provincial and local governments for spending on roads, water, sanitation, power and housing. It can therefore be expected that the market share of provincial and local government will gradually increase over the next three years (SAACE, 2006b, p.23).

### **3.2.3. Staffing**

Employment increased by 9.6% during the period July 2005 to December 2005 and on a year on year basis, employment increased by 11.3% between 2004 and 2005, to an estimated 11.314% as at December 2005 (SAACE, 2006b, p.16).

None of the firms reported the intention to cut any jobs, while there is a strong urgency to employ additional engineers, technologists, other technical staff and technicians in the profession (SAACE, 2006b, p.16). Many firms reported that resources are pushed to the limit and that work actually has to be turned down as there are simply not enough resources to cope with the growing work load. The growing shortage of engineers in the country has improved the position of the engineering profession in terms of the “value” placed on the consulting engineering profession. However, young engineers still seem to be discouraged from entering the profession as there is still a perception that the engineering profession includes high work loads, prescribed fees and delayed payments (SAACE, 2006b, p.17).



More than 50% of the firms reported to be at full capacity, including mostly smaller sized firms. On average the industry has been running at a capacity utilisation rate of 90% or more for the last three years. During 2000, firms were utilising a mere 79% of capacity, which gradually increased to 80% and 85% during 2001 and 2002 (SAACE, 2006b, p.17).

#### **3.2.4. Competition**

Competition in tendering generally eases during times of increased availability of work and becomes more severe during times of work shortages. An easing of competition will generally lead to an increase in prices, while prices are forced down when there is a shortage of work and many firms tender for the same contracts (SAACE, 2006b, p.18).

Firms in the consulting industry have always experienced keen to fierce competition, but the pressure has lifted somewhat as only 68% of the respondents reported conditions of very keen to fierce competition compared to an average of 85% during 2000. Notably, 2.8% of respondents actually reported that competition was low, the highest percentage since the inception of the survey in June 1995 (SAACE, 2006b, p.18).

#### **3.2.5. Delayed Payments**

According to information obtained in the survey, an estimated R744 million was outstanding for 90 days or more, as at December 2005, which equates to a total of 13.3% of earnings. Approximately 20% of the firms were owed money in excess of 20% of the total annual fee earnings (SAACE, 2006b, p.27).

Although parastatals only contributed to 6,6% of the total fee earnings, more than half of the firms that did get involved with parastatals were owed more than 20% of their fee income after 90 days or more. Thus it appears to be more risky doing work for parastatals than for other client types (SAACE, 2006b, p.27).

### **3.2.6. Pending Concerns**

The survey ends with a summary of the pending concerns in the industry. These concerns give a good representation of the difficulties that many consulting engineering companies in South Africa are facing.

The greatest immediate concern is a lack of skills in the industry irrespective of race or gender, amidst a growing utilisation of existing capacity (SAACE, 2005a, p.31 and SAACE, 2005b, p.34). Chief Executive Officer (CEO) for Bigen Africa, Francios Swart, said in an interview with Engineering News that he predicts that the biggest challenge facing the engineering profession will be a shortage of skills (Roodt, 2002, paragraph 8). This sentiment is shared by Dr Gustav Rohde, CEO of Africon who sees the engineering industry facing a looming skills crisis (Engineering News, 2003, paragraph 5). Brian Middleton, a Director at SRK Consulting, believes that an increasing number of engineers are leaving the country to establish careers elsewhere as a result of local crime and financial instability (Engineering News, 2001, paragraph 8). This has left a gap between the young engineers starting out and the older group that form part of the management of the sector. This, he states is cause for concern as technically skilled people are not created overnight (Engineering News, 2001, paragraph 10).

Firms are subjected to rigid procurement policies and while the industry has succeeded in increasing black participation across all employment categories, increasing black participation at both senior management and professional levels is much harder to achieve due to the unavailability of experienced black professionals. It is expected that experienced black professionals will be in short supply for a number of years to come (SAACE, 2005b, p.33).

Another concern with regard to staffing consulting engineering practices is that the industry is not spending enough on bursaries. Over the years, the amount spent on bursaries expressed as a percentage of the salary and wage bill, fell from close to 1% to less than half a percent between 2003 and 2004 (SAACE, 2005b, p.34).

Fees outstanding for longer than 90 days pose a real problem particularly for small firms with limited cash flow available to carry continuous late payments for work already completed (SAACE, 2005b, p.34). Brian Middleton, a Director at SRK Consulting, also

emphasised, in an interview with Engineering News, that Payment issues from the public sector are still a significant problem for firms offering consultancy-based engineering services and states that this may be as a result of the increased demand on development that the country has experienced since the 1994 elections (Engineering News, 2001, paragraph 1).

The situation whereby consultants have to tender for work continues to pose a problem. The situation is worsened by the announcement of the new municipal tendering procedures which state that all contracts over R200 000.00 must be put on open tender. This process has implications of delaying the decision making process (SAACE, 2005b, p.34).

The growing responsibility placed on local municipalities to manage and implement infrastructure budgets could be catastrophic for the entire industry (not just the consulting engineering profession) if municipalities do not act with responsibility, transparency and integrity (SAACE, 2005b, p.34). This is supported by the finding of the June 2005 survey which state that various municipalities are experiencing difficulties with efficient service delivery as a result of a severe shortage of the necessary technical and other professional skills (SAACE, 2005a, p.1).

The industry is becoming fragmented and proliferated with the suspicion that many firms not bound by the SAACE Code of Conduct are obtaining work (SAACE, 2005a, p.31). This creates various challenging situations such as undercutting and a lowering of standards as these firms have no obligation to abide by the SAACE Codes of Practice (SAACE, 2005b, p.34). The current state of affairs is complicated further by government's black economic empowerment policy, which vigorously stimulates the creation of small black economically empowered firms (SAACE, 2005b, p.34).

Another concern mentioned by the respondents was corruption, which adversely affects the appointment of consultants. Firms need to realise their rights as well as the prescribed procedures set out by national government. Transparency in local government can only be ensured if stakeholders report any misconduct (SAACE, 2005b, p.34).

Often prescribed engineering rates apply when doing work for government departments. These rates prescribed by government must take cognisance of skills shortages which are pushing up labour costs and affecting firm's abilities to operate profitably (SAACE, 2005b, p.34).

Consulting engineering firms operating in South Africa need to take heed of these concerns identified in the SAACE surveys and supported by senior managers of firms operating in the consulting engineering industry. Later, in the Findings Chapter it can be seen that many of these issues also came up in the macro environmental analysis undertaken for ABC Consulting Services. The following section details ABC's current services and their current marketing situation.

### **3.3. ABC'S CURRENT SERVICES AND MARKETING SITUATION**

ABC has quite a wide client base and the strategies that work for one client, often do not work for the next. Although the company does not operate according to a specific marketing plan, some of decisions which relate the seven P's of the marketing mix are detailed in this section.

#### **3.2.1. Product**

ABC offers a range of consulting engineering services predominately in the field of Agricultural Engineering with a few services falling under the field of civil engineering (ABC, 2005). The main services are listed and detailed below:

- a. **Earth Dams** - ABC provide services for the planning, design, and construction supervision of earth dams.
- b. **Rural Domestic Water** – Includes the planning, design, tender and construction supervision of bulk and reticulation systems for rural domestic water.
- c. **Commercial Crop Irrigation** – Includes design and implementation of irrigation systems ranging from the simplest of flooding irrigation systems to the most sophisticated of computerised sub-surface drip irrigation systems.

- d. **Large Scale Agricultural Developments** – Includes a complete service for the development of agricultural land primarily in Africa. The service incorporates elements such as land selection, irrigation planning and design, tendering, construction supervision and project management.
- e. **Small Civil Works** – Includes the design and implementation of small civil projects such as small buildings in rural areas and repairs to government department buildings.
- f. **Surfaced Roads** – Includes the design and implementation of small surfaced roads for private developments and government departments.
- g. **Farm Roads** – Includes the design and implementation of farm roads for large agricultural developments. Requires much less specialised know-how than surfaced roads.
- h. **Hydrological Assessments** – Includes detailed hydrological assessments for agriculture, peak storm flow calculations for civil structures and flood line calculations for residential developments.
- i. **Dredging Projects** – Includes sourcing of suitable dredging equipment for particular needs as well as project planning and project management.
- j. **Water Resource Studies** – This work includes studies done for the Department of Water Affairs and Forestry (DWAF) and water resource related services offered to the DWAF (ABC, 2005).

### 3.2.2. Place

ABC was strategically situated in Pietermaritzburg in order to be relatively central to provide services to the agricultural industry in KwaZulu-Natal (ABC, 2005). The company is also close enough to Durban to provide services to the DWAF regional office (Director 1, 2006).

### **3.2.3. Price**

ABC prices its services according to standard SAACE and ECSA fee scales and charge out rates. The company does not usually offer discounts on these rates and the payment terms are 30 days.

### **3.2.4. Promotion**

ABC does very little formal promotion. Magazine advertisements are seen as ineffective in reaching the companies relatively small niche markets. The company mainly targets specific people or specific corporate companies to get work on large agricultural developments. A large portion of the companies projects are as a result of word of mouth (Director 1, 2006, and Director 3, 2006).

When it comes to branding and creating company awareness within the industry, ABC relies mainly on word of mouth, however, over the past few years, the company has made a strong effort to establish its brand name with the agricultural engineering students at the University of Kwa-Zulu Natal. By doing this, ABC aims to create an awareness of the company with the students who can take those perceptions with them into the market place when they graduate, as well as allowing ABC to gain first hand knowledge of the students which aids in the recruitment of graduate engineers (Director 1, 2006, and Director 3, 2006).

### **3.2.5. People**

The Company always aims to employ good quality people in terms of their private and professional lives. Employees are usually healthy, presentable people who the company can be proud of (Director 2, 2006).

### **3.2.6. Physical Evidence**

The company operates from a well-maintained comfortable office in Pietermaritzburg. The client reception areas of the office are functional and convey a conservative feel.

### **3.2.7. Processes**

The employees try to operate according to standard procedures to limit errors in the provision of the services. The company has good standard systems in place to ensure the quality of designs and communication, however, the ISO 9000 system for the company is still under development (Director 1, 2006).

### **3.2.8. Target Marketing**

In terms of ABC's current market targeting, the company does not operate according to a marketing plan. Marketing efforts are generally focussed towards specific existing or prospective clients when the company is made aware of a particular project which falls within the company's field of expertise (Director 1, 2006).

Private work is obtained predominately through relationship building with clients and references given by existing clients to prospective ones. The company relies strongly on word of mouth as a means of marketing (Director 1, 2006). Due to the nature of the work done and the fact that the company supplies services for relatively small niche markets, it is not felt that advertising in magazines or radio will increase the number of projects on the books. For instance, with regard to large scale agricultural developments, these projects do not happen very often, and when one is going to happen in another African country, the key players in the sugarcane industry usually know about them (Director 3, 2006). Work of this nature is usually obtained by building relationships with individuals in large sugar producing companies or by networking with other consultants who offer slightly different services to the same industry, such as companies that design sugarcane mills (Director 1, 2006). If either ABC or a company that they network with, hears about a possible project, the two companies usually communicate with each other about the prospective project and put together a proposal to offer a complete service (agriculture and milling) to the company that is embarking on the development (Director 3, 2006).

Government work is obtained through tendering for projects advertised in the local newspapers or by registering on government department databases. It has been found that obtaining government work has become more difficult over the past few years due to the increasing emphasis on company HDI status (the number of Historically Disadvantaged Individuals working at various levels in the company) (Director 3, 2006). Many

government departments are moving away from the traditional methods of allocating work equally to all qualifying consultants on their databases and tendering is becoming the main form of awarding work to consultants and contractors (Kleynhans, 2006). As Broad Based Black Economic Empowerment (BBBEE) comes into play, predominantly white owned and run firms such as ABC are going to find it more and more difficult to get government work. Currently, ABC attempts to form joint ventures (JV's) and tender for government work with black owned companies who have skills that complement the skills and services offered by ABC (Director 3, 2006).

In the ever changing competitive market place, it is becoming more and more important for companies to plan their marketing strategies well. This dissertation aims to provide ABC with a marketing plan which can address some of the critical issues detailed in this chapter and help the company to formalise their marketing mix and target marketing decisions. The following chapter details the methodology used in gaining the necessary information required to formulate a strategic marketing plan for the company.



## **4. METHODOLOGY**

This chapter defines the research question and objectives and explains the research design which includes details regarding the sample design, external questionnaire and internal interview schedule design.

### **4.1. RESEARCH QUESTION**

The research questions for this dissertation are as follows:

- d) What are the current trends in the Consulting Engineering Industry?
- e) What markets are receiving the most funding and what markets will receive funding in the future?
- f) How should Consulting Engineering firms target these markets?

### **4.2. RESEARCH OBJECTIVES**

The objective for this dissertation is to determine what key marketing issues ABC faces and to establish how ABC should deal with these issues.

### **4.3. RESEARCH DESIGN**

This study comprises mainly of primary research done on the company (micro factors) and its environment (macro factors) in the form of qualitative descriptive research with the source of information coming from internal, semi-structured focus groups and questionnaires sent to selected individuals involved in the consulting engineering industry.

#### **4.2.1. Internal Research**

The micro industry was analysed by making use of a focus group which included the directors and the technical staff at the ABC PMB office.

The focus group was run semi formally with the objective of gaining a solid understanding of the company's internal and external environments.

The following items were addressed:

- c) External Audit
  - Macro environmental analysis to expose trends, events and issues in each sub environment (PESTIE)
  - Industry environment analysis to expose trends, events and issues in the industry, its clients, suppliers, competitors and other stakeholders.
- d) Internal Audit
  - Assessment the companies resources and capabilities
  - Evaluation of :
    - the mission and goals / objectives
    - the current portfolio
    - the current competitive strategy
    - position of the companies service offerings on the product life cycle
    - current clients and target markets
    - current positioning strategies
    - current marketing mix strategies
    - current customer satisfaction

PESTIE and SWOT analyses were then performed as part of the focus group, using information identified in the above evaluations.

#### *4.3.1.1. Focus Group Design*

The focus group was designed in a way that limited structure in order for key issues to surface as a result of discussion. A copy of the interview schedule for the focus group is attached in Appendix A. The aim of the schedule was to ensure that all the necessary elements of a strategic marketing plan were covered during the focus group. This data could then be analysed and compared with the results of the macro study in order to identify the key issues facing ABC, which are summarised in Chapter 6. These issues were then used as a basis for the strategic marketing plan which can be found in Chapter 7 of this dissertation.

Frameworks such as the “PESTIE” framework and the “stages of industry maturity” framework were used in order to assist in focusing the research effort and to help highlight key issues raised.

#### 4.3.1.2. *Sample Design*

The sample used for the internal audit section of this research, included the technical staff in the ABC office from the level of candidate engineer upwards. Because the ABC office is a relatively small consulting engineering office, it was felt that all the engineers in the office, from candidate engineers to the managing director, are made aware of the current issues facing the company and the industry on a regular basis, and thus, by including these people in the focus group, the results from the focus group would be highly representative of the company's present internal and external situations.

The following people were involved in the focus group:

- Director 1 : Shareholder, Director of XYZ Group and Managing Director ABC Consulting Services (PMB) (Pty) Ltd. Professional Civil Engineer.
- Director 2 : Shareholder and Director of XYZ Group and Director ABC Consulting Services (PMB) (Pty) Ltd. Professional Agricultural Engineer.
- Director 3 : Shareholder and Director of XYZ Group and Director ABC Consulting Services (PMB) (Pty) Ltd. Professional Agricultural Engineer.
- Engineer 1 : Candidate Agricultural Engineer employed by ABC Consulting Services (PMB) (Pty) Ltd.
- Engineer 2 : Candidate Agricultural Engineer employed by ABC Consulting Services (PMB) (Pty) Ltd.
- Professional Engineer 1 : Professional Agricultural Engineer employed by ABC Consulting Services (PMB) (Pty) Ltd.

#### 4.3.1.3. *Data Collection*

A schedule outlining the basic areas to be covered during the focus group was emailed to the respondents three days prior to the focus group. The focus group session was held in the ABC boardroom on 3 July 2006. The data was collected by means of a white board and hand written notes. In addition to this, a dictaphone was used as a backup in order to ensure that all important points were recorded.

#### *4.3.1.4. Data Analysis*

The data was then analysed with a method of content analysis. The issues identified in the SWOT analysis were listed in a column on an A1 page. Two additional columns were then drawn up for issues that arose in the review of international and local literature. This allowed for parallels to be drawn between the items listed. This method highlighted the key issues which were carried into the Macro Environment section of the Key Issues section in Chapter 6.

### **4.2.2. External Research**

In addition to the information gathered on the company's internal and external environments, questionnaires which dealt with the consulting engineering macro environment were sent out to selected individuals of the consulting engineering industry. A copy of this questionnaire is attached in Appendix A.

#### *4.3.2.1. Questionnaire Design*

Kotler (2000, p.138) states that all companies operate in a microenvironment of forces that shape opportunities and pose threats and that companies must monitor and respond to these "noncontrollables". He states that six of these major forces are demographics, economics, environmental, technological, political and socio-cultural (2000, p.139).

The macro environment questionnaire was designed with this in mind. It aimed to prompt respondents to answer questions relating to the political/legal, economic, social, technological, international and environmental issues which face consulting engineering firms in South Africa. The respondents were also requested to identify ways in which consulting engineers should respond to these issues in the macro environment.

#### *4.3.2.2. Sample Design*

The sample of individuals chosen to take part in the research study includes individuals who come from differing sectors of the engineering industry. The sample size was relatively small, consisting of six respondents, however these individuals were chosen as it was felt that they would give meaningful insight into the macro environment in which ABC operates as they are all involved in the same sector of the macro environment. The respondents included two individuals who are very influential in the engineering education

system, one respondent who is the President of the South African Institute for Agricultural Engineering. Two individuals who are Managing Directors of Consulting Engineering firms which operate in the agricultural and civil sectors of engineering, and one respondent who is semi retired as a director of a prominent firm specialising in Geotechnical Engineering.

Their positions range from the President of the South African Institute of Agricultural Engineers (SAIAE) to leaders of large consulting engineering firms to leaders and owners of small consulting engineering firms. These individuals were chosen to take part in the study because it was felt that they could give meaningful insight into the macro consulting engineering environment and that their responses, compiled collectively, would aid in raising the key issues that consulting engineering firms are facing in today's environment.

Although the sample is considered to be small in relation to the entire consulting engineering industry, the external questionnaire was designed merely to support and add value to the external analysis performed in the internal focus group. Often, when one is in a particular situation, it is difficult to see the situation from the outside and this method of consulting a few selected members of the industry was aimed to ensure that key external issues were not overlooked. This method did indeed highlight key issues as can be seen in the Findings Chapter (Chapter 5).

#### *4.3.2.3. Data Collection*

Each respondent was contacted via telephone, during the month of July 2006, and asked if they would like to participate in the research. The macro environment questionnaire and consent forms were then emailed to the respondents. The respondents were asked to either handwrite their responses or type them into the spaces provided on the questionnaire. A few of the respondents took up to five weeks to return the completed questionnaires and this is attributed to the fact that most people in the engineering industry are currently overloaded with work.

#### *4.3.2.4. Data Analysis*

Once the information was received from the respondents, it was analysed by a method of content analysis. Descriptive statistics of the responses were formulated in terms of the number of respondents that identified particular issues. The items identified were then

summarised into a list which was added to the A1 page along with the information gathered and the literature review and the internal focus group. Parallels were then drawn between relating issues in order to identify key issues. The data was summarised and compiled to form part of the findings chapter.

#### **4.4. CONCLUSION**

This chapter explains the methods used to gain the data required in order to identify the key issues facing ABC. The following chapter is the findings chapter which summarises the findings from the internal focus group and the external macro environmental analysis. It is interesting to note that many of the issues highlighted in the previous chapter (Section 3.2.6) correlate with the key issues raised in the internal and external analyses.

## **5. FINDINGS**

As detailed in the previous chapter, two methods of research were used for this dissertation. The first method was an internal assessment of the company's current situation and the second was an external questionnaire which focused on the macro environment for consulting engineers.

This chapter includes the findings from these two sources and is structured in a way that matches the way that the information was gathered. The results of the external analysis are presented first in order to set the scene for the presentation of the results of the internal focus group. Copies of the interview schedule for the internal situation review and the questionnaire used for the external macro environment assessment are attached in Appendix A.

### **5.1. EXTERNAL QUESTIONNAIRE: MACRO ENVIRONMENT ANALYSIS**

In addition to the macro environment being analysed by the ABC technical staff in the internal focus group, questionnaires were sent to selected members of the engineering profession. This was done in order to gain an outsiders perspective of the key opportunities and threats that face ABC.

The sample included the following people:

- Two individuals who are very influential in the engineering education system. They are both white males between the age of 45 and 55. The one is the current Head of the School of Bioresources Engineering and Environmental Hydrology and the other is the former Head of the School who is now working in the sugarcane industry.
- One respondent who is the President of the South African Institute for Agricultural Engineering. He is a white male between the age of 45 and 50 and worked for Agrelek at Eskom for a number of years.

- Two individuals who are Managing Directors of small to medium sized Consulting Engineering firms which operate in the agricultural and civil sectors of engineering. Both of these individuals are white males between the age of 40 and 50.
- One respondent who is semi retired as a director of a prominent firm specialising in Geotechnical Engineering. He is a white male between the age of 60 and 70.

The respondents' responses are summarised below:

(The questionnaire questions written in italics)

#### A. Political/Legal

- 1. What legislation is effecting and could possibly affect the industry in the near future?*

All of the respondents quoted BEE as having a major influence on the consulting engineering industry. One of them stated that some of the implications of BEE and Preferential Procurement policies are an increase in the overall cost of projects and a decrease in the quality of service delivery.

One respondent stated that Government departments all now have strategic plans in place; however, many of them do not have the capacity to implement these plans. Government tendering regulations were also seen, by two of the respondents, to have an adverse effect on the industry as well as the government's incapacity to spend large budgets.

One of the respondents wrote that in terms of the agricultural consulting environment the deregulation of the agricultural industry has led to increased opportunities however, this has also resulted in an increase in the volatility of the market which is now influenced by the global market.



2. *What steps can be taken to minimise any negative effects of the legislation and to benefit from any positive affects?*

In order to deal with BEE, two of the respondents suggested giving bursaries to black students and training black graduates with the long term view of equity partnerships. They stated that in the short term, it is important to try and retain black engineers.

One of the respondents took a different view and suggested keeping firms small to reduce overheads and concentrating on private work. This will help to ease the difficulties of working with government departments, one of which being the slow payment of these types of clients.

In terms of the opportunities for increased government work, one respondent suggested scanning the strategic plans of government departments and municipalities in order to identify areas where consultants may provide services to these institutions to aid them in achieving their strategic goals.

B. Economic

1. *What major developments and trends in the local and global economy have an impact on consulting engineers?*

One of the respondents stated that Globalisation is seen to have a huge effect on our local economy and the implications of the volatile exchange rate are very severe. He wrote that South African companies go from being seen as cheap internationally to being seen as expensive as the currency strengthens and the emphasis on exporting moves to importing. He stated that this volatile situation makes it difficult for companies to survive and companies are often dealing with a “feast or famine” situation.

One of the respondents wrote that the South African economy is relatively small and is often directly affected by Government decisions. Two of the respondents wrote that the current emphasis on the 2010 soccer world cup is going to have a huge impact on the local economy and the engineering industry, and that the growing South African economy is also creating more work for engineers in terms of service delivery.

The fuel price was quoted, by two respondents, as having a massive effect on the engineering industry as most civil and agricultural projects are heavily dependent on large machinery which consume large amounts of diesel.

2. *What actions can be taken to respond to these developments and trends?*

Two respondents suggested that South African engineering firms should look for opportunities resulting from globalisation and offer services to other countries, especially developing ones. One respondent suggested outsourcing work to engineers from Asia and India in order to cope with the large demands for engineering services in South Africa.

One respondent stated that although the increasing fuel price has a negative effect on the building industry, it opens up opportunities in the production of biodiesel production.

C. Socio-Cultural

1. *What changes are occurring in customer procurement systems?*

Two of the respondents stated that the biggest changes to customer procurement systems are coming from BEE and Preferential Procurement policies. They wrote that in addition to Government, large firms are also coming under pressure to use BEE firms as suppliers or service providers.

2. *What actions can be taken to respond to these changes?*

A possible solution suggested by one respondent was that firms should link up with firms who currently provide services to various Government departments and large private companies or register themselves on supplier databases in order to secure work. He wrote further that the need for BEE compliance is essential if firms are operating in South Africa.

#### D. Technological

1. *What major changes are occurring in relevant product and service technology and how do these changes affect consulting engineers?*

The rapid developments in the tools and availability of information have an impact on consulting engineers. Technology such as Geographical Information Systems (GIS) and remote sensing are becoming more accessible to small engineering firms as the cost of these tools is decreasing. A negative effect of the availability of design software is that non engineers also have access to it, which means that qualified engineers may loose work to non-qualified people who use the design software. The problem with this is that the non-qualified people do not have the knowledge to critically assess the outputs of the software.

2. *What can consulting engineers do to keep up-to-date with these relevant changes?*

Two respondents wrote that Consulting Engineers need to keep up-to-date with advancements in software and design methods by reading appropriate literature and attending training courses and conferences. They suggested that firms should capitalise on the advancements in software by offering value added services to clients. Two respondents suggested that the internet should be used extensively as a research tool and that companies should hold in house workshops to keep all the employees up to date with the latest software and technological tools.

#### E. International

1. *What changes are occurring internationally in the construction industry and how do these changes affect consulting engineers locally?*

There is an increased emphasis on quality control and accreditation systems. South Africa is open to competition from international consulting firms and local firms are also able to operate globally. This increases competition for local work and opens up opportunities for local companies to work overseas.

There is massive growth in the construction industry of countries such as Dubai. This may create opportunities for local firms.

2. *What can be done to respond to these changes?*

South African firms need to keep up-to-date with the global quality control and accreditation systems such as ISO 9000 and they should continually be aware of the global situation in the construction industry in order to keep an eye on the competition and to look for opportunities.

F. Environmental

1. *What changes are occurring with regard to the environment?*

One respondent wrote that there is an increasing awareness of the environment, ecology and conservation. This awareness is seen as necessary, by the respondent, but it is felt that it is often over the top. Another respondent stated that many environmental practitioners and government officials are inexperienced which makes the process of obtaining environmental approval for projects very tedious. He suggested that often environmental issues put an unnecessary brake on development.

2. *What should consulting engineers be doing to respond to these changes?*

One respondent wrote that Consulting Engineers should aim to offer a full project service which includes Environmental Impact Assessments (EIA) for the projects which they are involved in and that Environmentalists should be encouraged to adopt a generally more pragmatic rather than an academic or emotional approach to situations.

G. Labour

1. *What changes are occurring in terms of staff for consulting engineering practices?*

One respondent wrote that an increase in the mobility of staff and the cyclical patterns in the industry have resulted in many firms using contract staff instead of hiring people for permanent posts. He went further to say that technology has allowed virtual project teams to be formed which include experienced people who are situated in different locations but still work together on a particular project.

One respondent stated that there are fewer and fewer qualified technical people as the years go on and the requirements of Affirmative Action and BEE make it very difficult for engineering firms to find suitable staff. Another respondent suggested that many young firms are operating by employing mainly technicians instead of engineers.

*2. What can be done to respond to these changes?*

It was suggested by a respondent that one way of combating some of these challenges is to remain small and concentrate on doing work in the private sector. That way, small firms could sub consult to other firms on large projects.

Two of the respondents wrote that in order to combat the problem of a shortage of engineers, firms should undertake to give bursaries to engineering students and they should focus on keeping staff happy in their working environments and aim to retain staff wherever possible. They also suggested that Engineers need to work more productively in order to get more done.

## H. Capital

*1. What changes are occurring with the financing of built environment projects?*

One respondent stated that the financing of built environment projects by the private sector is much preferred to financing by government. His reason for this was that it limits the problems of cost cutting, slow payment, corruption and inefficiency.

Another respondent stated that lending institutions are imposing increasing restrictions and requirements before lending money for projects.

One respondent suggested that farmers are underestimating the amounts of money required to finance inventories, debtors, marketing and management of downstream value adding projects.

## *2. How can consulting engineers respond to these changes?*

One respondent stated that it is preferable to work in the private sector as far as possible. Another suggested that Consulting Engineers need to inform clients of the risks involved in particular projects and assist clients to obtain finance wherever possible.

As can be seen above, many of the respondents raise issues which are similar to those issues raised in the SAACE surveys discussed in Chapter 3. The following section presents the findings from the internal focus group which looked at internal and external issues facing the company.

### **5.2. INTERNAL FOCUS GROUP: SITUATION ANALYSIS**

This section presents the findings of the situation analysis which included an analysis of the external and the internal environments.

The sample used in the focus group comprised of all the technical staff in the ABC office. The three directors are white males, the managing director is 53 years old, the senior director is 46 years old and the junior director is 37 years old. The professional engineer is also a white male aged 27 and the two candidate engineers are both Indian and aged 22 and 28 respectively.

Due to the nature of the office operations, all the technical staff are exposed to the internal marketing aspects of the firm and are aware of the external market in which the firm operates, thus it was felt that all of them would be able to give a meaningful contribution to the focus group.

#### **5.2.1. External Audit**

The macro environment and industry analysis was done in the form of an environmental impact matrix which was based on the PESTIE model (Hatcher, 2005). The matrix allows one to differentiate the political, economic, social/cultural, technological, international and environmental factors in terms of supplier, customer and competitor trends. In addition to

the seven factors mentioned above, two additional factors, namely labour and capital were also assessed. Table 5.1 below includes the findings of the environmental and industry analysis.

**Table 5.1 Environmental Impact Matrix, (PESTIE)**

	<b>Supplier Trends</b>	<b>Customer Trends</b>	<b>Competitor Trends</b>
<b>Political</b>	Universities supply consultants with graduates. Universities are becoming very politically influenced and as a result, the standards of education in South Africa are dropping in relation to the standards at other universities in the world.	BEE compliance is becoming a prerequisite for obtaining government contracts, which form a major part of ABC's business.	The number of competitors with BEE compliance is increasing. Puts them at an advantage for securing contracts.
	Water Act makes it difficult to get water use licences approved, which reduces the number of dams and irrigation schemes being built. This type of work has formed a major part of ABC's turnover.	Department of Agriculture and other Government Departments have a lack of administration skills and are often unable to "make things happen" to get projects underway. They are struggling to spend their budgets.	
	Due to the instability in some of the universities, the knowledgeable staff are becoming weary and there is a risk that many of them will leave the education sector.	Many Government tenders for consulting work are being evaluated in terms of price and with little weighting on expertise. This means that it is not sufficient to rely on key expertise as a competitive advantage to win tenders.	
		Development of agricultural schemes for Historically Disadvantaged Individuals (HDI's) opens up opportunities for work.	
<b>Economic</b>	The cost of sending school leavers to universities overseas is too high to make it viable.	New laws call for government projects larger than R200 000 to go to tender. This has cost implications for consultants as tendering takes time and costs money. In addition, there is no guarantee that the tenders will be won by the company.	With the Rand weakening, it makes ABC cheaper for international work. The general feeling is that an exchange rate of around R7.50/\$ is a good rate for ABC to remain competitive on international projects.
	The cost of employing engineers with good work experience is getting greater as a result of the lower supply of experience engineers.	There is a huge emphasis on government spending up to 2010. This will help to keep the growth in the construction industry at a high level resulting in more work opportunities.	Competitors are marketing themselves in the Agricultural fields when they are not properly qualified to provide consulting services to agriculture. Of particular concern for Large scale agricultural developments.

<b>Economic cont.</b>	<b>Supplier Trends</b>	<b>Customer Trends</b>	<b>Competitor Trends</b>
	There is currently a lack of building materials in SA. This results in project delays.		Competitors are discounting on consulting fees making them appear more attractive to would-be customers.
<b>Socio-Cultural</b>	Structural unemployment is becoming an evident problem for ABC. There is a scarcity of people with the engineering skills which ABC need. Finding the available people is difficult.	Clients lack of understanding of engineering principles creates difficulties in communication.	
<b>Technological</b>	Expensive computer software and hardware is required to stay up-to-date with industry standards.	Customers often require digital copies of designs, drawings and GIS shapefiles. ABC needs to ensure that they use software that is compatible with customer software.	Competitors are using the latest design software. ABC needs to keep up-to-date with this software as well.
			Easy access to "Black Box" answers. This is a threat to the company as competitors are able to get access to quick solutions from computer programs without having the knowledge to assess whether they are correct or not.
<b>International</b>	International consultants are often subsidised on "aid" development work.		
<b>Environmental</b>		The environmental requirements for built environment projects are becoming very onerous. It is very difficult to obtain environmental approvals for projects.	
<b>Labour</b>	Lack of people with technical skills makes it difficult for ABC to find people with the necessary skills to do the work.	There is a lack of skills on the client side. This makes it difficult for ABC to complete projects successfully as the clients often do not understand the projects that they are implementing.	
<b>Capital</b>	Many developing countries are experiencing high levels in investment for agricultural projects.	Slow payment from customers results in cash flow problems.	International consultants are often subsidised on "aid" development work.
		Clients often experience difficulty in accessing finance for large projects.	



### **5.2.2. Internal Audit**

The internal audit covered eight areas related to the company's current marketing situation. The results from the discussion are detailed below.

#### *5.2.2.1 Mission and Goals*

The company's mission statement is as follows:

“To render excellent and innovative consulting engineering services which contribute towards the creation of prosperity and a competitive advantage for our clients, shareholders and employees, while we fulfill our responsibility to the community and the environment.”

Although this mission was agreed upon at a national group level, the members of ABC PMB feel that this mission encompasses the core ideals and values of the company and its employees.

#### *5.2.2.2 Current Portfolio*

ABC's current services include the items a) to j) in Chapter 3. The focus group agreed that these are the core competencies that ABC currently focuses on. The current services are listed below for convenience:

- k. Earth Dams
- l. Rural Domestic Water
- m. Commercial Crop Irrigation
- n. Large Scale Agricultural Developments
- o. Small Civil Works
- p. Surfaced Roads
- q. Farm Roads
- r. Hydrological Assessments
- s. Dredging Projects
- t. Water Resource Studies

The Product/Market matrix in section 5.2.2.5 identifies how ABC should deal with the services in their current portfolio.

#### *5.2.2.3 Current Competitive Strategy*

The focus group agreed that there is no current competitive strategy and that the company competes with other firms on jobs that require tenders. It was said that in most instances, ABC does not compete on price and pricing of tenders is done according to estimates of the time that the work will take coupled with the standard applicable SAACE rates. The group agreed that currently, most of the projects that ABC is working on for government departments and municipalities were awarded to the company prior to the new tendering laws were passed and that most of these projects were awarded as a result of ABC having prior knowledge of the particular area for project or as a result of the department using a roster system to allocate work. The group felt that as a result, to date, the company has had very little direct competition which threatened to reduce its market share of Government work.

#### *5.2.2.4 Current Clients and Target Markets*

The group stated that ABC does a considerable amount of work for private farmers and irrigation boards. It was agreed that this work has predominately been in the form of the design and repair of earth dams. One of the focus group members stated one of the firm's largest private corporate clients is a locally based sugarcane producer and miller with estates in various African countries, who ABC have been working for on projects based in Mozambique for the past 10 years. The group said that these projects are predominately large-scale estate developments which include services for the agricultural production of sugar farms. It was noted that the work has also included some smaller projects which looked at issues such as master planning for drainage and micro drainage planning and implementation. The group also singled out a rural development company based in Israel as being another large corporate client. They said that ABC is currently implementing a drainage project for the development company in Angola and it is expected that more work of a similar nature will flow from this project. It was mentioned that ABC also does small projects for private developers which include earth dam design, bulk water supply and services design. One of the focus group members said that ABC has traditionally done a considerable amount of work for local government departments such as the Department of Water Affairs and Forestry (DWAF), the Department of Agriculture and Environmental Affairs (DAEA) and the Department of Works (DOW).

Another member said that the company targets private companies operating in the SADAC countries for sugarcane irrigation projects, the local farming community for earth dams, private developers for flood line work, and government departments for water resource-related projects, small civils projects and agricultural projects.

#### *5.2.2.5 Current Positioning of the Company's Services (Product/Market Matrix)*

The current positioning of the company's services were analysed by the focus group using a product/market matrix. The matrix allows the services offered by the company to be evaluated on two criteria:

- The stage of maturity of the product in the industry in terms of life cycle - new through to declining.
- How the company sees their comparative position or market share of that product.

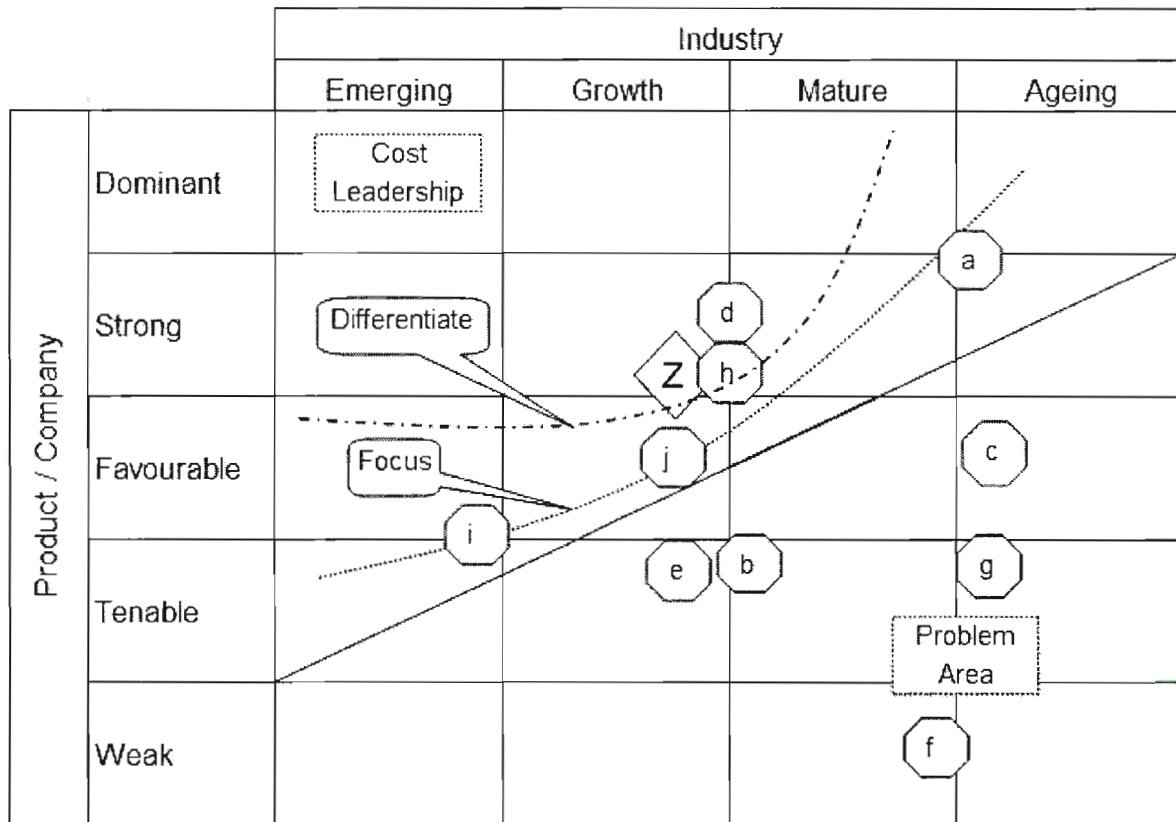
The mapping of the services provides insight into opportunities, and highlights where to allocate resources. It also highlights what short term objectives should be followed for each service (Hatcher, 2005).

The services listed in section 5.2.2.2 above as well as the company (depicted by the letter "z"), are plotted on Figure 5.1 below.

The reasons, given by the focus group, for the positioning of the services in Figure 5.1 above are as follows:

- a. **Earth Dam Design** is in the mature to ageing stage in the engineering industry. The basic techniques of design have remained largely unchanged over the past 20 years. The experience and track record of the dam design engineers at ABC, places them in a very strong position in the KwaZulu-Natal market. ABC engineers also have a good working relationship with the DWAF who are responsible for the approval of dam licences and safety inspections.

**Figure 5.1 Product/Market Matrix**



- b. **Rural Domestic Water** is reaching the end of the growth stage of it's lifecycle. The Government started channelling funds into rural domestic water supply after the 1994 elections. The pace of development in this area has grown considerably over the past ten years however it is expected that it will now stabilise. ABC are in a tenable position to win rural water supply contracts, largely due to the company's relatively low HDI status.
- c. **Commercial Crop Irrigation** has been around for many years and is in the ageing stage of its lifecycle. ABC are in a favourable position in the irrigation design market as they have become specialists in fields such as flood irrigation and centre pivots but fall behind in micro irrigation systems where there are many experienced designers focusing on this niche all around the country.
- d. **Large Scale Agricultural Developments** in Africa are being rehabilitated to their former production capacities and beyond. Work on these estates is maturing, but is still in the growth phase as the demand for sugar in Africa is increasing. In terms of designing new schemes and revamping existing ones, ABC is in a strong position in

the market. They have completed a number of large projects in Africa which has gained them a good reputation in the market.

- e. **Small Civil Works** are currently in the growth stage of their lifecycle as the government is placing huge importance on upgrading the public services venues in the cities and rural areas. ABC are in a tenable position in the market as they have just recently started taking on small civil works projects on a regular basis and have not established themselves in the market.
- f. **Surfaced Roads** are in the mature stage of their lifecycle. ABC is in a weak position in the market as the company does not employ engineers with the necessary specialist expertise in surfaced road design.
- g. **Farm Roads** have been and will be in existence for as long as farming therefore, they are in the mature stage of their lifecycle. ABC is in tenable position to design farm roads as they have some experience in this area that does not require the same level of specialist expertise as surfaced roads do. Most farm roads projects are undertaken as a necessary part of large scale agricultural developments.
- h. **Hydrological Assessments** are reaching the end of their growth stage of the lifecycle. ABC are in a strong to favourable position to do these assessments. The main source of these projects comes from the demand for flood line calculations for residential developments.
- i. **Dredging Projects** are relatively new types of projects and are thus in the emerging phase of the lifecycle. ABC are currently in a tenable to favourable position to provide services of this nature.
- j. **Water Resource Studies** are still in the growth stage of the lifecycle and with the implementation of the 1998 National Water Act, many more of these studies will need to take place in order for the DWAF to adhere to the laws set out in the Act. ABC are in a favourable position to do these studies.

ABC (the company, denoted as “z” in Figure 5.1 above) is operating in a market which is currently growing and which is expected to continue to grow in the build-up to 2010 and the company is in a strong to favourable position in the market. They are currently in a position to make more than satisfactory turnover and profits in terms of the current work load, however, the built environment industry is very cyclical and as result, two years ago, the company was struggling to make adequate profits.

This matrix highlights some key broad strategic options available to ABC and these are discussed in detail in Chapter 7 of this dissertation.

#### *5.2.2.6 Current Positioning Strategies*

The focus group agreed that ABC currently aims to position itself as a provider of appropriate, practical engineering solutions to engineering related problems and projects.

#### *5.2.2.7 Current Marketing Mix Strategies*

ABC has quite a wide client base and the strategies that work for one client, often do not work for the next. The focus group agreed that the company does not operate according to a specific marketing plan however, some of decisions which relate the seven P's of the marketing mix are detailed below:

- **Product** – ABC offers appropriate, practical engineering solutions mainly to the agricultural industry. This has been addressed specifically in terms of the portfolio in 5.2.2.2 above.
- **Place** – The focus group agreed that ABC is correctly situated to serve it's key target markets. It was mentioned that due to the senior staff having pilot's licenses, it makes them flexible in terms of getting to clients positioned in very remote places.
- **Price** – The focus group agreed that although the company currently did not give discounts, they were comfortable with the fact that they did not attempt to compete on price.
- **Promotion** – It was mentioned that members of the company should write and present papers at the South African Sugar Technologists Association (SASTA) in order to position the company as a leading engineering service provider to the sugar industry.
- **People** - The focus group felt that the company has good methods of recruiting good staff that fit in well with the company environment. The group felt that the staff skill levels, combination of skills, enthusiasm, loyalty and service minded approach are a significant strength to the company.
- **Physical Evidence** – The focus group agreed that the offices were a great asset to the company and contributed to the relaxed but professional environment in the firm.



- **Processes** – The focus group agreed that although they try to stick to standard procedures, the implementation of an ISO 9000 would improve the quality of the services offered.

#### 5.2.2.8 Current Customer Satisfaction

The focus group felt that ABC’s corporate clients have the perception that they are expensive, but are always happy with the work ABC does for them. One of the Directors stated that, so far, all agricultural projects for corporate clients have been very successful in achieving their goals. He went on to say that ABC is known for offering logical solutions, which sometimes results in clients thinking that the solution was so simple that that could have done it themselves, however, what they often forget is that it wasn’t simple before ABC started working on the problem, and thus, they often feel that ABC charges too much.

The above information above is analysed in the following chapters. Resulting key issues are raised in Chapter 6 and resulting recommendations are covered in Chapter 7.

#### 5.2.3. SWOT Analysis

Once the above information was gathered from the focus group, the company’s current situation was analysed, by the focus group, using a SWOT analysis. The results of the SWOT analysis for ABC are listed in Table 5.2 below:

**Table 5.2 SWOT Analysis for ABC**

<b>STRENGTHS</b>	Distinctive	<ul style="list-style-type: none"> <li>▪ Large agricultural developments (Especially in Sugarcar Industry)</li> </ul>
	Competitive Advantage	<ul style="list-style-type: none"> <li>▪ Healthy staff</li> <li>▪ Mobility (flying)</li> <li>▪ Flexibility / adaptability / open mindedness</li> <li>▪ Work well with other people / firms</li> <li>▪ A good mix of personal skills / abilities</li> <li>▪ Good site experience</li> <li>▪ Good problem solving ability</li> <li>▪ Have a good relationship with local and foreign companies that operate in sugar industry</li> </ul>

<b>STRENGTHS Cont.</b>	Business Requirement	<ul style="list-style-type: none"> <li>▪ Practical application of technical knowledge</li> <li>▪ Good communication in office and with clients</li> <li>▪ Understand own abilities and limitations</li> <li>▪ See the big picture for projects</li> <li>▪ Technical / design abilities within the core competencies</li> <li>▪ Use of technology</li> </ul>
<b>WEAKNESSES</b>	Symptoms	<ul style="list-style-type: none"> <li>▪ Work load is currently very high</li> <li>▪ Perceived to be expensive – especially to large clients such as THS and LR Group, as well as to farmers</li> <li>▪ Niche market in local agriculture is negatively influenced by politics</li> </ul>
	Hygiene	<ul style="list-style-type: none"> <li>▪ Low PDI status in staffing and ownership</li> <li>▪ High reliance on expensive technology that changes</li> <li>▪ Lack of formal Marketing / networking</li> <li>▪ Lack of promotion</li> <li>▪ Lack of competitive strategy</li> <li>▪ Compliance to BEE</li> </ul>
	Structural	<ul style="list-style-type: none"> <li>▪ Reluctance to tackle projects in new fields</li> <li>▪ Don't see opportunity outside core competencies</li> <li>▪ Poor contact with local municipalities and local government</li> <li>▪ ISO 9000 processes still being developed</li> </ul>
<b>OPPORTUNITIES</b>	Portfolio	<ul style="list-style-type: none"> <li>▪ Development of agricultural schemes for HDI's opens up opportunities</li> <li>▪ Relatively low value of the Rand – makes ABC cheaper internationally</li> <li>▪ Emphasis on Government spending up to 2010.</li> <li>▪ Large agric development in Africa</li> </ul>
	Capability	<ul style="list-style-type: none"> <li>▪ Project Management for engineering &amp; non-engineering agric related projects</li> <li>▪ Alternative agricultural development – eg. new land uses</li> </ul>
<b>THREATS</b>		<ul style="list-style-type: none"> <li>▪ Implementation of Water Act, licences etc. very slow</li> <li>▪ Very few engineering students and few experienced engineers available for employment</li> <li>▪ Emphasis on high technology – easy access to quick “black box” answers</li> <li>▪ Affirmative action and BEE</li> <li>▪ Lack of skills in Government</li> <li>▪ Corruption in Government</li> <li>▪ Instability of SADAC</li> </ul>



<b>THREATS Cont.</b>		<ul style="list-style-type: none"> <li>▪ Lack of work in traditional market place (SA Agriculture)</li> <li>▪ Many inexperienced consulting firms winning large contracts.</li> <li>▪ Tenders being evaluated on price – cost cutting erodes profits</li> <li>▪ Construction industry is cyclical which makes it difficult to staff the firm adequately.</li> </ul>
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The situation analysis and the above table identify a wide variety of issues that pose threats to the profitability of the company in the short to medium term. The following chapter prioritises these issues and singles out some of the key issues in order for them to be addressed in the strategic marketing plan.

## **6. KEY ISSUES FACING ABC**

The previous chapter summarised the findings from the internal and external research. Many of the issues raised by different sources correlated with the issues discussed in Chapter 3. This chapter aims to answer the research objective of this dissertation. It summarises the key issues which ABC faces in its macro and micro environment. The aim of highlighting these issues is to establish key marketing issues which the strategic marketing plan should focus on.

### **6.1. MACRO ENVIRONMENT**

The macro environment was assessed by the internal focus group as well as the external questionnaire study. The key threats and opportunities identified in the research are summarised below.

#### **6.2.1. Threats**

There were six threats which stood out in Chapter 3 and Chapter 5. They are the lack of engineering skills, the lack of skills in the client organisations, inexperienced firms, tendering processes and slow payment from clients. These issues are discussed in more detail below.

##### *6.3.1.1. Lack of Engineering Skills*

As mentioned by Weisenberger and Schultz (2005, p.38), one of the top five challenges currently facing consulting engineering firms in the United States is recruiting design talent. Venter (2006, p.16) also emphasises this point from his interview with the CEO of BKS, who stated that:

“Although we have been grumbling about the lack of sufficient engineers across the entire age and racial profile for a number of years, the problem is coming to a head now because delivery is right now, and our available pool of expertise is stretched tremendously” (Venter, 2006, p.17).

SAACE stated that this problem is the greatest immediate concern in the engineering industry and say that it is particularly difficult to find experienced black professionals for participation at senior management level (SAACE, 2005b, p.34). This was also mentioned as the most important issue facing the engineering industry in SAACE's June 2005 management information study (SAACE, 2005a, p.31).

The internal focus group stated that the lack of people with technical skills makes it difficult for ABC to find people with the necessary skills for their projects. This is worsened by the requirements of BEE and Preferential Procurement, as mentioned by a respondent to the external macro environmental analysis. He also stated that many young firms are resorting to employing technicians instead of engineers as a result of the lack of available suitably qualified engineers in the industry. Due to many of these staff members being inexperienced, of the quality of the work being produced is compromised (Maud, 2006).

It is clear that ABC needs to have a strategy for marketing the company to would-be employees, whether they are engineering students who will be looking for jobs in the near future, or experienced engineers currently working in related fields of engineering.

#### *6.3.1.2. Lack of Skills in Client Organisations*

The growing responsibility placed on municipalities to manage and implement large infrastructure projects could be catastrophic for the entire industry (SAACE, 2005b, p.34).

Various municipalities are experiencing difficulties with efficient service delivery as a result of a severe shortage of the necessary technical and other professional skills. Many municipalities are complaining of poor service delivery by contractors while the engineers point out that they are not dealing with informed clients and that it is a fact that a thorough understanding of engineering realities in many municipalities has become rare (SAACE, 2006, p.1).

The ABC internal focus group also raised the issue that clients, especially government ones, often do not understand the projects that they are responsible for implementing and they are often incapable of implementing successful projects.

This view was shared by some of the respondents in the external macro environmental analysis who stated that many government departments are incapable of spending their budgets. They do not have the necessary skills to implement projects efficiently and successfully.

#### *6.3.1.3. Inexperienced Firms*

The SAACE studies for the period January to June 2005, and for the period July to December 2005, both stated that a pending concern in the industry is that a growing number of non-SAACE member firms, who are not bound by compliance with the SAACE Code of Conduct are obtaining engineering work (SAACE, 2005a, p.31 and SAACE, 2005b, p.34). These firms often offer discounted fees for inferior work (SAACE, 2005a, p.31).

The growing tendency for firms to offer expertise, for which they are not properly qualified, to reduce the price of their services, can be linked almost directly to the clients who do not understand the cost of the services (SAACE, 2005a, p.31).

This relates back to the previous key issue of the lack of skills in client organisations. If clients understood what it costs to provide good quality engineering services, they would be less inclined to push for huge discounts on fees.

The current state of affairs is complicated further by the government's BEE policy which vigorously stimulates the creation of smaller BEE firms as many of these are formed by inexperienced people who get work on the basis of their BEE status (SAACE, 2005b, p.34).

The focus group also identified this issue as a major threat to their business. For instance, Civil Engineering firms are marketing themselves for large agricultural developments which require specialist agricultural knowledge, not only engineering knowledge, but also experience in the fields of agronomy, soils and agricultural economics. In terms of civils projects such as large diameter pipelines or large dams, these projects require very

experienced engineers for the planning, design and implementation phases. Many large projects such as these are being won by inexperienced firms.

It has been suggested that one way of combating this problem is for local authorities to only award work to SAACE member firms and that clients should be informed of the dangers in putting price first when planning and constructing infrastructure which is intended to last a few lifetimes (SAACE, 2005a, p.31).

#### *6.3.1.4. Tendering Process*

The situation where engineering firms are required to tender for work on all projects valued at over R200 000 has huge implications for engineering firms (SAACE, 2005b, p.34). One of the implications of this process is that it delays the decision making process. In addition, many tenders are put out by government departments and never actually awarded. This is time spent that the industry can ill afford (SAACE, 2005b, p.34).

In addition to the tendering process delaying the decision making process, the ABC focus group noted that many tenders are evaluated mainly on price with little weighting being given to the experience of the service provider firm.

The implications of this relate back to the previous issue (6.1.1.3) as many inexperienced firms are able to tender for work with very low rates due to the relatively low experience of their staff. Experienced and specialised staff cost firms more and firms with this expertise need to price according to the SAACE guidelines in order to afford to pay their staff salaries. Inexperienced firms often do not have such high overheads especially when their technical employees are mostly inexperienced with low qualifications.

The fact that clients are putting more consideration on price than on experience, further reinforces the issue that clients often have a lack of skilled staff and a lack of understanding of the intricacies of the projects that they are responsible for implementing.

#### *6.3.1.5. Slow Payment*

Weisenberger and Schultz (2005, p.38) mention that getting paid by clients is another one of the top five challenges facing consulting engineering firms in the United States today.

This is also a big problem for local consulting engineering firms. The number of fees outstanding for more than 90 days is on the increase which poses a real problem especially for small firms with limited cash flow available to carry continuous late payment for work already completed (SAACE, 2006b, p.3).

The internal focus group also found late payment by clients to be a big threat to the company. Late payments by clients are becoming an increasing trend which puts huge strain on engineering consultancy finances. ABC has found that this trend can again be linked to the lack of skills in the client organisations.

As can be seen from the above, many of the major issues facing consulting engineers and more specifically ABC are interrelated. ABC needs to find ways of combating these issues in order to ensure that they do not result in very unfavourable conditions for the company and to ensure that these issues do not affect the company's long term sustainability. In addition to identifying the threats above, the focus group also identified several issues which create opportunities which it may choose to take advantage of in the future. The following section highlights some of these.

### **6.2.2. Opportunities**

The opportunities facing ABC were identified during the internal focus group. The major ones which the company need to focus on are:

- The development of agricultural schemes for HDI's opens up opportunities for ABC as the company specialises in Agricultural Engineering and agricultural developments.
- The relatively low value of the Rand makes ABC cheaper for internationally funded work. This improves ABC's position when competing with global players especially on projects in Southern Africa as ABC is ideally located for work in this region.
- There is an emphasis on Government spending up to the 2010 soccer world cup. This should have an indirect affect on ABC as the large civil engineering companies that usually compete for large agricultural developments will have

plenty of Government civils work. This should make ABC's niche market less competitive.

- There is currently large agricultural development in Africa. Many international companies are funding large projects, which creates many opportunities for ABC to win projects of this nature.
- All developments near water courses require 1 in 100 year flood lines to be calculated prior to the plans being approved. With the current development in South Africa, there is a big demand for these hydrological assessments.

ABC needs to plan their marketing efforts in order to take advantage of some of these opportunities in the short to medium term.

The following section highlights some of the internal issues currently facing ABC.

## **6.2. MICRO ENVIRONMENT**

The internal environment analysis performed by the ABC focus group highlighted key internal issues which are facing the company at the moment.

Section 5.2.3 summarised the results of the SWOT analysis done in the internal ABC focus group. Companies should pursue goals, opportunities, and strategies congruent with its strengths, and avoid those where its resources are too weak (Kotler et al, 2002, p.129). This section takes a closer look at the company's internal strengths and weaknesses by making use of a resource analysis. Table 6.1 below, shows that results of the resource analysis done by the researcher after the internal focus group information was compiled.

### **6.2.1 Human Resources**

People, represent all the actors who play a part in service delivery and thus influence a customer's perceptions (Zeithmal and Bitner, 2003, p.25).

ABC's human resources are very strong; however, with the current number of active projects, the company does not have sufficient technical staff in the office. This is a weakness with medium severity as all the technical staff are very overloaded and there is very little capacity to take on new projects and source projects for the future. The focus



group felt that the staff skill levels, combination of skills, enthusiasm, loyalty and service minded approach are a significant strength to the company and came to the conclusion that this is as a result of the company striving to employ good quality, well-rounded employees.

**Table 6.1 Organisation Resource Analysis**

(H = High; M = Medium; L = Low; N = Neutral)

Resources	Strength				N	Weaknesses		
	H	M	L	L		M	H	
<b>Human Resources</b>								
1. Adequate							X	
2. Skilled	X							
3. Enthusiastic	X							
4. Loyal	X							
5. Service Minded	X							
<b>Financial</b>								
1. Adequate			X					
2. Flexible							X	
<b>Marketing</b>								
1. Marketing Systems						X		
2. Client Base						X		
3. Contact Base						X		
4. General Reputation	X							
<b>Facilities</b>								
1. Adequate	X							
2. Flexible				X				
3. Location Quality	X							
<b>Systems</b>								
1. Information System Quality			X					
2. Planning System Quality			X					
3. Control System Quality							X	

### 6.2.2 Financial

By means of the Product/Market matrix, the focus group highlighted the fact that the company is in a strong to favourable position in the market and thus they are in a position to make more than satisfactory turnover and profits in terms of the current work load, however, the built environment industry is very cyclical and as result, two years ago, the company was struggling to make adequate profits.



The company is not flexible with its fixed monthly overheads. This is mainly due to the need to employ skilled staff to do the work during the times when work is plentiful, but when there is a low availability of work, these fixed costs still need to be paid.

### **6.2.3 Marketing**

The focus group confirmed that there are no formal marketing systems in place which is a weakness for the company. As discussed previously, most marketing is done on an informal networking basis and the focus group identified that the company needs to improve on the amount of promotion that is carried out.

The focus group findings show that the company's client and contact base is good in the sugar industry, especially for international sugar estate developments. ABC often tenders for work with other specialist companies which operate in this industry and they have a good relationship with some of the major players in the market. When it comes to government work in South Africa, the focus group identified that ABC's current client and contact base is a weakness to the firm. The company does not have very many contacts in various government departments which makes it more difficult for ABC to get work on local government projects. At the moment, the amount of private and especially international work is so high that having limited local government work is not a big weakness, but it may become a problem in the future in times when the international work is not so abundant.

ABC has a very good reputation in the sectors of engineering that it operates which is a very strong strength. Often, work is given to the company purely as a result of this reputation.

### **6.2.4 Facilities**

The intangible nature of a services means that in many cases, potential customers cannot judge a service prior to it being consumed, which increases the risk of the purchase decision. An important element of the marketing mix is therefore to reduce this level of risk by offering tangible evidence of the quality of the service. (McColl *et al*, 1998, p.21).

ABC has a very good office environment where employees feel comfortable while at work and is presentable for clients. The environment is neat, tidy and conveys a professional feel which helps to increase the tangibility of the service.

There are no spare offices which will allow the company to expand and have the office remain its current form. The office is well located in Pietermaritzburg as the city is close to regional government offices such as the Department of Water Affairs in Durban and Forestry and the Department of Agriculture and Environmental Affairs based in Hilton.

By positioning a firm in a major city, it improves the availability of the services to the client (Kotler *et al*, 2002, p.10). ABC is also situated in Pietermaritzburg which is relatively close to the Kwa-Zulu Natal farming areas which makes it convenient for working on projects for the farming community. The company makes use of a private aircraft for work in Africa as it means that they are not reliant of commercial aircraft schedules which are usually quite limiting when working on projects in Southern African countries. Being situated in Pietermaritzburg therefore does not negatively impact on these international projects.

The focus group identified the technology levels in the company as a strength. ABC currently has the latest civil engineering design and draughting software which is on a support and maintenance plan which ensures that they keep up to date with the software design tools. The computer hardware and printers are also up to date and meet the needs of the design and draughting staff. This technology enables the firm to produce excellent quality drawings, graphics and reports which helps to “tangibilise” the service and limit the perceived client risk. The only weakness as far as the information systems technology is concerned is that the technical staff require training on new software in order to improve their working efficiency.

### **6.2.5 Processes**

Pure services are more appropriately described by their production processes rather than tangible outcomes (McColl *et al*, 1998, p.22). Service marketers must examine the processes involved in service delivery to identify ways in which a better service may be provided to a customer. In many cases, this may include removing bottlenecks in order to streamline the service delivery system (McColl *et al*, 1998, p.22).

A project planning system is in place which helps the company to plan and prioritise current work. It is run by the MD who holds weekly project meetings which keep all technical staff up to date with the status of the active projects and what work is required on these projects. The weakness in this planning system is that many projects are very difficult to plan for as there are often delays as a result of legal requirement or financial constraints. These delays are often for undefined periods of time and thus it is often very difficult to plan ahead for projects in order to spread the work load over a period of time.

The company is busy working on the development of the ISO 9000 quality control system in order to get in line with SAACE requirements and to ensure that the quality procedures are in place in the company; however there is currently insufficient manpower to complete this task. There are however semi formal systems in place to ensure quality. The office operates with lots of interaction between staff members in order to come up with efficient designs, well planned designs.

The above resource audit has helped to structure and quantify the severity of the company's strengths and weaknesses. The following Chapter will address these strengths and weaknesses as well as the other key issues identified in this Chapter as part of the Strategic Marketing Plan.

## **7. RECOMMENDATIONS**

The research for this dissertation has looked at the theory relating to the elements of marketing a service as well as the process of developing a marketing plan. The context Chapter reviewed some of the issues facing the consulting engineering profession globally and went into detail explaining the current situation in the South African consulting engineering industry. The primary research was conducted in two forms. An internal focus group looked at the macro and micro environment in the consulting engineering industry, while the external questionnaires aimed to answer questions relating to the macro environment alone. The research objective was answered in the previous chapter with the identification of the key issues currently facing ABC. These issues are addressed in the Strategic Marketing Plan which forms part of this Chapter.

### **7.1. INTRODUCTION**

The central idea of marketing is to match the organisation's capabilities with the needs of customers in order to achieve the objectives of both parties. If this matching process is to be achieved, then the organisation has to develop strengths, either from the nature of the services offered or from the way it exploits these services in order to provide customer satisfaction (McDonald and Payne, 2006, p.3).

The remainder of this chapter uses the information gathered from the primary and secondary research of this dissertation, to develop a strategic marketing plan which ABC can use to structure their marketing efforts in the future.

### **7.2. STRATEGIC MARKETING PLAN**

The focus group confirmed that there are no formal marketing systems in place which is a weakness for the company. Currently marketing is done primarily on an informal networking basis. It is important to have formal marketing procedures which the management and employees can use as a basis for marketing efforts. This will help to ensure that even when work is plentiful, basic marketing methods are used to help to secure work for the future.

This section details methods and procedures that ABC should follow in order to take advantage of the opportunities in the market place and avoid the negative impacts of possible threats, as well as to use the company's strengths to its benefit and to minimise the impact of the company's weaknesses.

### **7.2.1. Growth Strategy**

The focus group identified that there is currently huge growth in sugarcane estate developments in Africa. ABC needs to actively seek out and chase these projects as they form part of the company's core competencies and they have proven to be very lucrative in the past. Also, the relatively low value of the Rand makes it easier for ABC to be competitive when competing with international firms. In order to achieve this, ABC needs to continue to network with other specialist consultancies, such as local sugar milling experts, who provide services in Africa. The company should aim to offer possible clients a whole package of sugar cane estate development services by forming joint ventures with such consultancies.

Another opportunity identified in the focus group was the continually increasing budgets of local authorities for infrastructure projects. The amount of money channelled by local authorities towards eliminating the backlog of essential services is almost doubling each year (Roodt, 2002, paragraph 5). ABC needs to ensure that they are aware of these projects and that they tender for projects which fit into their core competencies. A current weakness which hinders the company with tendered government work is the company's low BEE status. This problem needs to be resolved if the company wishes to target government contracts. This should be done by actively seeking a black partner, ideally somebody who has good contacts with local government departments.

The focus group also identified the fact that all developments near water courses require 1 in 100 year flood lines to be calculated prior to the plans being approved. With the current development in South Africa, there is a big demand for these hydrological assessments. ABC must continue to serve their existing clients with this service and seek out other possible clients such as Developers who may require this service.

### **7.2.2. Competitive Strategy**

The findings show that a problem in the consulting engineering industry is that a growing number of non-SAACE member firms, who are not bound by compliance with the SAACE Code of Conduct are obtaining engineering work (SAACE, 2005a, p.31 and SAACE, 2005b, p.34) and that these firms often offer discounted fees for inferior work (SAACE, 2005a, p.31).

It has been suggested that one way of combating this problem is for local authorities to only award work to SAACE member firms and that clients should be informed of the dangers in putting price first when planning and constructing infrastructure which is intended to last a few lifetimes (SAACE, 2005a, p.31). ABC needs to educate clients of the dangers in appointing consultants who are not properly qualified to do the work. This should be done as part of the networking process with clients and possible future clients. This process of educating clients is also being done by SAACE on a continual basis.

The focus group identified that there is a tendency for large Civil Engineering consultancies to tender for work in the agricultural development sector. ABC needs to combat this competition by promoting the company as specialists in agricultural development. The methods of doing this are discussed below in the Promotion section (Section 7.2.4.4) of the Marketing Mix.

### **7.2.3. Target Markets**

One of the biggest marketing mistakes that a company can make is to not specify a target audience. No matter what product you have, not everyone is going to want to buy it and trying to appeal to everybody just doesn't work (Koeppel, 2005, p.12).

Target marketing requires evaluating the relative attractiveness of various segments in terms of market potential, growth rate, competitive intensity, and other factors (Walker *et al* 2003, p.152).

As discussed in Section 2.2.1.1, there are five basic ways of appealing to the market place (Kotler *et al*, 2002, p.175). ABC should adopt a focused or target marketing approach for

appealing to markets. This approach is a tailored approach which focuses the firm's efforts on identifying and serving a particular target market (Kotler *et al*, 2002, p.175).

As discussed in Section 2.2.1.2 of this Dissertation, there are three basic market coverage strategies that can be adopted, ABC should adopt a differentiated marketing technique, in which the organisation decides to operate in two or more market segments but designs separate services and/or marketing programs for each (Kotler *et al*, 2002, p.191).

In ABC's case, based on the potential for growth, competitiveness and the company's core expertise, there are four particular markets which the firm should target. They are as follows:

- Local sugarcane producers who develop sugarcane estates in Africa
- Farmers and Irrigation Boards for dam projects
- Developers for floodline determinations and dredging projects
- Local government for water related infrastructure projects

#### **7.2.4. Marketing Mix**

Zeithmal and Bitner (2003, p.23) define the marketing mix as the elements that an organisation controls that can be used to satisfy and communicate with customers. Designing the marketing mix essentially involves working out the tactical details of the positioning strategy (Kotler *et al*, 2002, p.203).

The following marketing mix discussion suggests ways that ABC should respond to the key issues in the macro environment and the strategies that the company should employ to address the key issues identified in the resource analysis in the previous chapter.

##### *7.2.4.1 Product*

Product means the good or service combination that the company offers to the target markets in order to satisfy its needs (Kotler *et al*, 2002, p.10).

Most fundamentally, the more intangible the service the more it needs to be defined in terms of process descriptions rather than tangible descriptions of outcomes (McColl *et al*, 1998, p.19).



In terms of service quality, the findings show that the lacks of skills in client organisations have negative implications on the quality of the services that ABC offers to its clients. The SAACE survey confirmed this concern in terms of local authorities as clients with the statement that the growing responsibility placed on municipalities to manage and implement large infrastructure projects could be catastrophic for the entire industry (SAACE, 2005b, p.34).

ABC needs to respond to this threat by educating clients and assisting them with contract administration in any way possible. This sentiment is shared by Francios Swart, CEO of Bigen Africa who states that Engineering companies will increasingly be providing solutions to tackle government's existing lack of capacity to implement and manage large infrastructure development projects (Roodt, 2002, paragraph 6). In most cases, the money is available but the limited capacity in local authorities is the bottleneck in infrastructure projects. ABC needs to find ways of providing these solutions to clients in order to make project implementation more effective.

In terms of the services that ABC offers, the portfolio analysis in the Finding Chapter (Section 5.2.2.5) highlighted several issues relating to ABC's services. The following points give a brief assessment of the portfolio analysis and discuss broad strategic options for some of the company's services.

- Surfaced roads and farm roads are in the mature to ageing stage of their lifecycle. ABC do not employ specialist road engineers and thus, services provided on surfaced and farms roads should be dropped from the company's portfolio. Farm roads can however, still form part of the large agricultural developments as these roads require a much lower level of specialist knowledge than surfaced roads.
- Commercial crop irrigation is in the mature stage of its lifecycle. ABC have lots of experience and expertise in the design of commercial crop irrigation systems however, many farmers are now going directly to irrigation equipment suppliers to provide design services for irrigation systems which puts ABC in a less favourable position than would be expected. Looking at the service from this point of view, it seems that it would be wise for ABC to drop this service from its portfolio;



however, the skills required for commercial crop irrigation are already in-house as these skills are put to use on large agricultural developments in countries such as Mozambique, so there is no need to make a decision to stop providing the service to local farmers for commercial crop irrigation. If the opportunity arises for a commercial crop irrigation project, the company should take it; however, it will not be worthwhile spending money marketing this service locally.

- ABC is in a strong to dominant position in the earth dams market in KwaZulu-Natal. They should continue to strive for cost leadership and harvest the fruits of their position in the earth dams market.
- In terms of large scale agricultural developments, ABC is in a strong position in a growing market. The company needs to attain cost leadership and differentiate to provide clients with unique efficient designs and solutions for these projects.
- Dredging projects are in the growth stage of the lifecycle. ABC has had recent success with these types of projects. The company needs to grow this service and focus their efforts in order to improve their position in the market.

By sticking to these broad strategic options for the above services, it will help ABC to concentrate on the services which have the most potential for sustainable profits in the short to medium term.

#### *7.2.4.2 Place*

Place includes everything the organisation does to make its services available to the target consumer such as the positioning of a firm in a major city (Kotler *et al*, 2002, p.10).

It was found that ABC is situated well to serve its market. Most of the dam projects that ABC is involved in are less than two hours drive away from Pietermaritzburg. The sugar producers that the company serves have offices in Durban and Estates in Mozambique and other Southern African countries. It is relatively easy for ABC to get to these estates as they make use of private planes to avoid being reliant on scheduled flights which are limited.

#### *7.2.4.3 Pricing*

Pricing decisions include varying quantity discounts, payment terms, cash discounts, published prices and trade discounts (Magrath, 1986, p.47).

Many firms, not bound by the SAACE code of conduct are offering discounted fees for inferior work (SAACE, 2005a, p.31). The growing tendency for firms to offer expertise, for which they are not properly qualified, to reduce the price of their services, can be linked almost directly to the clients who do not understand the cost of the services (SAACE, 2005a, p.31). SAACE needs to continue to actively educate clients on the cost of providing good quality professional services.

It was found that ABC do not usually offer discounts for services and that they usually offer their services at standard SAACE rates despite that fact that many other firms are discounting to win tenders. This is currently not considered as a bad thing as the company has plenty of work at the moment and they do not need to discount to win jobs in order to stay busy.

Francios Swart, CEO of Bigen Africa says that Engineers should change their mindsets and become price-makers and not price-takers, moving away from being technocrats to becoming good businesspeople (Roodt, 2002, paragraph 1). ABC's current approach to pricing is in line with this sentiment.

#### *7.2.4.4 Promotion*

The promotional mix includes various methods of communicating the benefits of a service to potential customers, broken down into four mix elements; namely advertising, sales promotion, public relations and personal selling. The promotion of a service should place emphasis on increasing the apparent tangibility of a service (McColl *et al*, 1998, p.19). For ABC, the main forms of promotion should be public relations and personal selling by way of networking.

As discussed in Chapter 2 (Section 2.1.1), an important characteristic of services is that they are intangible. This means that services cannot be seen, tasted, felt, heard or smelled before they are bought. Clients draw conclusions about service quality from the physical evidence, equipment used, people involved or the communications they have been exposed

to (Kotler *et al*, 2002, p.12). Therefore, the service provider's task is to "tangibilise the intangible" (Levitt, 1981, cited in Kotler, 2000, p.430).

The company should focus on their networking efforts and ensure that they attend key events such as the South African Sugar Technologists Association (SASTA) conference in order to network with members of the sugar industry. Specific Directors should be assigned to different target markets and they should be responsible for networking within those markets. It was mentioned in the focus group that members of the company should write and present papers at the SASTA conference in order to position the company as a leading engineering service provider to the sugar industry.

One way of overcoming the problem of intangibility, as McDonald's exemplifies, is through the importance of the company as a brand, reinforced by a well presented corporate identity to evoke clear functional and emotional values (Diefenbach, 1992, cited in Chernatony and Segal-Horn, 2001, p.646).

In addition to networking in the industry, ABC should actively promote the company and its services by creating PowerPoint presentations which should be given to existing clients and prospective clients. This will help to establish the ABC brand in the minds of the prospective clients. The presentations should aim to inform them about the services the ABC has to offer and attempt to "tangibilise" the service offering by including before and after photographs of successful projects as well as comments from satisfied clients.

As discovered in the research, it is not considered worth while to embark on expensive advertising campaigns as the target markets which ABC serves are so small that it is unlikely that magazine and newspaper advertising will reach the prospective clients. The company should, however advertise in the SA Irrigation and the Sugar Technologists magazines, which are read by many players in the irrigation industry.

When it comes to government work in South Africa, the focus group identified that ABC's current client and contact base is a weakness to the firm. The company does not have very many contacts in various government departments which makes it more difficult for ABC to get work on local government projects. These contacts need to be established by means of a BEE partner as discussed in Section 7.2.1 above.

#### 7.2.4.5 Process

Process includes the actual procedures, mechanisms, and flow of activities by which the service is delivered (Zeithmal and Bitner, 2003, p.25).

The findings from the resource audit indicate that the company's information systems and planning systems are strengths but that the lack of a formal quality control system is a weakness. ABC should strive to complete the ISO 9000 plans and receive accreditation for these plans. This will assist the firm in conveying to prospective clients that they provide a good quality service. Once the quality system is complete, the company must ensure that all staff receives training on the quality control systems and that the system is implemented correctly and efficiently.

#### 7.2.4.6 People

In service industries, everybody is what Gummesson (1991, cited in McColl *et al*, 1998, p.20) calls a "part-time marketer" in that their actions have a much more direct effect on the output received by customers. Kotler et al (2002, p.12) state that because a service cannot be separated from the service provider, how that individual is perceived (ie. Professionalism, appearance and demeanour) will be used in judging the quality of the service. This emphasises the need to have good people working in an engineering firm.

The resource analysis showed that ABC's staff is a great strength to the company, however, with the amount and calibre of current projects the company is currently grossly understaffed. All the technical staff are very overloaded and there is very little capacity to take on new projects and source projects for the future. If this problem is not rectified soon, there is a good chance that staff may leave the company. This will be a great loss to the company and to make matters worse, as the findings indicate that there is a shortage of skilled engineers, it will be difficult to recruit new replacement engineers. To solve this problem, the company should actively seek out at least one engineer with at least 5 years experience and preferably a second engineer with at least three years relevant experience.

CEO Francois Swart of Bigen Africa emphasised the skills shortage problem when he said in an interview with Engineering News that he predicts that the biggest challenge facing the engineering profession will be a shortage of skills (Roodt, 2002, paragraph 8).

SRK Consulting director Brian Middleton maintains that to counter this, more interest needs to be garnered at school level and nurtured from there (Engineering news, 2001, paragraph 11). He believes that this is of utmost importance, as present trends indicate that an increasing number of lawyers, doctors and other such professionals are emerging, while the interest in pursuing a career in engineering is much less apparent (Engineering news, 2001, paragraph 12).

Francois Swart, CEO of Bigen Africa suggests that individual companies need to actively promote the profession to attract new entrants (Roodt, 2002, paragraph 9).

It was found that ABC currently run a pump building competition at the local University, this initiative should continue and the company must find ways of making it more challenging and stimulating for the students. As suggested above, the company should target high school students to encourage them to study engineering. This should be done by means of informative PowerPoint presentations to selected local high schools. The presentations should emphasise the benefits of engineering as a profession.

The company should also offer their services to the University to lecture relevant subjects to Civil and Agricultural engineering students. These lectures should be used as a base for building relationships with students and promoting consulting engineering as a profession in order to encourage students to join the engineering profession once they have completed their studies.

In order to ensure that the staff conveys themselves in a manner that is of an acceptable standard and that they operate with a customer orientation, the company should seek the services of a customer service specialist to run an in-house training session on customer service.

#### *7.2.4.7 Physical Evidence*

Physical evidence refers to the environment in which the service is delivered and where the firm and customer interact, as well as any tangible components that facilitate the performance of the service (Zeithmal and Bitner, 2003, p.25).

The resource analysis indicated that the company's office environment are a great strength to the company. The only disadvantage is that they is not much extra office space to accommodate extra staff. When new staff are employed, some changes need to be made to the layout of the office space.

#### **7.2.5. Action Plan and Projected Costs and Benefits**

An Action plan which includes projected costs and benefits is attached is attached in Appendix B. Note that the projected benefits have been estimated roughly with two possible scenarios. One is an optimistic view which represents the amount that the company can expect to add to their annual turnover if the action results in a very favourable outcome. The second scenario is a pessimistic view which represents the amount that the company can expect to add to the annual turnover if a pessimistic view is taken on the outcome of the action.

#### **7.2.6. Controls**

Control of the marketing actions should be done by having monthly marketing meetings whereby individuals can discuss the progress of their assigned tasks and any problems that they have encountered. Modifications to the plan and contingency plans can be formulated at these meetings if necessary.

### **7.3. RESEARCH LIMITATIONS**

There are several limitations to the method of research used in this dissertation. Some of these include:

- The internal company analysis was done with only the engineering staff in the office. Often engineers tend to think in a similar way, and thus this may have limited the broadness of the responses and the key issues raised.
- The office is relatively small so the number of people present at the internal focus group was relatively low. It may have been easier to gather more information from a larger group. That said, having a small office means that most of the engineers in

the office are very aware of the company's current position in the market as well as its strengths and weaknesses.

- The sample size for the external macro environmental analysis was relatively small and included engineers who work in a similar sector to ABC PMB. It may have been useful to include more people from other disciplines of engineering to gain from their knowledge of the macro environment.
- Due to the current workload that most consulting engineers are experiencing, it would have been difficult for the respondents to apply their minds to the questionnaire. This is understandable because when working as a consultant, time is money and most engineers are working above full capacity at the moment.
- Another limitation of the data collected is that due to the engineering and construction industry currently performing so well, the respondents may have tendered to be a bit too optimistic about the macro environment and certain key threats may not have been identified as a result.

#### **7.4. RECOMMENDATIONS FOR FUTURE RESEARCH**

This dissertation has identified a few key issues in the Consulting Engineering Industry. In terms of the current problems that the industry is facing, it would be beneficial if future research was done on how Consulting Engineers can cope with and solve the problem of the lack of skills in client organisations such as government organisations. The inability of these organisations to implement infrastructure projects successfully has huge negative implications for the industry. If this problem could be solved, it would benefit the people of South Africa greatly as they will begin to receive a much better standard of services.

Another area where future research is needed is on the subject of BEE. For small consulting firms like ABC Consulting Services, it is very difficult to find suitably qualified people to take on board as BEE partners. It is much more difficult than for non professional businesses as it necessary to find a person or people who can contribute to the business on a technical level and not only on a marketing and management level.

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## **APPENDIX A**

- Informed Consent Form
- Internal Interview Schedule
- External Questionnaire

**University of KwaZulu-Natal**  
**(Pietermaritzburg)**

**Masters in Business Administration**

**Researcher : K. Hundley, St. No.: 972129795**

**Informed Consent Form**

Project Title : Strategic Marketing of MBB Consulting Services (Pmb) (Pty) Ltd.

Researcher : K. Hundley

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**Background to the study:**

The current situation in the South African industry is very different to what it was when MBB Consulting Engineers was founded 35 years ago. At that time, competition between Consulting Engineering firms was less intense, which resulted in a more constant flow of work. Presently, with the increased competition in the market place and the implementation of Black Economic Empowerment (BEE), many consulting engineering firms are finding it more challenging to maintain a steady stream of projects to ensure positive returns in the long term. This study aims to identify key marketing issues relevant to consulting engineering firms and to develop a strategic marketing plan for MBB Consulting Services.

**Requirements from Respondents:**

Respondents to this study will be encouraged to give the opinions on the issues covered by the interview schedule. All involvement is completely voluntary and no person shall be disadvantaged if they choose not to take part in the discussions. All respondents may choose to withdraw from the study at any stage.

It is anticipated that the external questionnaires will take less than one hour to complete and that the internal focus group, within MBB, will run for approximately two hours. No further involvement is required from the respondents.

**Confidentiality:**

All data collected will be regarded as confidential and respondent's names and company's names will not be made known to public. All data collected will be kept in a safe place by the researcher and will be destroyed on completion of this study.

**DECLARATION**

I.....(full names of participant)  
hereby confirm that I understand the contents of this document and the nature of the research project, and I consent to participating in the research project.

I understand that I am at liberty to withdraw from the project at any time, should I so desire.

**SIGNATURE OF PARTICIPANT**

**DATE**

.....

**University of KwaZulu-Natal**  
**(Pietermaritzburg)**

**Masters in Business Administration**

**K. Hundley - 972129795**

**Interview Schedule – Internal Focus Group**

The purpose of this focus group is to gather information pertaining to the company's internal and external environments. The focus group will be run semi formally; however, it is planned that the following items will be addressed:

a) External Audit

- A macro environmental analysis to expose trends, events and issues in each sub environment (PESTIE)
- An industry environment analysis to expose trends, events and issues in the industry, its clients, suppliers, competitors and other stakeholders.

b) Internal Audit

- An assessment the companies resources and capabilities
- Evaluation of :
  - the mission and goals / objectives
  - the current portfolio
  - the current competitive strategy
  - position of the companies service offerings on the product life cycle
  - current clients and target markets
  - current positioning of the companies services (Product/Market Matrix)
  - current positioning strategies
  - current marketing mix strategies
  - current customer satisfaction

The findings from the internal and external audits will then be assessed in terms of strengths, weaknesses, opportunities and threats.

**University of KwaZulu-Natal  
(Pietermaritzburg)**

**Masters in Business Administration**

**K. Hundley - 972129795**

**Interview Schedule – External Interviews**

The purpose of this questionnaire is to look critically into the current macro environmental issues that influence the consulting engineering industry.

You may either type in your response to the following questions in the spaces provided or write/type your responses separately and either fax or email them to:

K. Hundley  
Fax : 033 3427728  
Email: kevin@mbbpmb.co.za

**A. Political/Legal**

1. What legislation is effecting and could possibly affect the industry in the near future?

Response...

2. What steps can be taken to minimise any negative effects of the legislation and to benefit from any positive effects?

Response...

**B. Economic**

1. What major developments and trends in the local and global economy have an impact on consulting engineers?

Response...

2. What actions can be taken to respond to these developments and trends?

Response...

**C. Socio-Cultural**

1. What changes are occurring in customer procurement systems?

Response...



2. What actions can be taken to respond to these changes?

Response...

#### D. Technological

1. What major changes are occurring in relevant product and service technology and how do these changes affect consulting engineers?

Response...

2. What can consulting engineers do to keep up to date with these relevant changes?

Response...

#### E. International

1. What changes are occurring internationally in the construction industry and how do these changes affect consulting engineers locally?

Response...

2. What can be done to respond to these changes?

Response...

#### F. Environmental

1. What changes are occurring with regard to the environment?

Response...

2. What should consulting engineers be doing to respond to these changes?

Response...

#### G. Labour

1. What changes are occurring in terms of staff for consulting engineering practices?

Response...

2. What can be done to respond to these changes?

Response...

## H. Capital

3. What changes are occurring with the financing of built environment projects?

Response...

4. How can consulting engineers respond to these changes?

Response...

## **APPENDIX B**

- Action Plan with Projected Costs and Benefits

Strategic Marketing Plan : ABC Consulting Services

Action Plan and Projected Costs and Benefits

Item	Description	Responsible Person	Time Frame	Method	Cost/annum	Benefit to Turnover : Optimistic View	Benefit to Turnover : Pesimistic View
<b>Growth Strategy</b>							
1	Network with sugarcane milling experts - Seek opportunities to for Joint Ventures	All Directors	Ongoing	Lunches, meetings and general communication	R 6,000	R 1,000,000	R 0
2	Identify Government tenders	All staff, particularly secretary	Ongoing	Scan papers and gazettes	No Extra cost	R 600,000	R 100,000
3	Actively seek a BEE partner	All Directors	Ongoing	Networking	R 10,000	R 500,000	R 0
4	Seek more flood line work with developers	All staff	Ongoing	Networking	No Extra cost	R 150,000	R 50,000
<b>Competitive Strategy</b>							
5	Educate clients on dangers of appointing unqualified consultants	All staff	Ongoing	While running projects	No Extra cost	No Direct increase	No Direct increase
6	Promote the company as specialist in Agriculture	All staff	Ongoing	Networking	No Extra cost	No Direct increase	No Direct increase
<b>Elements of Marketing Mix</b>							
<b>Product</b>							
7	Educate clients on contract administration	All Directors	Ongoing	Presentations	R 10,000	R 10,000 - Time saving	R 0
8	Assist clients with contract administration	All staff	Ongoing	On the job	No Extra cost	R 10,000 - Time saving	R 0
9	Find ways of providing solutions to Government for lack of capacity - Supply project management services	All Directors	Ongoing	Proposals to Clients	R 15,000	R 400,000	R 100,000
<b>Promotion</b>							
10	Promote the company's services	All Staff	Ongoing	Networking	No Extra cost	R 200,000	R 50,000
11	Present papers at SASTA	Director 2 & 3	6 months	Research and Compile	R 15,000	No Direct increase	No Direct increase
12	Do presentations for clients - introduce them to services	Director 1	6 months	Research and Compile	R 12,000		
13	Magazine advertising - SA Irrigation and Sugar Journal	Director 3	1 month	1 advert/month	R 30,000	R 200,000	R 20,000
14	Complete ISO 9000	Director 1 & Engineer 2	3 months	Get accreditation	R 50,000	R 25,000 - Time saving	R 5,000 - Time saving
<b>People</b>							
15	Recruit two new Engineers	All Directors	2 months	Networking and Agents	R 30,000 - Recruit cost	R 300,000	R 100,000
16	Customer Service training	Director 1	2 months	Networking and Agents	R 12,000	No Direct increase	No Direct increase
<b>Physical Evidence</b>							
17	Restructure office layout for new staff	Director 3	2 months	Buy partitians and furniture	R 20,000	No Direct increase	No Direct increase