

1.0 Introduction

'SparkleMaid' is a premium cleaning company with a strong brand identity in the south of England. Robert Williams is launching a new start-up franchise in the North West, with the hopes of bringing the strong values to the area. SparkleMaid will initially target Lancashire with the hopes of increasing its target area after establishment in the region.

Lancashire has a large number of established cleaning company's already operating within the area however; a gap in the market has been identified for a premium cleaning company with the focus being on high quality, safe, secure and a reliable service.

This report will look to analyse the current environment for a cleaning company in the North West and then using this information, suggest marketing strategies in terms of target markets, areas and suitable services to offer.

2.0 Business Mission

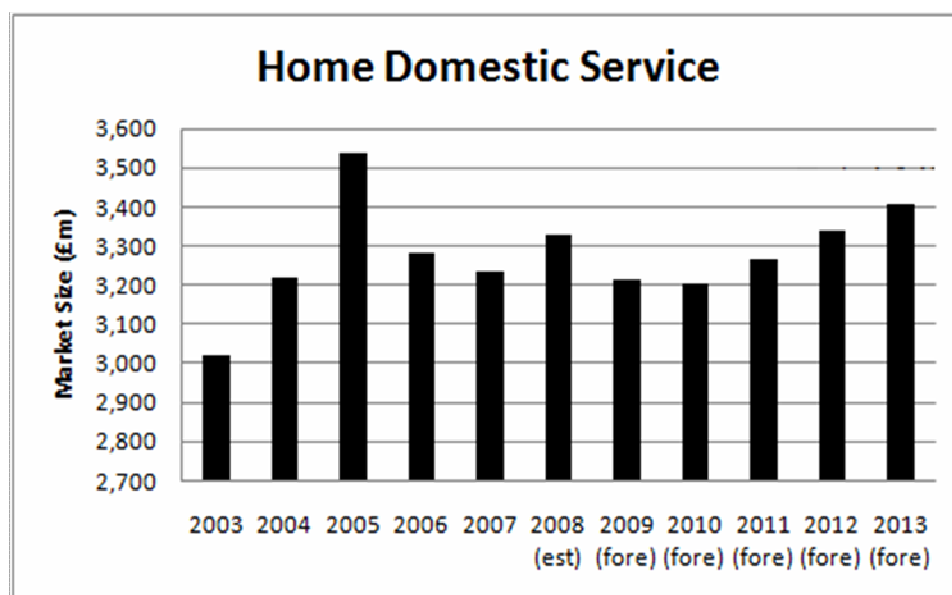
SparkleMaid's mission is to provide a premium cleaning service with the values of Integrity, dependability and high quality of service at the heart of everything we do.

Our dedicated team of loyal and professional staff are trained to the highest standards and by incorporating qualifications, knowledge and experience we promote a customer specific service ensuring we meet the needs of all our customers no matter how big or small they may be.

3.0 Marketing Audit

3.1 The Domestic Cleaning Market

The market for domestic services in the UK is estimated to be worth around £3 Billion. This includes domestic cleaning, gardening & window cleaning. The market peaked in 2005 with expenditure on household services reaching £3.5 billion however, the recent recession has seen cutbacks in the market with households opting to focus on the 'essentials' rather than luxury's, such as a domestic cleaner. The graph below emphasises recent changes.



from Mintel)

The graph does show as the economy recovers there will be an increase in the market fortunes, these changes would suggest that domestic services can be classed as price elastic. Imbs & Mejeans (2008) describes elasticity as the responsiveness of demand to changes that may affect it (such as a recession).

Of the domestic service market, 70-75% is dominated by the domestic cleaning industry.

The cleaning industry is characterized by small local businesses and franchise ventures. This makes the industry a highly competitive market, with a large amount of company's each controlling a small fraction of market share. They all offer a similar product with no one company being able to control the price or any other aspect of the market. The importance of personal relationships within the industry does not lend itself to large branded companies and local companies are more popular with consumers. A quick search on yell.com reveals 250+ results for cleaning firms in Lancashire.

Franchises are extremely common in the industry with recognisable names including Spot On, Molly Maid, Maid2Clean and Merry Maids.

Changing social trends has also seen the rise of women in full time employment. Women have a stronger attitude towards cleaning (appendix A), so with their increase in full time employment they are more inclined to use a domestic service in order to ensure a clean home. As a result of this there are more dual income households, who subsequently are more likely to be able to afford the service.

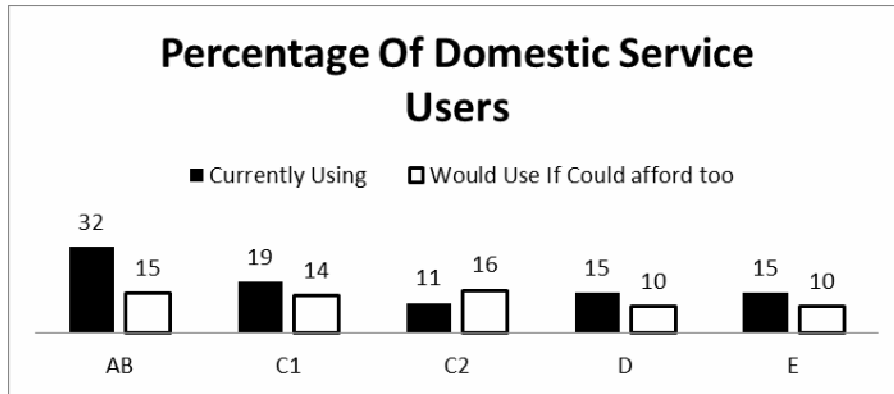
3.2 Pest Analysis

In order to understand the environment effectively a PEST analysis will be used to highlight factors which may affect 'SparkleMaid'.

The Cleaning Industry PEST Analysis <i>(Appendix B)</i>	
<p style="text-align: center;"><u>Political</u></p> <ul style="list-style-type: none"> • There is little to no Government policies surrounding the cleaning industry • Small amount of Legal issues mainly surrounding the use of certain cleaning products. There are no legalities surrounding who can provide a service. However, there is issues around insurance & disposal of waste • Increasing awareness surrounding the use of environmentally friendly cleaning products has promoted the desire for 'green' or 'organic' agents. This is a growing movement and could be of significant importance to households in the future. 	<p style="text-align: center;"><u>Economic</u></p> <ul style="list-style-type: none"> • The UK is currently experiencing economic hardship due to the recent economic recession. • This will see a cut back on non-essential goods or services which, in many cases a Household cleaning service falls under. • The industry like all others is subject to taxation however, many self employed household cleaners will work for cash in hand • short term rising unemployment could mean the need or cost of a household cleaner is no longer feasible • The biggest social group growth over the last five years has been in the more affluent AB income group. By 2013 they will be 27% of the population. An increasing affluent population should lead to greater desire for household cleaning
<p style="text-align: center;"><u>Social</u></p> <ul style="list-style-type: none"> • The consumers with the most time pressures are most likely to need household cleaning, as well as the elderly. • National split with household cleaning much more likely to be found in the South than the North of England • People place trust as the key trait from a household cleaner. • Over half the population has no interest in cleaning with around a third enjoying it • Media and social influences put pressure to have a clean home • Middle class employment more common • Social changes see's woman role geared towards employment which means outsourcing domestic tasks more acceptable 	<p style="text-align: center;"><u>Technological</u></p> <ul style="list-style-type: none"> • Very little additional technology required from a professional cleaner, to what is already readily available in the home • Technological advancements in Domestic appliances mean that cleaning the home is easier and faster than ever before. • Former specialist equipment such as carpet cleaners are now readily available for the general public to purchase • Further technological developments will further improve the ease of domestic cleaning including, self cleaning glass, unmanned cleaning appliances e.g. Hoovers and even self cleaning ovens

3.3 Customer Analysis

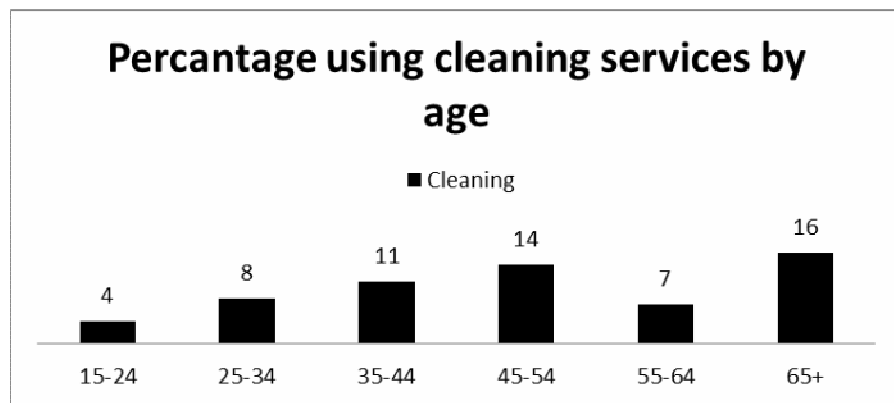
Domestic cleaning is most commonly found amongst the AB social group as the graph below shows us .



Domestic cleaning is more prevalent in the AB social group for several reasons firstly; The AB social class is characterized as being the most affluent socio economic group. The figures suggest that motivation for domestic cleaning is driven by affluence.

Secondly The AB group is often categorised by professional households with two income earners, they could be described as 'cash rich, time poor'. This lack of time means that the easy option for a clean home is to hire a domestic cleaner.

The usage of domestic services also varies across age ranges as the table shows us below.



Domestic service is most popular amongst the over 65's . This group is characterized by generally having a bit more spare cash and are more likely to be in need of the help for health reasons.

Domestic service's has generally low usage figures however; there are small groups of people such as the affluent and the elderly where usage is more common. Key drivers for taking up domestic help are spare money (Affordability being essential to demand), health (particularly relevant to the 65 + market) and the longing for more spare time.

Specific influences on consumer choices within the market include trust, price and quality of service.

3.4 Porters 5 forces

Once the Market has been analysed broadly it is important to consider what pressures are placed from internal forces, to analyse this we will use Porters 5 forces.

Porter's 5 forces model was developed by Michael Porter in his book 'Competitive Strategy: techniques for analysing industries and competitors' in 1980. It has become an important tool for analysing both organisations and industries. Porter identified 5 forces which he said applied to every industry and helped identify their attractiveness and profitability. We will now use these forces to examine the Domestic Cleaning industry.



from "The Five Competitive Forces That Shape Strategy" by Michael E. Porter, Harvard Business Review, January 2008

3.4.1 Threat of Entry

In order to investigate the threat of new entrants in the industry, it needs to be assessed whether the barriers to entry in the UK Domestic cleaning industry are high

or low. This will be looked at in relation to economies of scale, product differentiation and capital required.

There are two options for entering the industry either a private company or through a franchise. Initial costs for franchises vary between £10,000 and £30,000 and so initial costs are fairly high. However, the start-up costs for a private company are minimal if any and the personalised nature of the business, means this is often the option taken.

As most customers are local and acquired directly, access to them is high and the only 3rd party is generally a phone book.

Brand loyalty is relatively high amongst the industry as people place trust and relationships with their cleaners as a key issue.

Overall threat of entry is very high due to the small start-up costs and the flexible nature of work. This means companies can be set up part time or in line with other employment and providing a reputation can be gained, the barriers of entry are very low.

3.4.2 Threat of substitution

Substitute are products which can fulfil the same function, but from a different industry. In the case of domestic cleaning the main threats come from household appliances, with advancements in technology and households doing the work themselves.

Due to the high elasticity of domestic cleaning and the perception of it as a luxury good, threat of substitution is extremely high, particularly when households face difficult economic circumstances (evident in the changes seen with market size in a previous table).

3.4.3 Threat of Established Rivals

Due to market having a large number of small competitors there is an intense rivalry. Price competition is relatively high for the majority of the market, however, less so when there is a differentiation strategy e.g. premium service, range of activities etc.

Although rivalry is high, relationships between suppliers and customers are valued within the industry; this is a strong deterrent to switching suppliers.

Despite this, The threat of rivals is still extremely high.

3.4.4 The Power of Buyers

Domestic cleaning service has no 3rd party dealings and the end users are the buyers. Due to the large number of suppliers their buying power is high.

Their power is further enhanced by domestic cleaning being so easy to substitute and suppliers offer a relatively standardized service with only degrees of quality being different.

The power of buyers is extremely high due to the similar nature of services offered and ease of replacement.

3.5.5 The Power Of suppliers

The power of suppliers is low in terms of materials, as the service is mainly based around labour however, the materials that are required are found in a variety of suppliers meaning their power is low.

Labour is the main driver and access to appropriate staff is crucial to the industry. As staff within the cleaning industry require little training and are relatively easy to replace their power is low. However, differentiated service offering premium cleaning requires experienced cleaners, this dramatically increases their power as their skills become rarer to find. Another threat to SparkleMaid is the ease these cleaners can start their own private company.

On the whole, the power of suppliers is low but the service begins to differentiate their power dramatically rises.

In conclusion we find that only one of the forces (suppliers) is attractive to a perspective investor entering the market. However, there is evidence to suggest this industry will develop into a reasonable market for investors. Firstly I believe that as we come out of economic recession we will see the use of domestic services increase dramatically. From this we will see a new wave of customers develop and new markets emerge.

Although Porters theory provides us with sound foundations of knowledge for the industry it does have its limitations. Coyne & Balakrishnan (1996) state the Porters theory assumes it is measuring within a classical perfect model which so often is not the case. Another assumption made is that the domestic cleaning market is fairly static, in reality this is nothing like the turbulent market we see today.

4.0 SWOT Analysis

A SWOT analysis will allow us to evaluate the strategic position of launching SparkleMaid in to Lancashire.

Analysis of a premium cleaning company SparkleMaid

<p style="text-align: center;">Strengths</p> <ul style="list-style-type: none"> • Part of a successful Franchise that worked in the South • Trend towards increasing affluent households • Small firm makes it easier to control • Lack of premium service cleaners in the market • Realistic finance Reserves of £100,000 • Specific Marketing targets ensuring efficiency of resources • Premium price attracts people wanting a premium service • Admin staff to ensure organisation • Increasingly Less leisure time for households • Changing attitudes towards domestic help 	<p style="text-align: center;">Weaknesses</p> <ul style="list-style-type: none"> • Competitiveness of market • Small range with specific targeting of the most affluent • No Reputation in the area • No pilot or test in the area • No experience from management • No staff training • Expense of initial Marketing high • No specific marketing data • Increase in Flexible working hours • Reluctance to pay for housework to be done
<p style="text-align: center;">Opportunities</p> <ul style="list-style-type: none"> • Broader range of services • Poor service offered by competitors • Changing social attitudes means people want more free time • Technology improves quality and ease of task • Horizontal markets, Window cleaning? • Niche services, oven & carpet cleans etc • Wider market of the North West • Contracts with property developers • Research into consumer spending patterns • Growth in market after economic downturn • Partnership with gardening firm • Seasonal incentives, Spring clean etc 	<p style="text-align: center;">Threats</p> <ul style="list-style-type: none"> • Legislative measures on the domestic cleaning market • Continual economic hardship, shrink in market • Developments in appliances replacing need for outside help • Competitors push towards premium market • Reliance on few contracts • Lack of experienced staff • Staff starting their own firms and taking clients • Continual costs of marketing • More competitors entering the market • Reliance on a small number of staff • Loyalty of customers to existing suppliers

SWOT, PEST & porters 5 forces offer us a valuable insight into the domestic cleaning market however, it is important we recognise their limitations . Miller (1992)

questions the notion of being "caught in the middle". He suggests tools such as the ones above are based on definates and have no middle ground, which is un realistic in the real world.

5.0 Marketing Objectives

5.1 Strategic thrust

Strategic thrust determines which markets SparkleMaid are targeting and the future direction of the business. Using Ans offs matrix allows us to categorize SparkleMaid in terms of its thrust.

	Existing Products	New Products
Existing Market	Market Penetration	Product Development
New Market	Market Development ★	Diversification

SparkleMaid falls under the category of market development (shown by the star) as it is seeking new markets for existing products. The new market is 'premium' domestic cleaning and creating a clear differentiation in terms of quality between the existing markets of regular cleaning businesses.

Using the Boston Matrix (appendix C) SparkleMaid falls into the category of problem child as it has a low market share but large potential . With the right strategy behind it, it has the potential to become a S tar.

Although categorization of SparkleMaid can provide a useful insight into the route forward, it will be the strategies in place to achieve the objectives that will be more important than these categorizations.

5.2 Strategic objectives

The strategic objectives for SparkleMaid are as follows:

Marketing

- Return on capital should be at least 20% by the end of the year
- This can only be achieved by re-occurring service and continual growth in customer base
- Raise brand awareness by 40% in targeted areas
- Areas have to be carefully chosen to best represent SparkleMaid's chosen target segments
- Ensure 90% of customers would 'recommend us to a friend'
- Quality of service must be exceptional in order to gain vital exposure through word of mouth.

6.0 Core Strategy

Now objectives have been set for SparkleMaid the strategy will address how we will look to achieve them.

6.1 Target Markets

This is where we decide which segments of the market (customers) are most valuable to us as a business .

Data from our market audit suggests the three key factors behind employing a domestic cleaner are:

- Affluence- Mintel states "Affordability is key to generating demand" implying that affluence is key to motivating usage of a domestic service.
- Time Pressure- Households who have increasingly less free time and who maybe do not have the spare time for household chores.
- Age- the Elderly who need an extra hand with tasks.

By taking these three key factors into consideration we have identified two key target segments, affluent households (AB social groups) ideally with dual income earners & affluent retired professionals. These groups fall under the 'good customers' in the customer matrix (appendix D) and as SparkleMaid is offering a 'good product' this target market is one we should look to exploit.

Another factor for this decision was the rising figure of AB households in the economy which made it a sensible segment to target and the fact the elderly are more likely to have spare cash.

6.2 Competitive Targets

As mentioned previously the domestic cleaning market is dominated by small local businesses and franchises. The large numbers means that the vast majority choose

to compete on price with value being their main selling point. This is emphasised in the values of one of the leading franchises Maid2Clean when it states that it aims to be competitive on price whenever possible and to do so will use the customers own cleaning products .

6.3 Competitive Advantage

The company's success hinges on its ability to gain and hold a competitive advantage. There is several ways to attain this advantage and they all stem from this strategy.

In the 1980s, Porter (1980, 1985) made a significant contribution to our understanding of decision making within organisations, by formulating a framework that described three competitive strategies: cost leadership, differentiation and focus. This is shown in the table below.

		Competitive Advantage	
		Lower Cost	Differentiation
Competitive Scope	Broad Target	1. Cost Leadership	2. Differentiation
	Narrow Target	3a. Cost Focus	3b. Differentiation Focus

The star represents SparkleMaid's position in terms of strategy. By adopting a Differentiation focus approach, the company will look to target the high end of the cleaning market segment. The source of this competitive advantage will focus on the ability to form a close relationship with each customer; to do this SparkleMaid must impose its company image of high quality and integrity as well, as having an effective marketing campaign.

7.0 The Marketing Mix

The marketing mix consists of decisions to be made around the 4 P's, product, place, price & promotion of SparkleMaid.

7.1 Product

SparkleMaid is producing a service which is intangible; this often makes it hard for a customer to perceive and evaluate the benefit of a service and makes the marketing of the company essential. However, there are tangibles associated with the service such as staff and communications. Dibb et al (2001 pa 630) states that these tangibles are crucial as they are often the only aspects of service a customer can use to form initial impressions

The importance of consistently high service cannot be stressed enough, due to small target areas and the importance of word of mouth to SparkleMaid's plans. With the cleaners being the 'face' of SparkleMaid the importance of having the same staff each visit and opportunity to build a relationship with the client is a major selling point.

SparkleMaid must also consider what variety of products it will offer its customers. A list of potential services can be seen on a Boston Matrix (Appendix E).

This suggests possible services and the varying roles they play in SparkleMaid's portfolio. Weekly cleans is the most crucial service in ensuring the company's success and once a customer base has been built up growth will become limited, They will act as the cash cow to the business and bring in the considerable amount of the overall revenue.

Both ironing and one off cleans can be envisaged as crucial elements of the businesses growth. These two services will bring in a substantial sum of money however, their real value lies in attracting new customers to the business with the hopes they may want to upgrade to a weekly clean.

Finally Oven cleaning is a service that can be viewed as a problem child. It will have a direct focus on a niche market and yet has the potential to develop into a Star if approached correctly.

7.2 Place

Place is another crucial element of SparkleMaid's plans, this is due to limited resources and importance of targeting the correct market segments. We have selected three areas to directly target.

The three areas selected are:

- Fylde
- Ribble Valley
- West Lancashire

All three match the required characteristics from SparkleMaid's desired target segment (Appendix F). They are characterised by higher than average salaries, high proportion of over 65+ and large percentage of AB socio -groups.

7.3 Price

SparkleMaid will charge prices of £15 -19 per hour which is above the industry standard; this can have one of two effects. Firstly people will be put off by the price and seek a cheaper solution elsewhere alternatively, People view the price tag as a sign of the quality of the product and are subsequently attracted to it.

7.4 Promotion

Promotion directly deals with how we will communicate our brand to the customer. Promotion needs to take into account the service we offer and the customer we are targeting, the following options would be recommended:

Essential

- Phone Directory's – Still remains a dominant marketing tool for domestic cleaning services due to the localised nature of the market , suitable for all target segments.
- Leaflet drops- These will be particularly effective with the over 65+ market as they generally spend more time at home and so are likely to be around when it is delivered.
- Word of Mouth- The only promotion tool that is free of cost and yet, the most influential, the value of word of mouth cannot be underestimated.

Possible Ideas

- Door Hangers- leaflets are not likely to be read by busy households (An important segment of the market) and so a novel idea such of an advertisement that is similar to what is found in hotels would attract attention.
- Sponsorship- Sponsorship of local junior sports team gives direct access to a group that is often the hardest to reach - the busy dual income households with dependent children. This group has the greatest time pressure placed upon them and sponsorship offers a way to transfer the benefits of SparkleMaid.
- Local Media advertisement - Local radio and newspapers offer a direct route of contact to a broad spectrum of the market.

Promotion is subsequently where a large amount of costs will be occurred however, It is crucial to building the customer base needed to survive.

8.0 Organization and implementation

The Main task for SparkleMaid will be recruiting the required staff and ensuring their training matches the high standard the company requires.

The remaining tasks including organising the marketing and administration tasks will fall down to the admin and Mr Williams himself. Mr Williams plays a crucial role in ensuring all areas of the business are implemented smoothly and the right staff are employed in the right positions. Marketing of the business should begin 2 -3 weeks before launch with the leaflet drop. Marketing should slowly increase towards local radio and newspaper advertisements a week before launch and further leaflet drops around launch times.

9.0 Control

The market plans Effectiveness will become evident before the company becomes to fully operate, with Marketing giving early indications of potential budgeting issues. Any issues will be highlighted and alternative plans put in place. Vital to early success is extensive tracking of customers and enquiries as this data is crucial to ensuring early targets are met and SparkleMaid's is on track. If it is clear some objectives will not be met, reasons for this must be investigated and re-assessed targets must be constructed.

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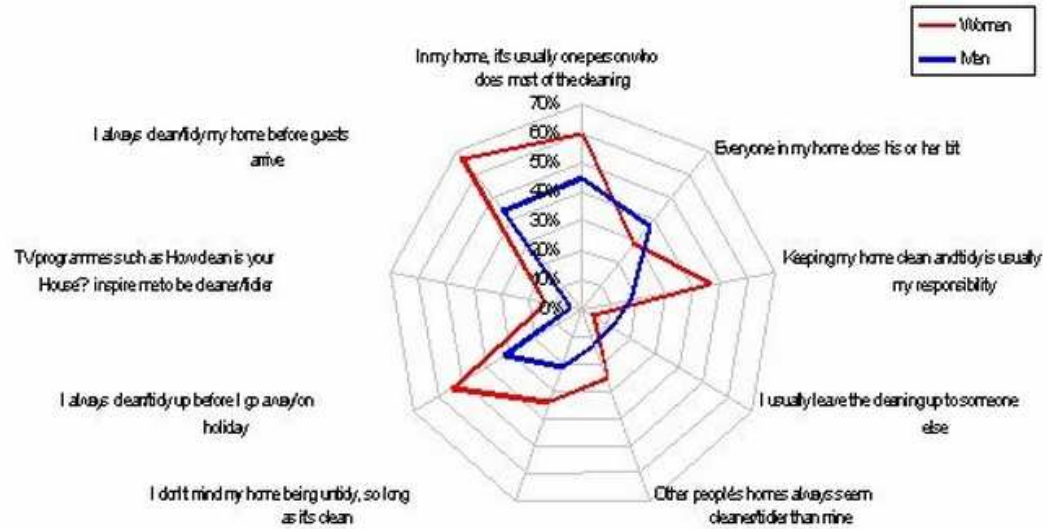
Websites

http://www.lancashire.gov.uk/office_of_the_chief_executive/lancashireprofile/

www.bbc.co.uk/news -Thursday 5th March - James Melik

Appendices

A) Attitudes towards cleaning, by gender

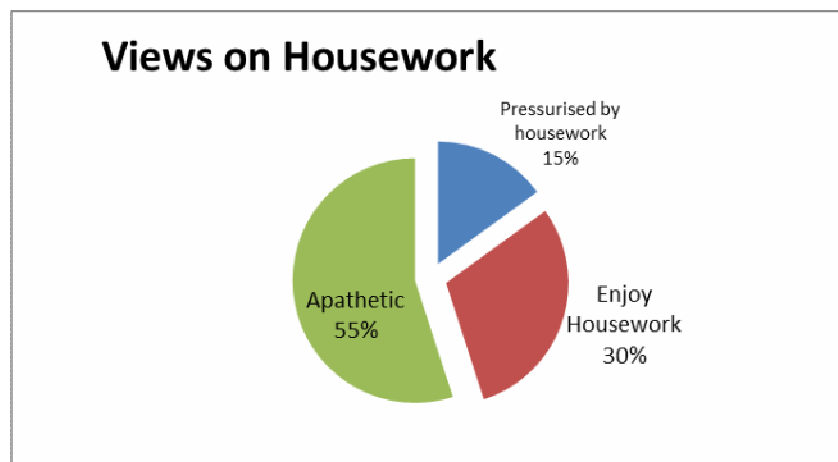


Source: BMRB Online/Mintel

B) Economic - the Bank of England's deputy governor stated that "economic conditions are "at least as challenging" as in the 1970s, and the global economic slowdown is likely to "drag on for some considerable time". (BBC NEWS)

During a recession the weak economy has a direct affect on consumer confidence with Raju (2009 pa 20) stating "purchases and expenditure, especially of luxury items are postponed"

The first point to be explored is to what extent people care about cleaning, the chart below gives a representation of their interest.

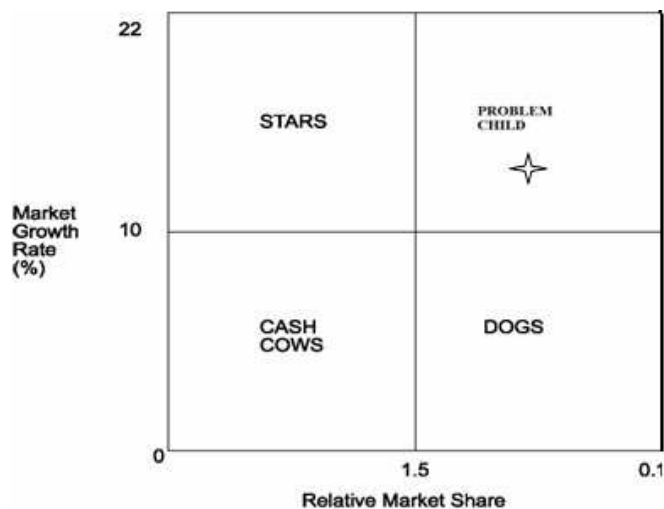


The most obvious area for 'SparkleMaid' to target would be the group that feel pressurised by housework. This pressure of housework clearly derives from being busy with other activities e.g. employment, child care etc.

The 30% who enjoy housework are difficult to target as they tend to be single, older and have more free time meaning keeping the home clean is relatively simple.

The largest group by a considerable margin is the apathetic group. This group due to its size represents a broad section of market groups and states they have no real interest in cleaning.

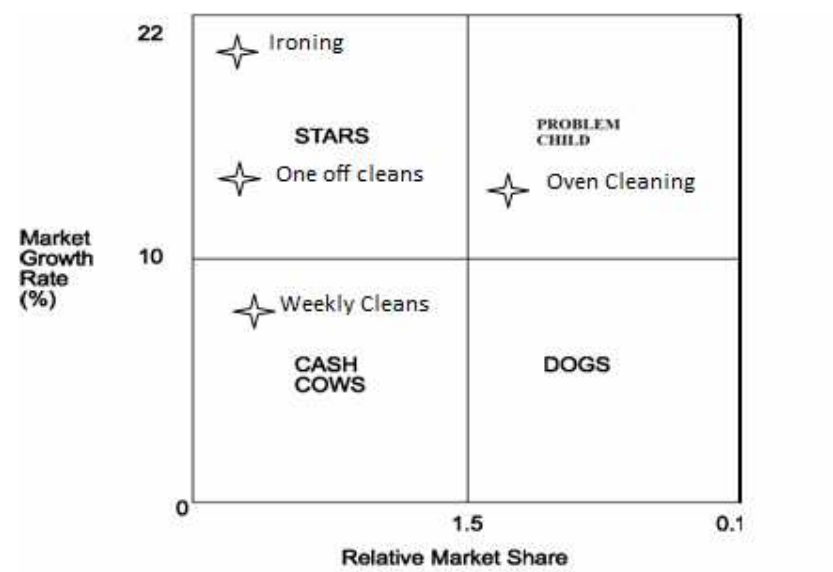
C) Boston Matrix for SparkleMaid shown by the star



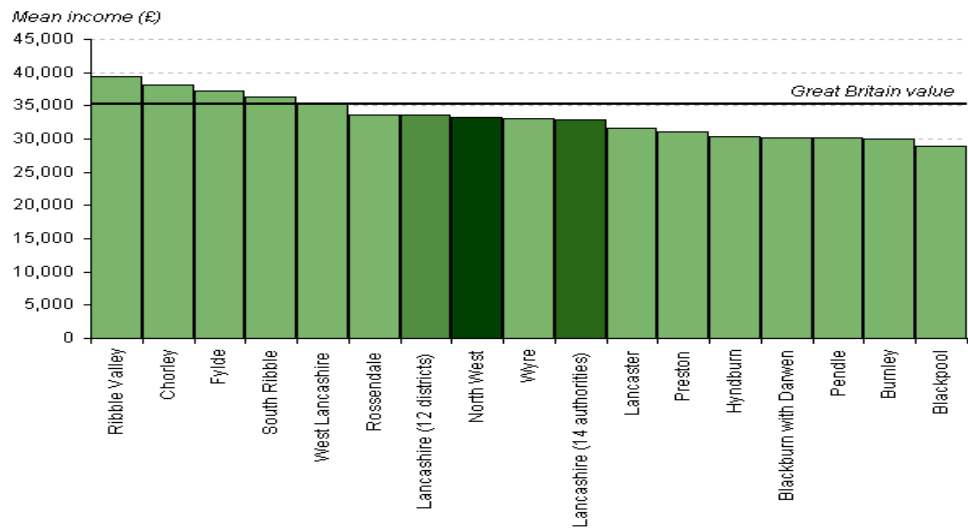
D) Customer matrix

	good products	not so good products
good customers	develop and find more customers like these - allocate your best resources to these existing customers and to prospective customers matching this profile	educate and convert these customers to good products if beneficial to them, failing which, maintain customers via account management
not so good customers	invest cautiously to develop and improve relationship, failing which, maintain customers via account management	assess feasibility of moving these customers left or up, failing which, withdraw from supplying sensitively

E) Boston matrix of SparklingMaid Product portfolio



F) Figures for Marketing mix 'Place'



Marketing

	AB Socio group %	Married Couples %	65+ %	Average income £
Fylde	17.2	45.9	23.7	27,933
Ribble Valley	17.9	50.3	19.4	20,913
West Lanc	16.8	47.5	18.3	19,988
Lancashire	14	44.2	17.7	19,344
North West	13.7	42.8	16.6	20,000