Opportunity not Charity
'Feasibility Study'

1.0 The Strategic Position

1.1 The Environment

1.1.1 The Macro Environment

The macro environment has been examined within the framework of a PESTEL analysis for both the UK and Kenya (refer Appendix I).

UK Perspective
Within the political context generally the government is supportive of charity (or Acts of Community as referred to by the Labour government) although it is surrounded by a significant amount of "spin". From a positive perspective limits to the tax deductibility of donations have been removed and incentives through G.A.Y.E have been introduced while this has been offset by charities not being able to offset ACT and continuing to have to bear the burden of VAT. Divisions between the first and third world have been addressed by support for overseas development although generally governments have exhibited ineptness consequently pushing responsibility for charity to individuals. Significant social welfare policies in the UK does result, to some extent, in the assumption that there are similar benefits elsewhere in the world which is certainly not the case in Kenya.

Sociocultural factors are having significant influence on charities as there is a large variation between the relative contributions and views of different demographic groups. Older people give more and younger people are increasingly concerned with how the money being donated gets spent. Increased travel/technology/internet is increasing the levels of awareness.

Technological advancements especially through the development of the internet is having significant impact. The 24/7 environment provides access to a wider customer base, increased transparency and new opportunities to improve the ease of donating.

From an economic perspective the charities sector is facing a difficult time. Company profits are down and coupled with poor stock market performance there is less available from companies as a potential donor source. Competition between charities and for disposable income is significant.

The Charities Commission and Charities Act provide a support structure and framework within which registered charities must operate. However, it is heavily regulated with significant responsibilities placed on trustees.

Kenya
Kenya currently finds itself in period of political stability although it does face accusations of ineptness and continued corruption. It is currently unable to support its social welfare policies and provide basic sanitation in much of the country. Consequently, the potential for civil unrest remains.

Kenya's economy continues to be weak with reliance on international aid, limited work opportunities, high unemployment, large national debt, low disposable income and a weak exchange rate.
Kenya faces cultural and religious division with different communities tending to support "their own". Family units tend to be large with high mortality rates, poor education and traditional family support structures within cities being broken down. Health issues remain one of the most important issues with AIDS having the potential to reach epidemic proportions.

Refer to Appendix VII - Kenya - Country and Demographic Statistics for a comparison between the UK and Kenya.

1.1.2 Industry and Sector

The industry and sector has been examined within the framework of Porter's five forces model (Refer Appendix II).

The total UK voluntary sector income grew by 7% in real terms between 1996 and 2000 to reach an estimated £15 billion, of which approximately £6.58 billion was accounted for by charitable donations. Donations increased by 26% in real terms over the same period. (Mintel Report – Charities August 2001). However, this growth was significantly assisted by an increase in activity over the millennium period.

Opportunities for charities to increase their income was provided by new measures to make charitable giving more tax-efficient in April 2000. This was announced in the 2000 budget "Getting Britain Giving". The objective is to double the amount donated to charities through payroll, growing from £29 million in 1998/99 to £60 million by 2003 (Mintel Report – Charities August 2001). However, nothing has yet been done to decrease annual VAT bills incurred in the deliver of services for the benefit of communities.

The following three sectors of charities account for three quarters of the UK's top 500 charities in terms of voluntary income:

- Medicine and health
- General welfare
- International aid

(Mintel Report – Charities August 2001)

There is a growing concentration amongst charities with a year on year fall in the number of new charities registered. In 2000 there were half the number of new charity registrations compared to 1994 and 1996. Total number of year on year registrations growth is approximately 2%. The total number of charities registered fell by about 4,500 in 2000. This is due to the loss of ACT relief on dividend income and the burden of irrecoverable VAT against a backdrop of intense competition are forcing charities to examine partnerships and even mergers with those organisations sharing their vision for a particular cause or those offering a more cost effective delivery system.

Large charities dominate the industry despite fragmentation in the industry (over 185,000 registered at end of 2000). Charities with annual income in excess of £100,000 account for only 11% of charity numbers but 94% of overall income. Approximately 66% of all charities have an income of less than £10,000 per year. (Mintel Report – Charities August 2001).

From a consumer perspective the fragmented and heavy concentration in charities is confusing. Consumers are faced with appeals from local groups, schools, televised overseas needs, mailings from major fundraising charities, raffle tickets and high street collection boxes. Therefore, differentiation is critical.

STRATEGIC GROUP ANALYSIS

The Strategic group analysis identifies the different ways in which particular groups of organisations operate within the charity industry.

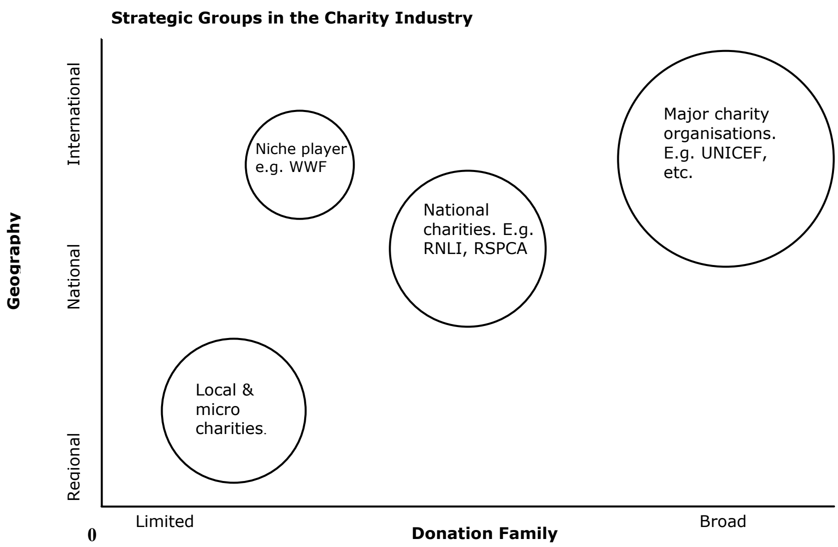

Fig 1 Strategic Group Analysis in the Charity Industry

Figure 1 gives an indication of the kinds of organisations competing in the charity industry, and how they are positioned in terms of geographical coverage and type of charitable offering.

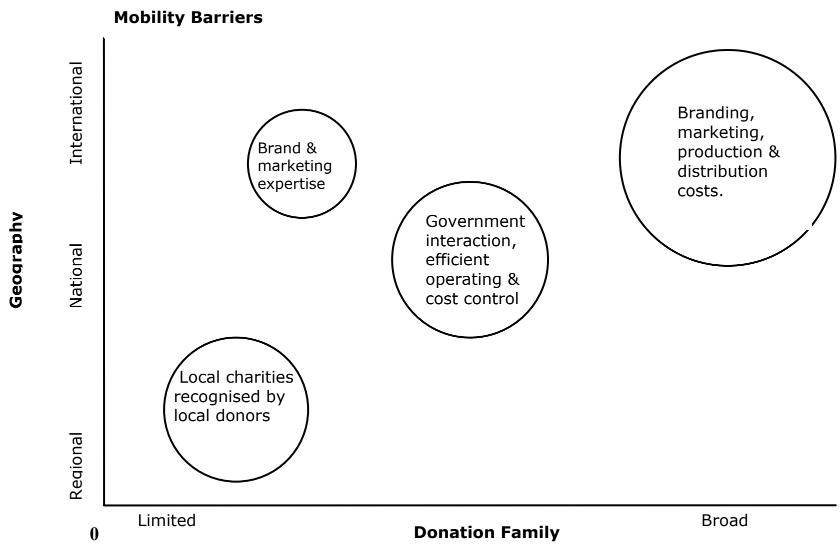

Fig 2 Mobility Barriers in the Charity Industry

Figure 2 shows the barriers that prevent organisations moving from one group to another. For example, if a micro charity tried to 'enter' the strategic group of National Charities they would need to invest in optimising administration, cost centre facilities and distribution channels.

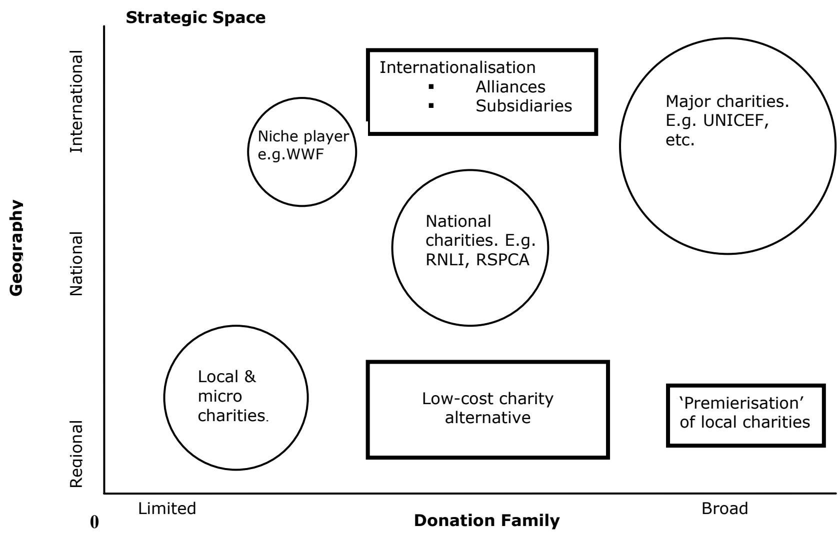

Fig 3 Strategic Space in the Charity Industry

Figure 3 shows where the 'strategic space' might exist. These changes are created by changes in the macro-environment – particularly globalisation and industry consolidation. For example, this could provide opportunities for corporate organisations to seek alliances with National charities or look to develop new markets via the 'premierisation[1]' of local charities or offer low-cost alternatives.

[1] Premierisation – meaning making donations to charities fashionable

1.1.3 Markets

Charities are increasingly moving to main broadcast and press media for advertising. Above the line advertising is increasing annually by 15%. The internet is playing an increasingly important role. (Mintel Report – Charities August 2001).

56.3% of adults give £5 or more per year. Mintel research concludes that transparency and feedback are very important to donors as 41% of donors like to know how the money is being spent. Donors want to see that charities are being run efficiently and effectively so that as much as possible of the gift goes into the good cause and as little as possible in administration. 24% believe that too much is spent on administrative costs.

Charitable giving increases with age and improved socio-economic group. There is generally a lack of support for charities from young people. However, this may be due to traditional fundraising techniques (high street collection boxes). Charities need to tap into more innovative and creative approached to attract young people. Children's Promise survey found that 79% of 15-24 year olds were prepared to donate an hour's wages to help children in poverty compared with 53% of people age over 65.

Women are more likely to give to charity than men. Young people tend to show support for animal and human rights issues while those in the family lifestage have an interest in causes relating to children.

Cancer research and children-related charities are the overall favourites.

Relational marketing forms the backbone of all fundraising and communication strategies. Direct mail is the mainstay. However, 29% of adults object to receiving direct mail and/or telephone calls requesting donations. Cause-related marketing (where charities and companies team up to market themselves to customers) is increasing. CRM can secure long term brand benefits.

1.1.4 Opportunities and Threats

Opportunities

Contributions to charities have grown in recent years and improved tax incentives for charitable giving is likely to support and encourage further growth. This is particularly likely through the G.A.Y.E mechanism. Although the 10% enhancement currently being provided by the government on employee payroll donations is due to expire in April 2003 this mechanism is likely to increase in importance as an opportunity for raising funds. It is also possible that the government will seek to extend this or provide alternative incentives to encourage the G.A.Y.E system.

International aid is an important sector and children-related charities are amongst favourites in a very competitive and highly fragmented industry. There is a growing concentration of charities through mergers and this is likely to continue in the medium term.

56.3% of adults donate £5 or more per year with charitable giving increases with age and socio-economic group. However, innovative and creative approaches to fundraising may attract young donors and opportunities may be offered by low cost solutions through the internet.

Refer to Appendix III for a full SWOT analysis.

Threats
Currently there is intense competition in the charities sector and the future is likely to be more so with a few large charities dominating. Increasing advertising spend on mainstream media by top charities will help them consolidate this position.

The burden of VAT cost on delivery and the difficulty of being efficient on low value gifts will continue to make it difficult for charities to run low cost models.

Traditional fundraising techniques are unlikely to continue to as successful in the past with the market saturated with direct mail. Additionally, reduced company profits could reduce funds available for good causes.

Refer to Appendix III for a full SWOT analysis.

1.2 Strategic Capability

1.2.1 Critical Success Factors

Within the scope of our mandate the critical success factors for a small start-up charity are:

- A worthy cause (children-related)
- Credibility and reputation is critical
- Transparency and feedback to donors
- Cost effective delivery system
- Differentiation is critical (cost model/opportunity not charity)
- Innovative fundraising to attract younger donors
- Raising the awareness of society to the plight of children in Nairobi
- “Opportunity not Charity” backend
- Sustainable fundraising strategy

1.2.2 Resources, Competence and Competitive Advantage

Currently the charity opportunity has endowment funding of £7,000 and commitment and support by three trustees. Additionally, these trustees are supported form a management perspective by the current MBA team. Through the trustees there is local knowledge of conditions in Kenya.

There is an opportunity for ongoing innovation and support through the MBA entrepreneurial module annually. Additionally, the MBA management team intend to develop a low cost and innovative operating model to allow for unique and transparent delivery.

1.2.3 Robustness

It is generally accepted that any competence or competitive advantage will be relatively simple to copy by any competitive charity. However, the intended approach will be to take the model to the market and encourage other charities to participate within the developed framework.

1.2.4 Strengths and Weaknesses

The following strengths and weaknesses have been identified:

Strengths
- Experience and qualifications of management team
- Existing business contacts of trustees
- Range of management expertise
- Ethical and social commitment of management tem
- Local knowledge (Nairobi) of Trustee
- Existing funding
- Innovative approach – “Opportunity not Charity”

Weaknesses
- Unknown factors
- Time commitments
- Experience of management team
- Start-up
- Credibility/reputation
- Brand
- No established market/distribution channels

Refer to Appendix III for a full SWOT analysis.

2.0 STRATEGIC CHOICES

2.1 BUSINESS LEVEL

2.1.1 Basis of Competitive Advantage

The tools and frameworks used in the next section aim to clarify how the charity business unit may seek to develop sustainable competitive advantage in the developed charity markets. Any strategy must also consider five key areas of business development:-

- Growth – raising money
- Involvement – gaining commitment
- Visibility – raising awareness
- Efficiency – cost effective business functions
- Stability – sustained development

The PESTEL and market segmentation analyses carried out in Appendices X and Y respectively, along with the three models cited below sets the position of Boo within the industry.

Strategic Choice Analysis

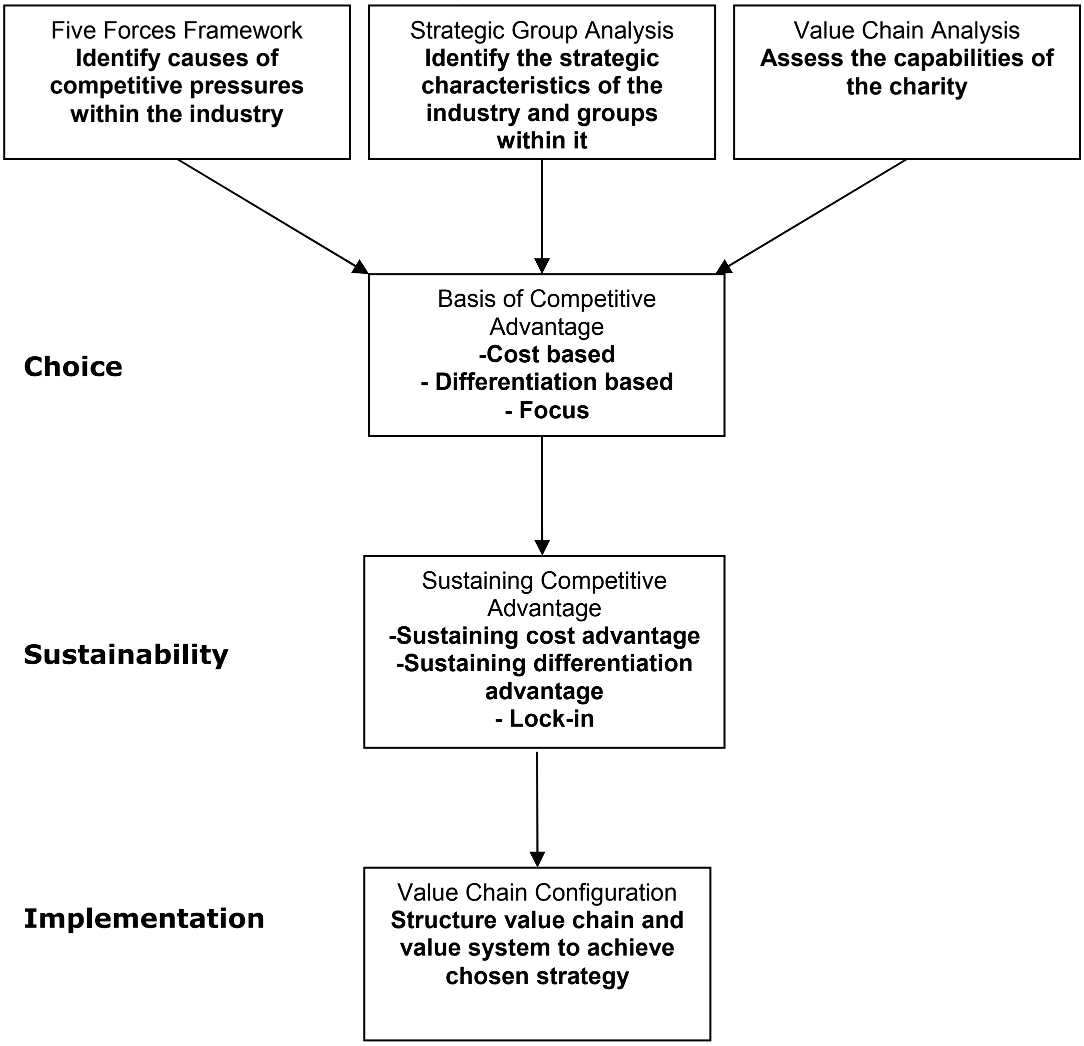

Fig 4 – Strategic choices at business unit level

The Strategy Clock in Appendix IV aims to take choice formulation a stage further and identifies the bases of competitive advantage for Boo. Each of the potentially successful routes draws on elements of low cost, differentiation and scope.

Appendix V compares the potential routes for competitive advantage open to Boo.

In summary:

The positioning approach suggests there is space for Boo to participate in the developed charity market, but there are significant threats from competition. The market is developed and to some extent saturated – clearly another charity without cost or focus differentiation will be unsuccessful. There are of course various stakeholders that need to be given due consideration. UK charities operate within the legal framework of the Charities Commission and there are increasing expectations to extend the transparency of donation and charity information to donors.

2.1.2 Sustaining Competitive Advantage

By revisiting the capabilities of Boo (Section 1.2.2 and Appendix IX – Sustaining Competitive Advantage & Appendix X -Value Chain) it is possible to identify whether an approach of this manner is sustainable. Does Boo have the resources and capabilities to carry out such a choice?

Appendix IX identifies that there are gaps.

- Boo's ability to achieve significant operating margins suggests a key advantage.

- The marketing aim - "giving to us less – will enable us to give more" is an approach that is highly innovative to this market place.

- Transparency and "feel-good" factor is also seen as a key issue, so the customer interaction through a variety of activities is a key success factor.

- The skills and fundraising resources of the group is one area that does need investment if the strategy is to be successful. It is already well practised in developing relationships with other charity groups and it will need to develop alliances in order for the organisation to grow.

2.1.3 Competition and Collaboration

Returning to the competitor analysis in Appendix XI provides a useful benchmark in identifying whether a competitor might be better suited to carrying out a specific strategy. It also provides a useful indication of who is likely for collaboration or direct competition.

2.2 DIRECTION & METHODS DEVELOPMENT

2.2.1 Directions of Strategy Development

The Ansoff Matrix in Appendix VI explores the varying directions that Boo could pursue in order to gain entry into the UK market.

The rising expectations of Boo to become a new national charity places significant emphasis on rolling out an innovative approach to charity fundraising whilst keeping the cost-base low, and gaining credibility through a process of affiliations and alliances.

The varying directions open to Boo include:-

- Focus on market penetration of UK 18-25 year old segment;
- Create strong brand awareness and aggressive marketing campaigns of the low-cost model, e.g. through the Internet and new media, sport sponsorship, music or even TV;
- Focus on developing Boo brand rather than new product development;
- Develop innovative fundraising models across all segments e.g. Entrepreneurial Challenge.

8.1 COMBINING DIRECTIONS & METHODS

Having considered the possible directions for Boo there are a number of possible methods of development:-

- Internal development – where Boo seeks to develop using its own resources and capabilities

- Mergers and acquisitions – where Boo seeks to develop by buying another organisation or two organisations combine their assets and activities.

- Strategic alliances – where Boo seeks to develop using a range of approaches based on co-operation with other organisations.

Some of the many combinations of direction and method of development are illustrated in Figure 5.

	Internal Development	Mergers & Acquisitions	Strategic Alliances
Consolidation / Market Penetration	Marketing campaign to increase market share.	Merger with existing competitor in market e.g. Hope HIV	Consortia of local charities to create combined force or strategic alliance with competitor e.g. Hope HIV
Product Development	Increase innovative & cost reducing technology	Buy or merge with company which has created low-cost models	Agreement with competitor to jointly develop new low-cost models e.g. Hope HIV
Market Development	Develop internal sales & marketing resources	Acquire company in charity market	Joint venture with company e.g. Hope HIV
Diversification	Forward integration into distribution using segmented channel management	Acquisition of business in unrelated product & market activities e.g. new media or TV	Boo combines with corporate group such as Abbey National

Fig. 5 – Combining the Methods and Directions of Corporate Development

The choice of both methods and directions of development for Boo largely rests upon its competitive position and resources available to it. However, the views taken by managers on the ways to manage complexity and create synergy are also important.

2.2.3 Strategy Evaluation

Appendix XII uses a framework based on suitability, feasibility and acceptability as a broad test to evaluate the suggested options. In summary it is recommended that a strategy include the following:-

- Focus on market penetration of UK 18-25 year old segment;
- Create strong brand awareness and aggressive marketing campaigns of the low-cost model, e.g. through the Internet and new media, sport sponsorship, music or even TV;
- Focus on developing Boo brand rather than new product development;
- Consider partnering with an existing charity for fundraising or Professional Fundraising Organisation (PFO);
- Consider partnering with an existing charity for back-end delivery;
- Consider approaching major corporations to take advantage of corporate philanthropy options;
- Develop alliances with corporate organisations to take advantage of payroll giving;
- Develop innovative fundraising models across all segments e.g. Entrepreneurial Challenge.

Appendix I: PESTEL Framework - UK

Political • Government/world stability Government is supportive of charity Acts of community (spin) Support overseas development/international perspective Pushing responsibility of charity to individuals Charity begins at home Lack of awareness Ineptness of governments EU policy First world versus Third world divisions Hypocrisy • Taxation policy Tax deductibility of contributions to charities G.A.Y.E. Grants Covenants • Social welfare policies Internal focus – assumption similar benefits elsewhere **Economic** • Business cycles Poor stock market and company performance (lower profits) • Exchange Rates Value of GBP - purchasing power • Inflation Real decrease in donations over past x years • Disposable income Competition with other charities Competition for income Increasing disposable income	**Sociocultural** • Population demographics Older people give more Opinions of different demographic groups 55 years old are likely to be portfolio givers 15-24 are concerned with how money is to be spent >65 years are most active donors • Lifestyle changes Increased travel/technology/internet increases levels of awareness • Levels of education Increased awareness and trust **Technological** • Industry focus on technology effort Increased knowledge/awareness Cost cutting Internet opportunities • New developments New ways of donating – credit cards, monthly DD Easier to donate Potential transparency of charity • Speed of technology transfer 24/7 environment Access to wider customer base **Environmental** • Environmental protection laws Environmental charities **Legal** • Employment law • Health and safety • FSA/GISC regulations Charities commission – support structure and framework Charities Act Heavily regulated Responsibility of Trustees

Appendix I: PESTEL Framework - Kenya

<table>
<tr>
<td>
Political
Government/world stability
Government ineptness
Corruption in Kenya
Government stability
Potential civil unrest
International aid
Taxation policy
Investigate if donations are “tax free”
Social welfare policies
Kenya is unable to support its social welfare policies
Sanitation issues

Economic
Business cycles
Weak economy
High unemployment
Reliance on international aid
Limited work opportunities
National Debt
Exchange Rate
Weak exchange rate
Exchange rate regulation
Inflation
High inflation
Disposable income
Little disposable income
</td>
<td>
Sociocultural
Population demographics
Cultural/religious divisions (Asian, African, European)
Different communities tend to support “their own”
Large family units
High mortality rates
Breakdown of traditional family support structures in cities
Lifestyle changes
Health implications
Aids epidemic
Levels of education
Cannot support basic human needs
Personal safety
“Value of life” – cultural differences
Lack of education

Technological
Industry focus on technology effort
New developments
Speed of technology transfer
Environmental
Environmental protection laws
Waste disposal
Energy consumption
Legal
Employment law
Health and safety
Potential regulations governing charities operating in Kenya
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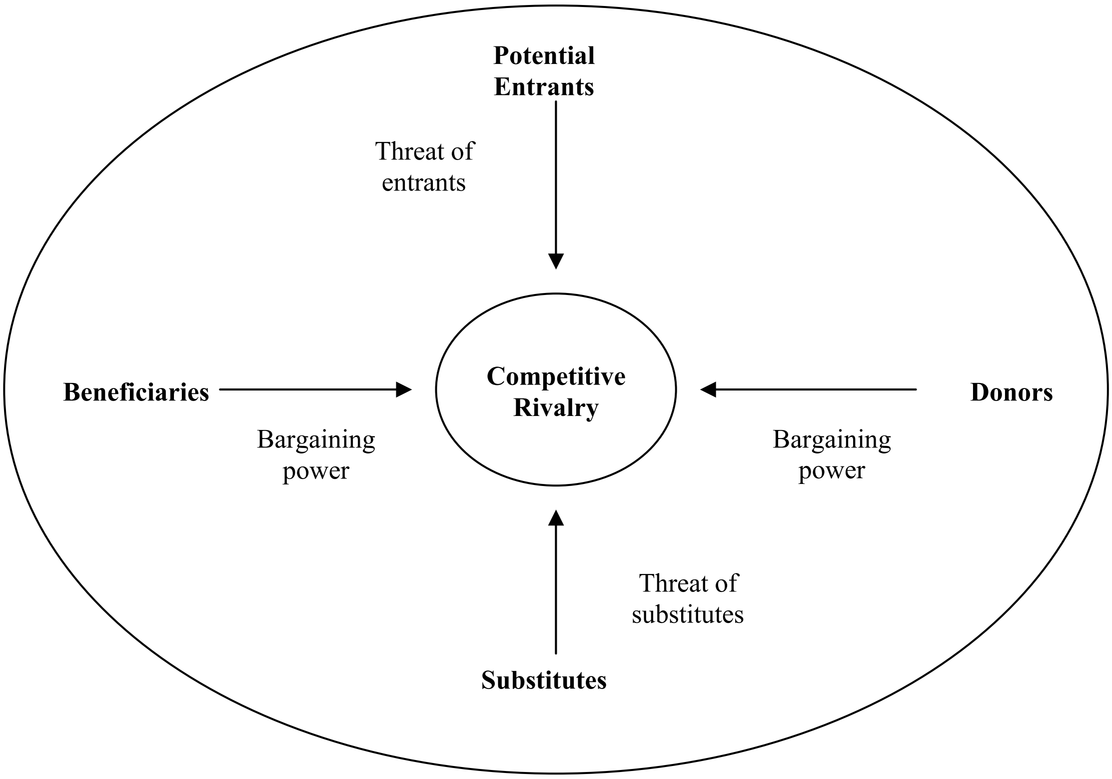
Appendix II: Porter's Five Forces Framework



Threat of entry (barriers to entry that may deter potential entrants):

- Economies of scale (what level of business is required to be viable)
  - Difficult for a charity to acquire expertise, facets etc.
  - Competition from Lotto
  - Aware of niche
  - Collaboration between competitors
- Capital required (capital requirement of entry)
  - Minimum £1000
- Access to distribution channels (brokers, internet, etc)
  - Relatively easy – internet etc.
  - Affinity with other companies with distribution channels established
- Experience
  - Difficult to acquire
  - Outsourcing opportunity – Institute of Fundraising (way of not showing your true cost base)
  - Collaboration between competitors
- Expected retaliation
  - Cut throat environment but no negative retaliation
- Legislation or government action
  - Charity registration process
- Differentiation
  - Difficult to differentiate – but opportunity to focus on cost cutting and "opportunity not charity"

Threat of substitution (may reduce demand for the product):

- Product-for-product (e.g. email for postal service)
  - Donating to our charity
  - Other new charities & causes
  - Lotto, Comic Relief
  - Fashion
  - News and technology
  - Economic cycle e.g. Mortgage rates

- Substitution of need (could make a product redundant)
  - Kenya sort it out
  - Out of sight out of mind
  - Already contributing to the cause – e.g. high taxes
- Generic substitution (where products compete for disposable income)
  - Lotto
  - Other consumer durables
  - Education
  - Promotion and awareness campaigns

Appendix II: Porter's Five Forces Framework (continued)

High power of Donor where:

- 185,000 registered charities – 5,000 added in 2000, 10,000 removed
- 66% of charities have income of <£10K.
- Large number of donors – corporate & individual
- Large number of Kenyan charities - 108
- Cost of switching is zero
- Lots of different ways to make a donation

High power of Beneficiaries where:

- High number of fragmented beneficiaries
- Once supported you have to trust them – emotional power
- Threat of forward integration to improve themselves

Competitive rivalry (companies with similar products and services aimed at same group):

- Size of competitors
    - 11% of charities account for 94% of income
    - Total market is £15 billion
    - £6.58 billion in donations
    - Large number of small charities (refer Mintel report)
- Market growth rates
    - 2% growth in new charity registration
    - Intense competition forcing charities to consider partnerships and mergers
    - Donations increased by 26% between 1996 and 2000
    - GAYE growth by government target is to double from £29 million in 1998/99 to £60 million in 2003
    - Charities are finding it difficult to attract from a squeezed market base
    - The internet as a charitable vehicle is set to grow
    - The older donor base is saturated
    - Opportunity for growth in CRM strategies
    - Women in 30 to 45 age group more likely to spend on the web
    - Woman donate more than men
    - Cost of switching versus cost of new donor (i.e. existing female donor versus new young person)
- High fixed costs
    - Large charities spending on mainstream advertising increased by 15%
    - In the context of charity donations costs of administering are high
    - Legislative requirements are onerous and charity registration complex
    - Approximately 40-60% in fixed costs
- Extra capacity in large increments
    - Go for lots of little donation and/or a few big donors
- Differentiation
    - Credibility and reputation is critical
    - Differentiate on the bases of "causes" they support
    - Geo-demographic differentiation for fundraising

Appendix III: SWOT Analysis

Strengths • Experience and qualifications of management team • Existing business contacts of trustees • Range of management expertise • Ethical and social commitment of management tem • Local knowledge (Nairobi) of Trustee • Existing funding • Innovative approach – "Opportunity not Charity"	**Opportunities** • Growing contributions to charities in recent years • Improved tax incentives for charitable giving (tax relief of 28p in the £1) • Growth in G.A.Y.E. • International aid is an important sector • Growing concentration of charities through mergers • Highly fragmented industry • Internet offers low cost solutions and may attract younger donors • 56.3% of adults donate £5 or more per year • Charitable giving increases with age and socio-economic group • Children-related charities are amongst favourites • Innovative and creative approaches to fundraising may attract young donors.
Weaknesses • Unknown • Time commitments • Experience of management team • Start-up • Credibility/reputation • Brand • No established market/distribution channels • Skills & fundraising resources	**Threats** • Intense competition • A few large charities dominate • Burden of VAT cost on delivery • Increasing advertising spend on mainstream media by top charities • Difficulty of being efficient on low value gifts • Reduced company profits could reduce funds available for good causes. • Market is saturated with direct mail

Appendix IV: The Strategy Clock

Competitive Strategy	**Needs/Risks**
1. No-frills	Likely to be segment specific
2. Low price	Risk of price war and low margins – need to be cost leader
3. Hybrid **Chosen pricing strategy**	**Low cost base and reinvestment in low price and differentiation** **Differentiation based on our unique cost model**
4. Differentiation (a) Without price premium (b) With price premium	 Perceived added value by user, yielding market share benefits Perceived added value sufficient to bear price premium
5. Focussed differentiation	Perceived added value to a particular segment, warranting price premium
6. Increased price/standard value	Higher margins if competitors do not follow; risk of loosing market share
7. Increased price/low value	Only feasible in monopoly situations
8. Low value/standard price	Loss of market share

- Strategies 1 and 2 are price strategies
- Strategies 3 to 5 are differentiation strategies
- Strategies 6 to 8 are likely to result in failure.

Appendix V - Competitive Advantage Analysis – Boo

Each of the potentially successful routes of the Strategy Clock (Appendix IV) draws on elements of low cost, differentiation and scope.

- **Low Price/Low Added Value (route 1)**

This strategy can work where there is a particular price-sensitive segment within a market or a significant profile can be raised regarding the high levels of administration costs charged by other charities. If Boo were to choose this route it would need to strip out superfluous activities and linkages from the value chain in order that the cost base is as low as possible. This focus strategy can only be sustained if the segment remains distinct from the rest of the market: customers are unwilling to donate to higher cost based charity alternatives and other competitors are unable to match the cost base of the company dedicated to this segment.

There may be opportunities to target specific segments based on the low cost model alone. However, it will rely heavily on raising the awareness of high administration costs within other competing charities.

- **Low Price (route 2)**

The low price strategy aims to appeal to a broad range of donors promoting greater efficiencies than their competitors but offering a similar level of perceived donation and quality of product/service.

For such a strategy to be sustainable Boo needs to be able to exploit sources of cost advantage like economies of scale or scope within its value chain. The biggest risk with this route is that other competitors may seek to match price cuts, with a price war ensuing. Hence the strategy is sustainable only if Boo can exploit and protect the sources of cost advantage in comparison to its competitors. A difficult task given Boo's short lifespan to date.

- **Hybrid (route 3)**

By using Internet technologies, electronic payments such as direct debit and donations via corporate pay schemes, Boo is able to exploit the sources of cost advantage (economies of scale and scope, experience effects etc.). The low administration costs will be viewed as a primary source of marketing Boo. This choice of strategy, choosing a combined, or hybrid, route needs to create a value chain and system that exploits cost advantages where possible, whilst balancing the needs to invest in the bases of differentiation to create perceived added value as well as lowering prices.

The cost advantage Boo will possess allows them to offer significant savings on administration over competitors for its personal donations. The company also aims to attract corporate customers with a wider range of donating models e.g. G.A.Y.E.

- **Differentiation (route 4)**

The differentiation or higher perceived added-value route requires a company to structure their value chain and system so as to attract a broad range of donors on the basis of features they value other than lower administration costs. There are many possible means of differentiation (donation range and quality, added features, reliability and high service levels are just some examples), they key being to identify those which are attractive to customers.

It is important to realise that this route is aimed at many customer segments so prices may not be that different from competitors following routes 2 and 3, depending upon the market. Indeed, this option can be split further between those offering higher perceived value at no price premium, where cost advantages are still critical in underpinning the strategy, and those offering higher perceived value at a price premium.

In either case, the sustainability of this strategy depends upon Boo being seen to be offering something that is seen to be different to competitors, is valued by the customer and that this difficult for competitors to copy. Key to sustaining any advantage in this area is likely to be through the power of the brand and powerful promotional activities.

- **Differentiation Focus (route 5)**

In contrast to the broad scope strategies implied by routes 2, 3 and 4, a company pursuing a differentiation focus strategy aims to offer higher perceived value at a substantial price premium. As with a differentiation strategy there may be many ways of creating this higher perceived value, but the aim will be to make the product/service attractive to customers within a particular market segment who are not being well served by other competitive offerings.

As with the low price/low quality strategy (route 1), the sustainability of this strategy depends upon the extent to which customers within the segment are unwilling or unable to buy from elsewhere.

As highlighted in the Strategic Capabilities of Boo, sources of low cost underpin the efficient operations. However, it is difficult given the "new kid on the block" situation to be able to offer any new or innovative ofering towards added value. This may be a direction to follow in the future, once there is a critical mass of donators and powerful marketing and promotional activities aimed at specific segments can be successfully leveraged.

- **Failure Strategies (routes 6 to 8)**

Only in rare circumstances (monopoly for instance) will companies following routes which involve raising prices without improving perceived quality, or reducing perceived quality whilst maintaining or raising prices, be likely to achieve positions of competitive advantage.

A strategy of this type is likely to result in loss of market share and ultimately, failure.

Appendix VI: Strategy Development Direction

<table>
<tr><th colspan="4">Products</th></tr>
<tr><th rowspan="3">Markets</th><th></th><th>Existing</th><th>New</th></tr>
<tr><th>Existing</th><td>A
PROTECT/BUILD
Consolidation
Market penetration</td><td>B
PRODUCT DEVELOPMENT
On existing competencies
With new competencies
Beyond current expectations</td></tr>
<tr><th>New</th><td>C
MARKET DEVELOPMENT
New Segments
New territories
New uses
With new competences
Beyond current expectations</td><td>D
DIVERSIFICATION
On existing competences
With new competences
Beyond current expectation</td></tr>
</table>

Appendix VII: Stakeholder Mapping: Power/Interest Matrix

	LEVEL OF INTEREST		
		Low	**High**
POWER	**Low**	**A** **Minimal effort**	**B** **Keep informed** Individual donors Beneficiaries Volunteer workers
	High	**C** **Keep Satisfied** Charities Commission Media	**D** **Key Players** Trustees CRM partner(s) Management team Group of donors (e.g. GAYE company) Government Inland Revenue/Customs and Excise Partnerships

Appendix VIII: Kenya - Country and Demographic Statistics

Category	Kenya	United Kingdom
Capital:	Nairobi	
Surface:	224916 sq.mi	94550 sq.mi
Independence since:	1963	
Total population (2003)	32.5 million	59.0 million
Population of Nairobi (2003)	2.4 million	
Population of Mombasa (second largest city - 2003)	0.7 million	
Birth rate:	47 per 1000	14 per 1000
Death rate:	10 per 1000	12 per 1000
Fertility rate:	7 children per female	2 children per female
Maternal mortality:	170 per 100,000	9 per 100,000
Infant mortality (1-4 yrs):	55 per 1000	9 per 1000
Life expectancy:	61 yr (m: 59; f: 63)	77 yr (m: 74; f: 80)
Age groups: 0-14 yrs:	50%	19%
Age groups: 15-59:	46%	61%
Age groups: 60+:	4%	21%
Urbanisation:	24%	89%
Urbanisation growth:	7%	0,3%
Urbanisation growth of which greatest city:	57%	20%
Percentage of population with access to safe water:	53%	100%
People per physician:	6000	1719
Ethnic groups:	Kikuyu 18%, Luhya 12, Luo 11, Kalenjin 10, Kamba 10, other 40%	White 94%, Asian Indian 1, West Indian 1, Pakistani 1
Languages:	Swahili, English, Kikuyu, plus over 200 tribal languages	English, Welsh, Scots-Gaelic
Religious affiliation:	Christian 72% (R.C. 27, Prot. 19), African indigenous 18, Muslim 6, other 2	Anglican 57, Roman Catholic 13, Presbyterian 7, Methodist 4, Baptist 1, Muslim 1
School enrolment: primary education 6-11 yrs:	93%	100%
School enrolment - secondary education:	23%	82%
School enrolment - tertiary education 20-24 yrs:	2%	24%
Adult literacy:	69%	99%
Economy and infrastructure		
Currency:	Kenya shilling = 100 cents	
Exchange rate: 1 GBP = x Schilling	121.49	1
Annual inflation rate:	10%	5%
Gross Domestic Product GBP:	747 p.cap.	11737 p.cap.
GDP growth:	0,6%	1%
Income GBP:	213 p.cap.	10513 p.cap.
Agriculture, land use: Arable land:	4%	28%
Grass land:	67%	46%
Wooded area:	4%	10%
Agriculture - labour force:	81%	2%
Agriculture - labour force of GDP:	27%	2%
Industry - labour force:	7%	20%
Industry - labour force of GDP:	22%	37%
Services - labour force:	12%	78%
Services - labour force of GDP:	51%	61%
Female labour force:	46%	44%

Source: www.world-gazetteer.com and www.library.uu.nl

APPENDIX IX - SUSTAINING COMPETITIVE ADVANTAGE

The main sources of advantage for Boo rest upon cost and donation differentiation. The ability to develop new low-cost donation models points to a key requirement for identifying sources of cost advantage and understanding customer profiles within current and newly identified donator segments.

Transparency and "feel-good" factor is also seen as a key issue, so the customer interaction through a variety of activities is extremely important. It is also important to see that the charities activities in this area will involve development across a number of channels. It is recognised that the charities fundraising, marketing & advertising strategies are not as developed as its competitors and hence show an area that needs to be addressed.

SUSTAINABILITY:

Durability
The cost advantage strategy is a key resource for expansion into the charity market, although Boo clearly does not have an established brand. The market is saturated but donators are seeing higher administration costs and seeing less money donated to the cause. Most of Boo's cost advantages come from its hybrid use of technology and corporate philanthropic payment schemes such as G.A.Y.E – whilst partnering with established charity deliverers. These individual concepts are not entirely new but the hybrid use of them together will make it difficult for most competitors to match.

Transparency
Whilst other competitors have created similar operations within this sector, Boo's ability to achieve significant operating margins suggests a key advantage. The key marketing aim - "giving to us less – will enable us to give more" is an approach that is highly innovative to this market place.

Transferability
The overall mix of value chain activities and linkages is likely to be more important than any individual element of it. The ease with which competitors can identify, and subsequently duplicate or replace, a company's sources of competitive advantage can be critical.

Replicability
There are a limited number of charities within the UK that could replicate the strategy model being considered. The international and large national charities are all faced with high administration costs with only a fraction of the donation being made to the cause. The biggest threat will come from smaller established national charities that are in a position to take a more flexible approach to their fundraising.

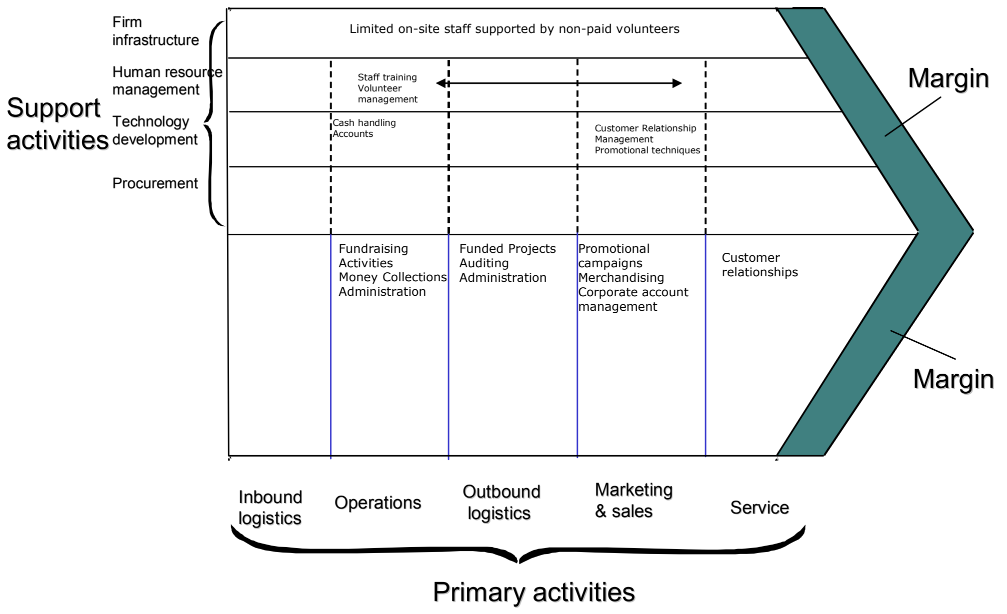
Potential Resource gaps and development of the resource base

Boo's introduction into developed the developed marketplace seems to be possible. However, establishing credibility is a key activity in the value chain that needs to be addressed. Boo has good local knowledge of the issues facing the causes in Kenya. It still, however, lacks the brand awareness which its competitors of comparable size possess.

The skills and fundraising resources of the group is one area that does need investment if the strategy is to be successful. It is already well practised in developing relationships with other charity groups and it will need to develop alliances in order for the organisation to grow.

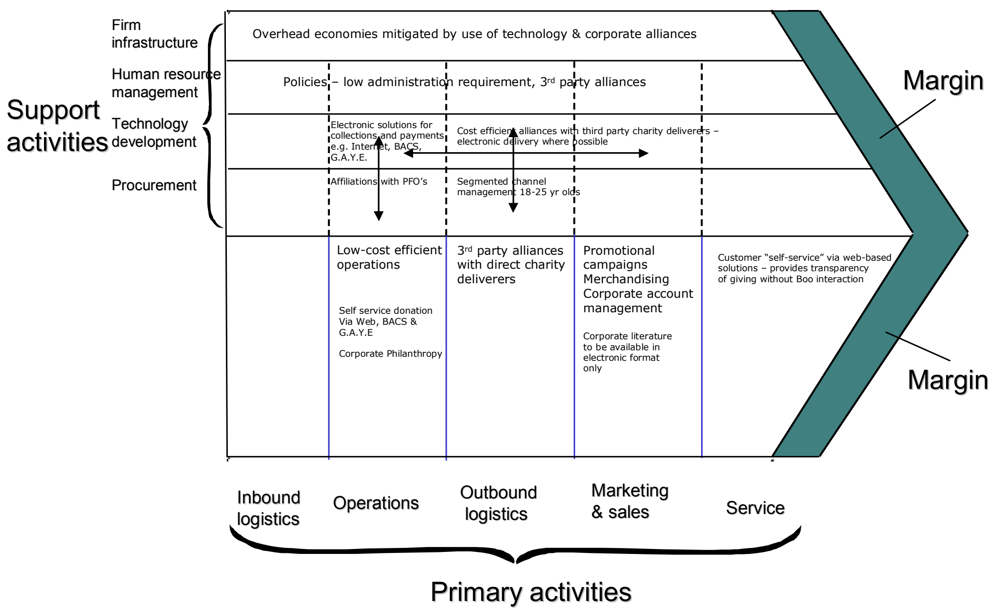
APPENDIX X – VALUE CHAIN ANALYSIS

Value Chain for a typical national charity



Source: M.E Porter, Competitive Advantage, Free Press, 1985.

Value Chain for a low-cost national charity



Source: M.E Porter, Competitive Advantage, Free Press, 1985.

APPENDIX XI - COMPETITOR ANALYSIS

56.3% of adults give £5 or more per year. Mintel research concludes that transparency and feedback are very important to donors as 41% of donors like to know how the money is being spent. Donors want to see that charities are being run efficiently and effectively so that as much as possible of the gift goes into the good cause and as little as possible in administration. 24% believe that too much is spent on administrative costs.

Charitable giving increases with age and improved socio-economic group. There is generally a lack of support for charities from young people. However, this may be due to traditional fundraising techniques (high street collection boxes). Charities need to tap into more innovative and creative approached to attract young people. Children's Promise survey found that 79% of 15-24 year olds were prepared to donate an hour's wages to help children in poverty compared with 53% of people age over 65.

Women are more likely to give to charity than men. Young people tend to show support for animal and human rights issues while those in the family lifestage have an interest in causes relating to children.

Cancer research and children-related charities are the overall favourites.

Relational marketing forms the backbone of all fundraising and communication strategies. Direct mail is the mainstay. However, 29% of adults object to receiving direct mail and/or telephone calls requesting donations. Cause-related marketing (where charities and companies team up to market themselves to customers) is increasing. CRM can secure long term brand benefits.

Competitor Analysis – key questions

- To what extent will changes in the charity industry affect the launch of a new charity differently from its competitors? How has this yielded opportunities and posed threats differentially between competitors?

- How do competitors positions differ by market segment?

- To what extent do different competitors meet the needs of customers in different segments to a greater or lesser extent than their rivals?

- What does it tell us about the different positions in terms of competitive strategies adopted by the competition?

- What does this suggest about the strategies we should follow?

IMPACT ANALYSIS

There have been significant changes in the market for beer over the last five years. PESTEL and Five Forces analyses identified a number of key changes, notably:

- The total UK voluntary sector income grew by 7% in real terms between 1996 and 2000 to reach an estimated £15 billion, of which approximately £6.58 billion was accounted for by charitable donations. Donations increased by 26% in real terms over the same period. (Mintel Report – Charities August 2001). There is evidence of **growing concentration among charities.**

- The loss of ACT relief on dividend income and the burden of irrecoverable VAT against a backdrop of intense competition and a highly fragmented industry, are forcing charities to **examine partnerships and even mergers** with those organisations sharing their vision for a particular cause or those offering a more cost-effective delivery system

- From a consumer perspective the fragmented and heavy concentration in charities is confusing. Consumers are faced with appeals from local groups, schools, televised overseas needs, mailings from major fundraising charities, raffle tickets and high street collection boxes. Therefore, **differentiation is critical**.
- The **dominance of large charities** is confirmed by Charity Commission data. Despite the fragmentation of the charities sector larger-scale fundraising charities such as the British Heart Foundation (BHF) continue to dominate.

- New measures to make **charitable giving more tax-efficient** came into force in April 2000, the objective is to double the amount donated to charity through **payroll**, growing from £29 million in 1998/99 to £60 million by 2003.
- The **Internet offers charities a range of opportunities** in terms of income and delivery. Cause-related shopping portals and Internet service providers (ISPs) are also providing consumers with added value by helping them to donate as they buy and surf.

- Issues of **transparency and feedback** remain high on the agenda of donors and this is reflected in the 41% who like to **know how the money they have given is being spent**. Today's supporters want to know and see that charities are being **run efficiently and effectively**, so that as much of the gift as possible actually goes to the good cause and as **little as possible in administration**.

Impact Analysis for the Boo Charity

	Increased competition & convergence within the charity market	Development of innovative channel methods & distribution	Development of new charities	Importance of marketing – advertising & promotions	Changing consumer spending patterns & buyer behaviours	Increased partnership opportunities	+	-
Strengths								
Experienced management team	+1	+1	+1	+1	+1	+2	+7	0
Existing business contacts of trustees	+2	+1	+1	+1	0	+1	+6	0
Ethical & Social commitment	+1	0	+1	+1	+2	+1	+6	0
Local knowledge	0	0	+2	0	0	+2	+2	0
Existing funding	0	+1	+1	0	0	+1	+3	0
Innovative approach	+2	+2	+1	+2	+2	+2	+11	0
Weaknesses								
Time commitments	-2	-1	-2	-1	-1	-2	0	-9
Start-up business	-2	+2	-2	0	+1	0	+3	-4
Credibility & reputation	-2	0	0	-1	0	-2	0	-5
Brand	-2	-1	-2	-2	-1	-2	0	-10
No established market / distribution channels	-2	-2	0	-1	-1	+2	+2	-6
Skills & fundraising resources	-2	-1	0	-1	-1	+2	+2	-5
TOTALS	+6 -11	+7 -5	+7 -6	+5 -6	+6 -4	+13 -6		

Impact Analysis for Boo & Major Competitors

	Boo	Poole Scout Group	Hope HIV	RNLI	WWF
Increased competition & convergence within the charity market	-1 New start with credibility issues, but innovative approach	-2 Financially weak and lacks awareness outside of the local area.	+1 National player with existing infrastructure & low cost model	+2 Good position in national market with clear differentiation.	+2 Most international of all the world's charities
Development of innovative channel methods & distribution	+1 Highly cost-efficient distribution channels and flexible approach.	-2 Technological leadership and economies of scale.	+2 Low-cost distribution channels and flexible approach	+1 Highly acclaimed reputation for technical know-how and excellence, but lacks flexibility	+1 Renowned for technical expertise & know-how, but lacks flexibility.
Development of new charities	-1 Lacks national brand & advertising budget small compared to other major charities.	-2 Extremely weak brand albeit in local community.	0 Narrow brand focus - unified and well-recognised brand and logo.	+2 Experienced in sectoral & specialised brand extension	+2 Most international of all the world's charities. Significant investment in marketing.
Importance of marketing – advertising & promotions	-1 Major concern for the industry	-2 Major concern for the industry	-1 Major concern for industry	-1 Major concern for the industry	-1 Major concern for industry
Changing consumer spending patterns & buyer behaviours	+2 Differentiation focus would expect new donators	-1 Could substantially lessen donations	+2 Flexible enough to meet new patterns.	-1 Inflexibility & high administration costs & overheads impacting on donations	-1 Inflexibility & high administration costs & overheads impacting on donations
Increased partnership opportunities	+2 New entrant highly likely to partner with existing regional or national players	+1 Local player unlikely to partner with a significant player	+1 Established player with flexibility to partner with others in order to expand	+1 Significant national player could offer resources to others	+1 Most international of all charities likely to increase corporate alliances
TOTALS	2	-8	5	4	4
	New entrant to the market looking for opportunities to partner and run low-cost fundraising and administration models.	Local charity primarily focused on local community needs	National charity developing innovative approaches to fundraising.	Established national player promoting a focus differentiation model.	Most international of all the world's charities. Strong corporate strategic alliances.

Competitor Analysis - Competitive Standing by Market Segment

	Boo	Poole Scout Group	Hope HIV	RNLI	WWF
Volunteer Giving	0	+2	0	+2	+2
Internet Donations	+2	-2	+2	+2	+2
Innovative Giving	+1	-1	+1	0	0
Payroll & G.A.Y.E.	+2	-2	+1	+2	+2
Corporate Giving	+2	+1	+2	+2	+2
TOTALS	+7	-2	+6	+8	+8

APPENDIX XII - STRATEGY EVALUATION

Figure xxxxx below, links many of the relevant tools that have been explored already with the broad test of suitability, feasibility and acceptability. Some of the tools can be used to address questions under more than one set of criteria – which imply that the analyses need to be undertaken repeatedly.

Criteria & Questions	Tools, Models & Techniques
Suitability • *Does the strategy address the external environment?* • *Is the strategy viable and achievable given conditions within the environment?* • *Does the strategy build upon or exploit the strategic capabilities of the organisation?* • *Does the strategy create/exploit synergy across the organisation?* • *Does the strategy fit with the current corporate culture of the organisation?* • *Does the strategy create/maintain competitive advantage?*	SWOT analysis PEST analysis Five forces framework Strategic group analysis Market segmentation analysis Resource analysis Value chain analysis Core competences analysis Activity mapping Cultural web mapping Generic strategy identification Synergy analysis – portfolio; linkages; core competences; management styles Sources of competitive advantage appraisal
Acceptability • *What are the expected outcomes of the strategy and are they consistent with stakeholder expectations?* • *Does the strategy look attractive in terms of financial returns and the timescale required for delivery?* • *What are the risks involved in following the strategy and how significant are they?*	Stakeholder mapping Profitability analyses – return on capital employed; payback period & net present value of discounted cash flows Risk analyses – financial ratio projections; sensitivity analysis & simulations
Feasibility • *Has the organisation got the resources and capabilities to deliver the strategy?* • *What gaps in resources and capabilities need addressing in order to ensure success?*	Resource analysis Value chain analysis Core competences analysis Activity mapping Resource and capability gap identification Cultural web re-mapping Stakeholder re-mapping

Fig xxxxx – Framework for evaluating Strategies

EVALUATING THE SUITABILITY OF Boo's STRATEGY

The assessment of the suitability of a particular strategy is concerned with the logic or rationale on which it is based - how the proposed strategy creates and/or maintains competitive advantage. This can be broken down further to assess the extent to which the strategy addresses the challenges of the external environment, is based upon or enhances the resources and capabilities of the organisation, builds or exploits synergies and is consistent with its corporate culture.

Linking back to the Impact Analysis carried out in Appendix 6, the technique below provides a rigorous analysis of the current strategy of Boo and evaluates the suitability of a range of strategic options.

Suitability of all strategic options identified in impact analyses

Strategy	**External Changes**				**Strengths**			**Weaknesses**			**Sum**
	Increased competition & convergence within the charity market	Development of innovative production methods & distribution	Developmen t of new charities	Changing consumer spending patterns & buyer behaviours	Experienced Management Team	Innovative Approach	Existing business contacts by trustees	No established market / distribution channels	Lack of skills & fundraising resources	Lack of brand, credibility and reputation	
Option A	+5	+4	+3	+4	+3	+4	+1	-1	-4	-2	**+17**
Option B	+5	+5	+4	+4	+5	+5	+3	0	-1	-1	**+29**
Option C	+5	+3	+4	+3	+3	+5	+4	-3	-1	-4	**+19**
Option D	+5	+3	+4	+4	+3	+3	+3	+2	+3	+5	**+35**
Option E	+3	+4	+4	+3	+2	+4	+1	-2	0	+4	**+23**
Option F	+5	+4	+3	+4	+2	+4	+3	-3	-1	-4	**+17**
Option G	+4	+5	+3	+4	+3	+3	+1	-5	-4	-4	**+10**
Option H	+5	+5	+3	+3	+3	+3	+3	+3	+3	+4	**+35**
Option I	+4	+4	+4	+5	+3	+5	+1	-2	-1	-4	**+19**
Option J	+3	+3	+3	+4	+2	+3	+2	-3	-1	-4	**+12**
Option K	-2	+1	-2	0	+3	+4	+4	-5	-4	-4	**-5**
Option L	-2	+1	-2	0	+3	+4	+4	-5	-4	-4	**-5**

Strategy A: Focus on market penetration of UK 18-25 year old segment;
Strategy B: Create strong brand awareness and aggressive marketing campaigns of the low-cost model, e.g. through the Internet and new media, sport sponsorship, music or even TV;
Strategy C: Focus on developing Boo brand rather than new product development;
Strategy D: Consider partnering with an existing charity for fundraising;
Strategy E: Consider partnering with an existing charity for back-end delivery;
Strategy F: Consider approaching major corporations to take advantage of corporate philanthropy options;
Strategy G: Develop Segmented Channel Management to appeal;
Strategy H: Agreement with competitor to jointly develop new product e.g. Hope HIV
Strategy I: Develop alliances with corporate organisations to take advantage of payroll giving and G.A.Y.E. schemes
Strategy J: Combine with corporate organisation such as Abbey National
Strategy K: Create fundraising and administration activities internally
Strategy L: Develop own back-end delivery mechanism