

CHAPTER 5

Strategic marketing planning: theory and practice

MALCOLM McDONALD

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Summary

In order to explore the complexities of developing a strategic marketing plan, this chapter is written in three sections.

The first describes the strategic marketing planning process itself and the key steps within it.

The second section provides guidelines for the marketer which will ensure that the input to the marketing plan is customer-focused and considers the strategic dimension of all of the relationships the organization has with its business environment.

The final section looks at the barriers which prevent organizations from reaping the benefits which stem from a well-considered strategic marketing plan.

Introduction

Although it can bring many hidden benefits, like the better co-ordination of company activities, a strategic marketing plan is mainly concerned with competitive advantage – that is to say, establishing, building, defending and maintaining it.

In order to be realistic, it must take into account the organizations' existing competitive position, where it wants to be in the future, its capabilities and the competitive environment it faces. This means that the marketing planner must

learn to use the various available processes and techniques which help to make sense of external trends, and to understand the organization's traditional ways of responding to these.

However, this poses the problem regarding which are the most relevant and useful tools and techniques, for each has strengths and weaknesses and no individual concept or technique can satisfactorily describe and illuminate the whole picture. As with a jigsaw puzzle, a sense of unity only emerges as the various pieces are connected together.

The links between strategy and performance have been the subject of detailed statistical analysis by the Strategic Planning Institute. The PIMS (Profit Impact of Market Strategy) project identified from 2600 businesses, six major links (Buzzell 1987). From this analysis, principles have been derived for the selection of different strategies according to industry type, market conditions and the competitive position of the company.

However, not all observers are prepared to take these conclusions at face value. Like strategy consultants Lubatkin and Pitts (1985), who believe that all businesses are unique, they are suspicious that something as critical as competitive advantage can be the outcome of a few specific formulae. For them, the PIMS perspective is too mechanistic and glosses over the complex managerial and organizational problems which beset most businesses.

What is agreed, however, is that strategic marketing planning presents a useful process by which an organization formulates its strategies,

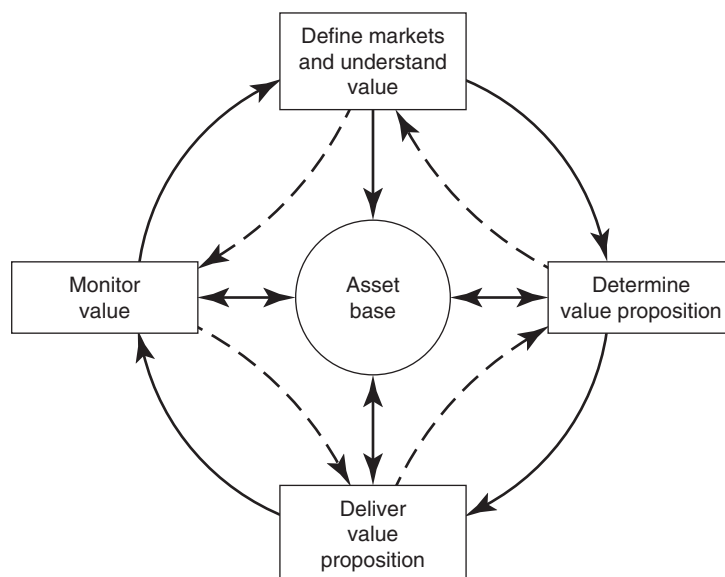
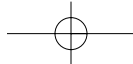


Figure 5.1 Overview of marketing

providing it is adapted to the organization and its environment.

Let us first, however, position strategic marketing planning firmly within the context of marketing itself.

As can be deduced from Chapter 1, marketing is a process for:

- defining markets,
- quantifying the needs of the customer groups (segments) within these markets,
- determining the value propositions to meet these needs,
- communicating these value propositions to all those people in the organization responsible for delivering them and getting their buy-in to their role,
- playing an appropriate part in delivering these value propositions to the chosen market segments monitoring the value actually delivered.

For this process to be effective, we have also seen that organizations need to be consumer/customer-driven.

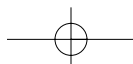
A map of this process is shown in Figure 5.1. This process is clearly cyclical, in that monitoring the value delivered will update the organization's understanding of the value that is required by its customers. The cycle is predominantly an annual one, with a marketing plan documenting the output from the 'understand value' and 'determine value proposition' processes, but equally changes

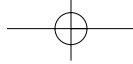
throughout the year may involve fast iterations around the cycle to respond to particular opportunities or problems.

It is well known that not all of the value proposition delivering processes will be under the control of the marketing department, whose role varies considerably between organizations.

The marketing department is likely to be responsible for the first two processes, 'Understand value' and 'Determine value proposition', although even these need to involve numerous functions, albeit co-ordinated by specialist marketing personnel. The 'Deliver value' process is the role of the whole company, including, for example, product development, manufacturing, purchasing, sales promotion, direct mail, distribution, sales and customer service. The marketing department will also be responsible for monitoring the effectiveness of the value delivered.

The various choices made during this marketing process are constrained and informed not just by the outside world, but also by the organization's asset base. Whereas an efficient new factory with much spare capacity might underpin a growth strategy in a particular market, a factory running at full capacity would cause more reflection on whether price should be used to control demand, unless the potential demand warranted further capital investment. As well as physical assets, choices may be influenced by financial, human resources, brand and information technology assets, to name just a few.





Thus, it can be seen that the first two boxes are concerned with strategic marketing planning processes (in other words, developing market strategies), whilst the third and fourth boxes are concerned with the actual delivery in the market of what was planned and then measuring the effect.

Input to this process will commonly include:

- the corporate mission and objectives, which will determine which particular markets are of interest;
- external data such as market research;
- internal data which flow from ongoing operations.

Also, it is necessary to define the markets the organization is in, or wishes to be in, and how these divide into segments of customers with similar needs. The choice of markets will be influenced by the corporate objectives as well as the asset base. Information will be collected about the markets, such as the market's size and growth, with estimates for the future.

The map is inherently cross-functional. 'Deliver value proposition', for example, involves every aspect of the organization, from new product development through inbound logistics and production to outbound logistics and customer service.

The map represents best practice, not common practice. Many aspects of the map are not explicitly addressed by well-embedded processes, even in sophisticated companies.

Also, the map is changing. One-to-one communications and principles of relationship marketing demand a radically different sales process from that traditionally practised. Hence exploiting new media such as the Internet requires a substantial shift in thinking, not just changes to IT and hard processes. An example is illuminating. Marketing managers at one company related to us their early experience with a website which was enabling them to reach new customers considerably more cost-effectively than their traditional sales force. When the website was first launched, potential customers were finding the company on the Web, deciding the products were appropriate on the basis of the website, and sending an e-mail to ask to buy. So far so good. But stuck in a traditional model of the sales process, the company would allocate the 'lead' to a salesperson, who would phone up and make an appointment perhaps 3 weeks' hence. The customer would by now probably have moved on to another online supplier who could sell the product today, but those

that remained were subjected to a sales pitch which was totally unnecessary, the customer having already decided to buy. Those that were not put off would proceed to be registered as able to buy over the Web, but the company had lost the opportunity to improve its margins by using the sales force more judiciously. In time the company realized its mistake: unlike those prospects which the company identified and contacted, which might indeed need 'selling' to, many new Web customers were initiating the dialogue themselves, and simply required the company to respond effectively and rapidly. The sales force was increasingly freed up to concentrate on major clients and on relationship building.

Having put marketing planning into the context of marketing and other corporate functions, we can now turn specifically to the marketing planning process, how it should be done and what the barriers are to doing it effectively. We are, of course, referring specifically to the second box in Figure 5.1. See Chapters 11 and 27 for more detail on market segmentation.

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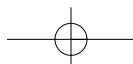
Part I The marketing planning process

Most managers accept that some kind of procedure for marketing planning is necessary. Accordingly they need a system which will help them to think in a structured way and also make explicit their intuitive economic models of the business. Unfortunately, very few companies have planning systems which possess these characteristics. However, those that do tend to follow a similar pattern of steps.

Figure 5.2 illustrates the several stages that have to be gone through in order to arrive at a marketing plan. This illustrates the difference between the process of marketing planning and the actual plan itself, which is the output of the process.

Experience has shown that a marketing plan should contain:

- A mission statement.
- A financial summary.
- A brief market overview.
- A summary of all the principal external factors which affected the company's marketing performance during the previous year, together with a statement of the company's strengths and weaknesses vis-à-vis the competition. This is what



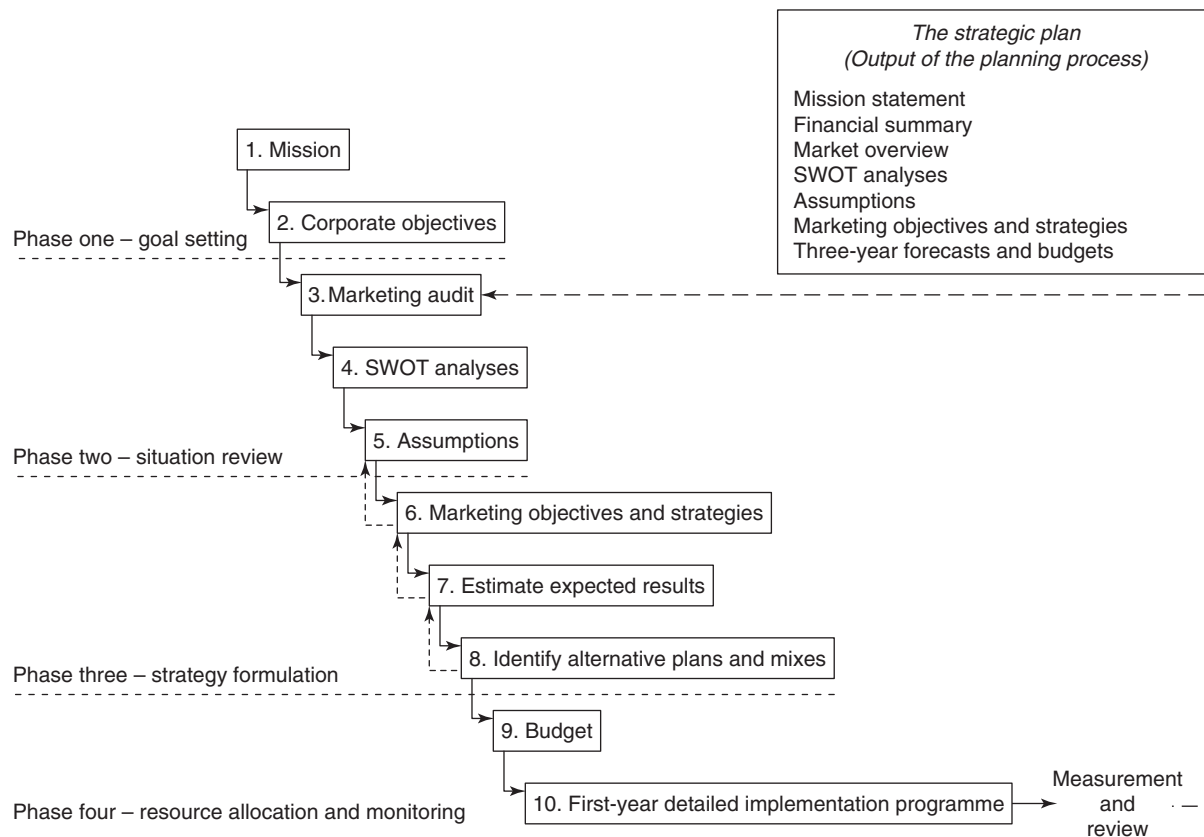
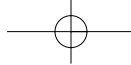


Figure 5.2 The 10 steps of the strategic marketing planning process

we call SWOT (strengths, weaknesses, opportunities, threats) analyses.

- Some assumptions about the key determinants of marketing success and failure.
- Overall marketing objectives and strategies.
- Programmes containing details of timing, responsibilities and costs, with sales forecasts and budgets.

Each of the stages illustrated in Figure 5.2 will be discussed in more detail later in this chapter. The dotted lines joining up stages 5–8 are meant to indicate the reality of the planning process, in that it is likely that each of these steps will have to be gone through more than once before final programmes can be written.

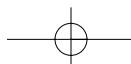
Although research has shown these marketing planning steps to be universally applicable, the degree to which each of the separate steps in the diagram needs to be formalized depends to a large extent on the size and nature of the company. For example, an undiversified company generally uses less formalized procedures, since top management tends to have greater functional knowledge and

expertise than subordinates, and because the lack of diversity of operations enables direct control to be exercised over most of the key determinants of success. Thus, situation reviews, the setting of marketing objectives, and so on, are not always made explicit in writing, although these steps have to be gone through.

In contrast, in a diversified company, it is usually not possible for top management to have greater functional knowledge and expertise than subordinate management, hence planning tends to be more formalized in order to provide a consistent discipline for those who have to make the decisions throughout the organization.

Either way, there is now a substantial body of evidence to show that formalized planning procedures generally result in greater profitability and stability in the long term and also help to reduce friction and operational difficulties within organizations.

Where marketing planning has failed, it has generally been because companies have placed too much emphasis on the procedures themselves and the resulting paperwork, rather than on generating





information useful to and consumable by management. But more about reasons for failure later. For now, let us look at the marketing planning process in more detail, starting with the marketing audit.

What is a marketing audit?

Any plan will only be as good as the information on which it is based, and the marketing audit is the means by which information for planning is organized. There is no reason why marketing cannot be audited in the same way as accounts, in spite of its more innovative, subjective nature. A marketing audit is a systematic appraisal of all the external and internal factors that have affected a company's commercial performance over a defined period.

Given the growing turbulence of the business environment and the shorter product life cycles that have resulted, no one would deny the need to stop at least once a year at a particular point in the planning cycle to try to form a reasoned view of how all the many external and internal factors have influenced performance.

Sometimes, of course, a company will conduct a marketing audit because it is in financial trouble. At times like these, management often attempts to treat the wrong symptoms, most frequently by reorganizing the company. But such measures are unlikely to be effective if there are more fundamental problems which have not been identified. Of course, if the company survived for long enough, it might eventually solve its problems through a process of elimination. Essentially, though, the argument is that the problems have first to be properly defined. The audit is a means of helping to define them.

Two kinds of variable

Any company carrying out an audit will be faced with two kinds of variable. There is the kind over which the company has no direct control, for example economic and market factors. Second, there are those over which the company has complete control, the operational variables, which are usually the firm's internal resources. This division suggests that the best way to structure an audit is in two parts, external and internal. Table 5.1 shows areas which should be investigated under both headings. Each should be examined with a view to building up an information base relevant to the company's performance.

Many people mistakenly believe that the marketing audit should be some kind of final

attempt to define a company's marketing problems, or, at best, something done by an independent body from time to time to ensure that a company is on the right track. However, many highly successful companies, as well as using normal information and control procedures and marketing research throughout the year, start their planning cycle each year with a formal, audit-type process, of everything that has had an important influence on marketing activities. Certainly, in many leading consumer goods companies, the annual self-audit approach is a tried and tested discipline.

Occasionally, it may be justified for outside consultants to carry out the audit in order to check that the company is getting the most out of its resources. However, it seems an unnecessary expense to have this done every year.

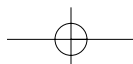
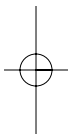
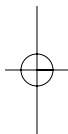
Objections to line managers doing their own audits usually centre around the problem of time and objectivity. In practice, a disciplined approach and thorough training will help. But the discipline must be applied from the highest to the lowest levels of management if the tunnel vision that often results from a lack of critical appraisal is to be avoided.

Where relevant, the marketing audit should contain life cycles for major products and for market segments, for which the future shape will be predicted using the audit information. Also, major products and markets should be plotted on some kind of matrix to show their current competitive position.

The next question is: what happens to the results of the audit? Some companies consume valuable resources carrying out audits that produce very little in the way of results. The audit is simply a database, and the task remains of turning it into intelligence, that is, information essential to decision making.

It is often helpful to adopt a regular format for the major findings. One way of doing this is in the form of a SWOT analysis. This is a summary of the audit under the headings of internal strengths and weaknesses as they relate to external opportunities and threats. There will be a number of SWOT analyses for each major product for market to be included in the marketing plan.

The section containing SWOT analyses should, if possible, contain no more than four or five pages of commentary, focusing only on key factors. It should highlight internal strengths and weaknesses measured against the competition's, and key external opportunities and threats. A summary of



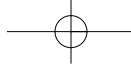


Table 5.1 Conducting an audit

<i>External audit</i>	<i>Internal audit</i>
<p><i>Business and economic environment</i> Economic political, fiscal, legal, social, cultural Technological Intra-company</p> <p><i>The market</i> Total market, size, growth and trends (value volume) Market characteristics, developments and trends; products, prices, physical distribution, channels, customers, consumers, communication, industry practices</p> <p><i>Competition</i> Major competitors Size Market share coverage Market standing and reputation Production capabilities Distribution policies Marketing methods Extent of diversification Personnel issues International links Profitability</p>	<p>Own company Sales (total, by geographical location, by industrial type, by customer, by product) Market shares Profit margins, costs Marketing information research Marketing mix variables: product management, price, distribution, promotion, operations and resources Key strengths and weaknesses</p>

reasons for good or bad performance should be included. It should be interesting to read, contain concise statements, include only relevant and important data and give greater emphasis to creative analysis.

It is important to remember at this stage that we are merely describing the process of marketing planning as outlined in Figure 5.2. The format of the strategic marketing plan itself (i.e. what should actually appear in the written plan) is given in Table 5.2 (p. XX).

Having completed the marketing audit and SWOT analyses, fundamental assumptions on future conditions have to be made. It would be no good receiving plans from two product managers, one of whom believed the market was going to increase by 10 per cent and the other who believed it was going to decline by 10 per cent.

An example of a written assumption might be: *'With respect to the company's industrial climate, it is*

assumed that over-capacity will increase from 105 to 115 per cent as new industrial plants come into operation, price competition will force price levels down by 10 per cent across the board; a new product will be introduced by our major competitor before the end of the second quarter.' Assumptions should be few in number. If a plan is possible irrespective of the assumptions made, then the assumptions are unnecessary.

Setting marketing objectives and strategies

The next step is the writing of marketing objectives and strategies. This is the key to the whole process and undoubtedly the most important and difficult of all stages. If this is not done properly, everything that follows is of little value.

It is an obvious activity to follow on with, since a thorough review, particularly of its markets,

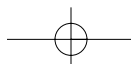



Table 5.2 What should appear in a strategic marketing plan

- 1 Start with a mission statement.
- 2 Here, include a financial summary which illustrates graphically revenue and profit for the full planning period.
- 3 Now do a market overview:
Has the market declined or grown?
How does it break down into segments?
What is your share of each?
Keep it simple. If you do not have the facts, make estimates. Use life cycles, bar charts and pie charts to make it all crystal clear.
- 4 Now identify the key segments and do a SWOT analysis for each one:
Outline the major external influences and their impact on each segment.
List the key factors for success. These should be less than five.
Give an assessment of the company's differential strengths and weaknesses compared with those of its competitors. Score yourself and your competitors out of 10 and then multiply each score by a weighting factor for each critical success factor (e.g. CSF 1 = 60, CSF 2 = 25, CSF 3 = 10, CSF 4 = 5).
- 5 Make a brief statement about the key issues that have to be addressed in the planning period.
- 6 Summarize the SWOTs using a portfolio matrix in order to illustrate the important relationships between your key products and markets.
- 7 List your assumptions.
- 8 Set objectives and strategies.
- 9 Summarize your resource requirements for the planning period in the form of a budget.

should enable the company to determine whether it will be able to meet the long range financial targets with its current range of products. Any projected gap has to be filled by new product development or market extension.

The important point to make is that this is the stage in the planning cycle at which a compromise has to be reached between what is wanted by various departments and what is practicable, given all the constraints upon the company. At this stage, objectives and strategies should be set for 3 years ahead, or for whatever the planning horizon is.

An objective is what you want to achieve, a strategy is how you plan to achieve it. Thus, there can be objectives and strategies at all levels in marketing, such as for service levels, for advertising, for pricing and so on.

The important point to remember about marketing objectives is that they are concerned solely with products and markets. Common sense will confirm that it is only by selling something to someone that the company's financial goals can be achieved; pricing and service levels are the means by which the goals are achieved. Thus, pricing, sales promotion and advertising

objectives should not be confused with marketing objectives.

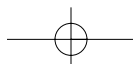
The latter are concerned with one or more of the following:

- Existing products in existing markets.
- New products for existing markets.
- Existing products for new markets.
- New products for new markets.

They should be capable of measurement, otherwise they are not worthwhile. Directional terms, such as 'maximize', 'minimize', 'penetrate' and 'increase' are only acceptable if quantitative measurement can be attached to them. Measurement should be in terms of sales volume, value, market share, percentage penetration of outlet and so on.

Marketing strategies, the means by which the objectives will be achieved, are generally concerned with the 'four Ps':

- 1 **Product:** deletions, modifications, additions, designs, packaging, etc.
- 2 **Price:** policies to be followed for product groups in market segments.





- 3 *Place*: distribution channels and customer service levels.
- 4 *Promotion*: communicating with customers under the relevant headings, that is, advertising, sales force, sales promotion, public relations, exhibitions, direct mail, etc.

There is some debate about whether or not the four Ps are adequate to describe the marketing mix. Some academics advocate that people, procedures and almost anything else beginning with 'P' should be included. However, we believe that these 'new' factors are already subsumed in the existing four Ps.

Estimate expected results, identify alternative plans and mixes

Having completed this major planning task, it is normal at this stage to employ judgement, experience, field tests and so on to test out the feasibility of the objectives and strategies in terms of market share, sales, costs and profits. It is also at this stage that alternative plans and mixes are normally considered.

General marketing strategies should now be reduced to specific objectives, each supported by more detailed strategy and action statements. A company organized according to functions might have an advertising plan, a sales promotion plan and a pricing plan. A product-based company might have a product plan, with objectives, strategies and tactics for price, place and promotion, as required. A market or geographically based company might have a market plan, with objectives, strategies and tactics for the four Ps, as required. Likewise, a company with a few major customers might have a customer plan. Any combination of the above might be suitable, depending on circumstances.

There is a clear distinction between strategy and detailed implementation of tactics. Marketing strategy reflects the company's best opinion as to how it can most profitably apply its skills and resources to the marketplace. It is inevitably broad in scope. The plan which stems from it will spell out action and timings and will contain the detailed contribution expected from each department.

There is a similarity between strategy in business and the development of military strategy. One looks at the enemy, the terrain, the resources under command, and then decides whether to attack the whole front, an area of enemy weakness, to feint in one direction while attacking in another or to attempt an encirclement of the enemy's position.

The policy and mix, the type of tactics to be used and the criteria for judging success, all come under the heading of strategy. The action steps are tactics.

Similarly, in marketing, the same commitment, mix and type of resources as well as tactical guidelines and criteria that must be met, all come under the heading of strategy. For example, the decision to use distributors in all but the three largest market areas, in which company sales people will be used, is a strategic decision. The selection of particular distributors is a tactical decision.

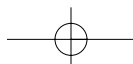
The following list of marketing strategies (in summary form) cover the majority of options open under the headings of the four Ps:

- 1 **Product**:
 - Expand the line.
 - Change performance, quality or features.
 - Consolidate the line.
 - Standardize design.
 - Positioning.
 - Change the mix.
 - Branding.
- 2 **Price**:
 - Change price, terms or conditions.
 - Skimming policies.
 - Penetration policies.
- 3 **Promotion**:
 - Change advertising or promotion.
 - Change selling.
- 4 **Place**:
 - Change delivery or distribution.
 - Change service.
 - Change channels.
 - Change the degree of forward integration.

Formulating marketing strategies is one of the most critical and difficult parts of the entire marketing process. It sets the limit of success. Communicated to all management levels, it indicates what strengths are to be developed, what weaknesses are to be remedied and in what manner. Marketing strategies enable operating decisions to bring the company into the right relationship with the emerging pattern of market opportunities which previous analysis has shown to offer the highest prospect of success.

The budget

This is merely the cost of implementing the strategies over the planning period and will obviously be deducted from the net revenue, giving a marketing contribution. There may be a number of iterations of this stage.





The first year detailed implementation programme

The first year of the strategic marketing plan is now converted into a detailed scheduling and costing out of the specific actions required to achieve the first year's budget.

What should appear in a strategic marketing plan?

A written marketing plan is the back-drop against which operational decisions are taken.

Consequently, too much detail should be avoided. Its major function is to determine where the company is, where it wants to go and how it can get there. It lies at the heart of a company's revenue-generating activities, such as the timing of the cash flow and the size and character of the labour force. What should actually appear in a written strategic marketing plan is shown in Table 5.2. This strategic marketing plan should be distributed only to those who need it, but it can only be an aid to effective management. It cannot be a substitute for it.

It will be obvious from Table 5.2 that not only does budget setting become much easier and more realistic, but the resulting budgets are more likely to reflect what the whole company wants to achieve, rather than just one department.

The problem of designing a dynamic system for setting budgets is a major challenge to the marketing and financial directors of all companies. The most satisfactory approach would be for a marketing director to justify all marketing expenditure from a zero base each year against the tasks to be accomplished. If these procedures are followed, a hierarchy of objectives is built in such a way that every item of budgeted expenditure can be related directly back to the initial financial objectives.

For example, if sales promotion is a major means of achieving an objective, when a sales promotion item appears in the programme, it has a specific purpose which can be related back to a major objective. Thus every item of expenditure is fully accounted for.

Marketing expense can be considered to be all costs that are incurred after the product leaves the 'factory', apart from those involved in physical distribution. When it comes to pricing, any form of discounting that reduces the expected gross income – such as promotional or quantity discounts, over-riders, sales commission and unpaid

invoices – should be given the most careful attention as marketing expenses. Most obvious marketing expenses will occur, however, under the heading of promotion, in the form of advertising, sales salaries and expenses, sales promotion and direct mail costs.

The important point about the measurable effects of marketing activity is that anticipated levels should result from careful analysis of what is required to take the company towards its goals, while the most careful attention should be paid to gathering all items of expenditure under appropriate headings. The healthiest way of treating these issues is through zero-based budgeting.

We have just described the strategic marketing plan and what it should contain. The tactical marketing plan layout and content should be similar, but the detail is much greater, as it is for 1 year only.

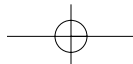
Requisite strategic marketing planning

Many companies with financial difficulties have recognized the need for a more structured approach to planning their marketing and have opted for the kind of standardized, formalized procedures written about so much in textbooks. Yet, these rarely bring any benefits and often bring marketing planning itself into disrepute.

It is quite clear that any attempt at the introduction of formalized marketing planning requires a change in a company's approach to managing its business. It is also clear that unless a company recognizes these implications, and plans to seek ways of coping with them, formalized strategic planning will be ineffective.

Research has shown that the implications are principally as follows:

- 1 Any closed-loop planning system (but especially one that is essentially a forecasting and budgeting system) will lead to dull and ineffective marketing. Therefore, there has to be some mechanism for preventing inertia from setting in through the over-bureaucratization of the system.
- 2 Planning undertaken at the functional level of marketing, in the absence of a means of integration with other functional areas of the business at general management level, will be largely ineffective.
- 3 The separation of responsibility for operational and strategic planning will lead to a divergence of the short-term thrust of a business at the operational level from the long-term objectives of



the enterprise as a whole. This will encourage preoccupation with short-term results at operational level, which normally makes the firm less effective in the longer term.

- 4 Unless the chief executive understands and takes an active role in strategic marketing planning, it will never be an effective system.
- 5 A period of up to 3 years is necessary (especially in large firms) for the successful introduction of an effective strategic marketing planning system.

Marketing planning systems design and implementation

While the actual process of marketing planning is simple in outline, a number of contextual issues have to be considered that make marketing planning one of the most baffling of all management problems. The following are some of those issues:

- When should it be done, how often, by whom, and how?
- Is it different in a large and a small company?
- Is it different in a diversified and an undiversified company?
- What is the role of the chief executive?
- What is the role of the planning department?
- Should marketing planning be top-down or bottom-up?
- What is the relationship between operational (1 year) and strategic (longer-term) planning?

Let us be dogmatic about requisite planning levels. First, in a large diversified group, irrespective of such organizational issues, anything other than a systematic approach approximating to a formalized marketing planning system is unlikely to enable the necessary control to be exercised over the corporate identity. Second, unnecessary planning, or over-planning, could easily result from an inadequate or indiscriminate consideration of the real planning needs at the different levels in the hierarchical chain. Third, as size and diversity grow, so the degree of formalization of the marketing planning process must also increase. This can be simplified in the form of a matrix, Figure 5.3.

It has been found that the degree of formalization increases with the evolving size and diversity of operations (see Figure 5.3). However, while the degree of formalization will change, the need for an effective marketing planning system does not. The problems that companies suffer, then, are a function of either the degree to which they have

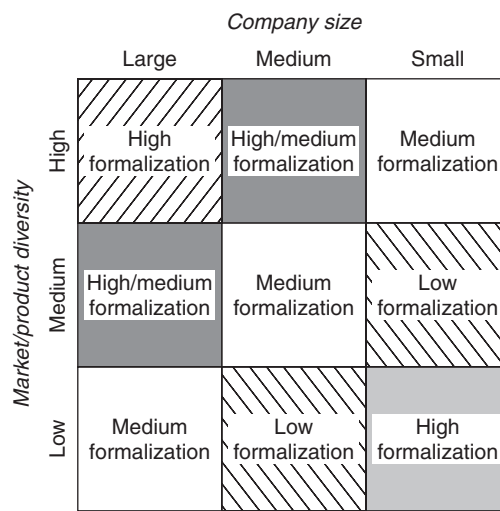


Figure 5.3 Planning formalization

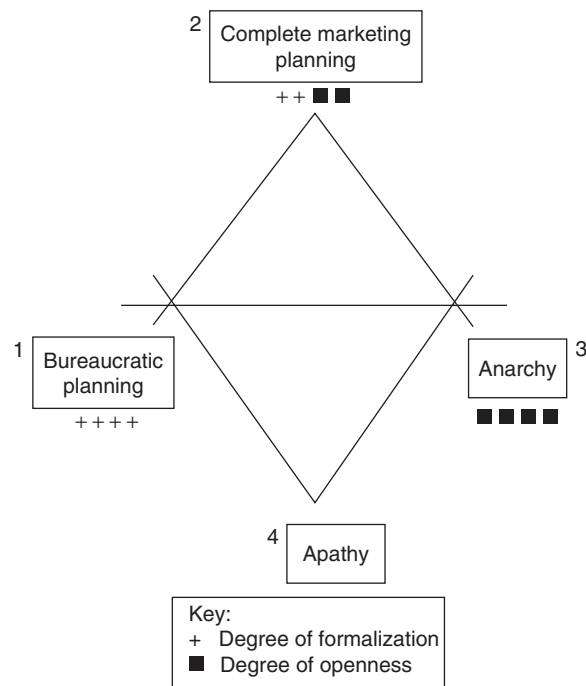
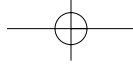


Figure 5.4 Four key outcomes

a requisite marketing planning system or the degree to which the formalization of their system grows with the situational complexities attendant upon the size and diversity of operations.

Figure 5.4 shows four key outcomes that marketing planning can evoke. It can be seen that systems 1, 3 and 4 (i.e. where the individual is totally subordinate to a formalized system, or where there is neither system nor creativity), are less successful



than system 2, in which the individual is allowed to be entrepreneurial within a total system. System 2, then, will be an effective marketing planning system, but one in which the degree of formalization will be a function of company size and diversity.

One of the most encouraging findings to emerge from research is that the theory of marketing planning is universally applicable. While the planning task is less complicated in small, undiversified companies and there is less need for formalized procedures than in large, diversified companies, the fact is that exactly the same framework should be used in all circumstances, and that this approach brings similar benefits to all.

How far ahead should we plan?

It is clear that 1- and 3-year planning periods are by far the most common. Lead time for the initiation of major new product innovations, the length of time necessary to recover capital investment costs, the continuing availability of customers and raw materials and the size and usefulness of existing plant and buildings are the most frequently mentioned reasons for having a 3-year planning horizon.

Many companies, however, do not give sufficient thought to what represents a sensible planning horizon for their particular circumstances. A 5-year time span is clearly too long for some companies, particularly those with highly versatile machinery operating in volatile fashion-conscious markets. The effect of this is to rob strategic plans of reality.

The conclusion to be reached is that there is a natural point of focus into the future beyond which it is pointless to look. This point of focus is a function of the relative size of a company. Small companies, because of their size and the way they are managed, tend to be comparatively flexible in the way in which they can react to environmental turbulence in the short term. Large companies, on the other hand, need a much longer lead time in which to make changes in direction. Consequently, they tend to need to look further into the future and to use formalized systems for this purpose so that managers throughout the organization have a common means of communication.

How the marketing planning process works

As a basic principle, strategic marketing planning should take place as near to the marketplace as possible in the first instance, but such plans should

then be reviewed at higher levels within an organization to see what issues may have been overlooked.

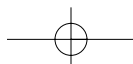
It has been suggested that each manager in the organization should complete an audit and SWOT analysis on his or her own area of responsibility. The only way that this can work in practice is by means of a hierarchy of audits. The principle is simply demonstrated in Figure 5.5. This figure illustrates the principle of auditing at different levels within an organization. The marketing audit format will be universally applicable. It is only the detail that varies from level to level and from company to company within the same group.

Figure 5.6 illustrates the total corporate strategic and planning process. This time, however, a time element is added, and the relationship between strategic planning briefings, long-term corporate plans and short-term operational plans is clarified. It is important to note that there are two 'open-loop' points on this last diagram. These are the key times in the planning process when a subordinate's views and findings should be subjected to the closest examination by his or her superior. It is by taking these opportunities that marketing planning can be transformed into the critical and creative process it is supposed to be rather than the dull, repetitive ritual it so often turns out to be.

Since in anything but the smallest of undiversified companies it is not possible for top management to set detailed objectives for operating units, it is suggested that at this stage in the planning process strategic guidelines should be issued. One way of doing this is in the form of a strategic planning letter. Another is by means of a personal briefing by the chief executive at 'kick-off' meetings. As in the case of the audit, these guidelines would proceed from the broad to the specific, and would become more detailed as they progressed through the company towards operating units.

These guidelines would be under the headings of financial, manpower and organization, operations and, of course, marketing.

Under marketing, for example, at the highest level in a large group, top management may ask for particular attention to be paid to issues such as the technical impact of microprocessors on electro-mechanical component equipment, leadership and innovation strategies, vulnerability to attack from the flood of Japanese, Korean and Third World products and so on. At operating company level, it is possible to be more explicit about target markets, product development and the like.



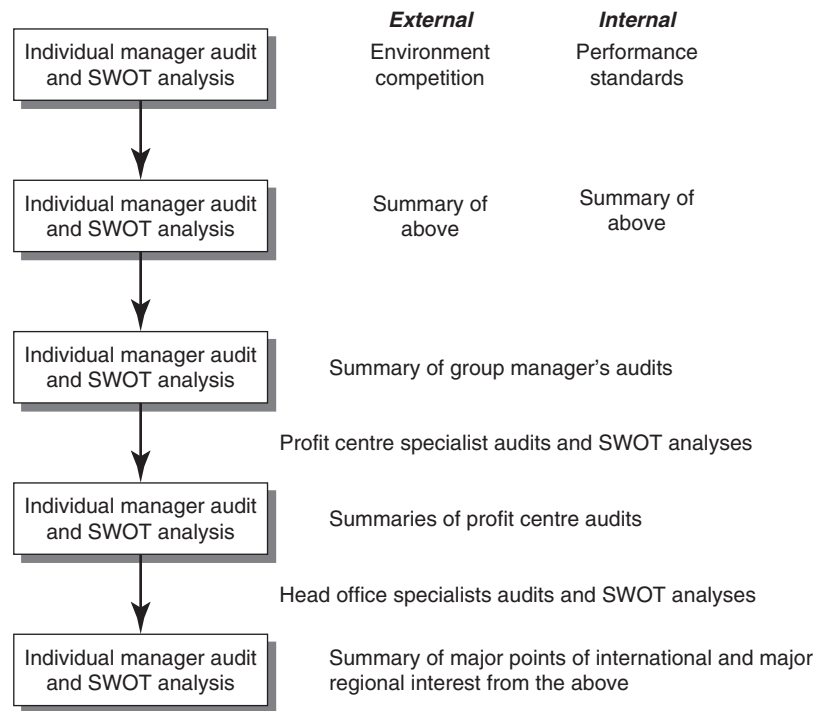
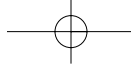


Figure 5.5 Hierarchy of audits

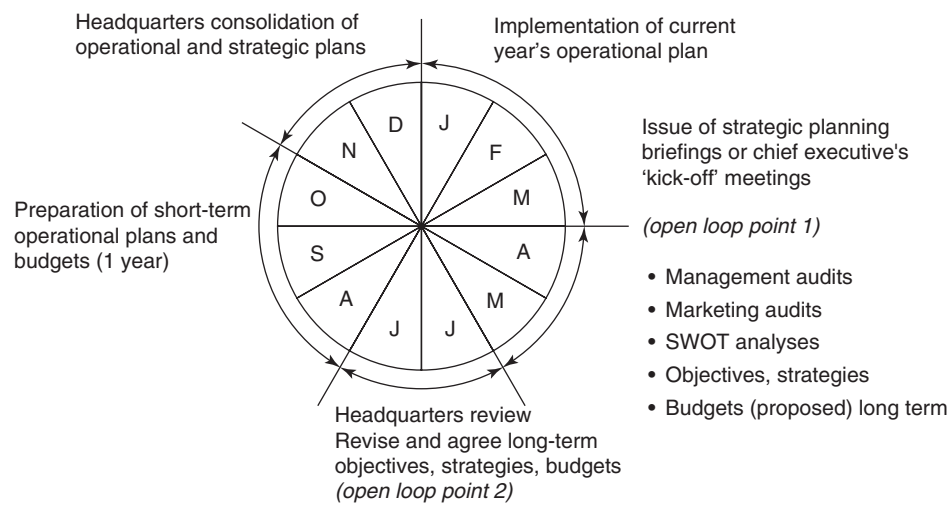


Figure 5.6 Strategic and operational planning

Part I Conclusions

In concluding this section, we must stress that there can be no such thing as an off-the-peg marketing planning system and anyone who offers one must be viewed with great suspicion. In the end, strategic marketing planning success comes from an endless willingness to learn and to adapt the system to the people and the circumstances of the firm. It also

comes from a deep understanding about the nature of marketing planning, which is something that, in the final analysis, cannot be taught.

However, strategic marketing planning demands that the organization recognizes the challenges that face it and their effect on its potential for future success. It must learn to focus on customers and their needs at all times and explore every

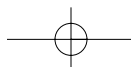



Table 5.3 Change and the challenge to marketing

<i>Nature of change</i>	<i>Marketing challenges</i>
<p>Pace of change</p> <ul style="list-style-type: none"> ● Compressed time horizons ● Shorter product life cycles ● Transient customer preferences <p>Process thinking</p> <ul style="list-style-type: none"> ● Move to flexible manufacturing and control systems ● Materials substitution ● Developments in microelectronics and robotization ● Quality focus <p>Market maturity</p> <ul style="list-style-type: none"> ● Over-capacity ● Low margins ● Lack of growth ● Stronger competition ● Trading down ● Cost-cutting <p>Customer's expertise and power</p> <ul style="list-style-type: none"> ● More demanding ● Higher expectations ● More knowledgeable ● Concentration of buying power ● More sophisticated buyer behaviour <p>Internationalization of business</p> <ul style="list-style-type: none"> ● More competitors ● Stronger competition ● Lower margins ● More customer choice ● Larger markets ● More disparate customer needs 	<ul style="list-style-type: none"> ● Ability to exploit markets more rapidly ● More effective new product development ● Flexibility in approach to markets ● Accuracy in demand forecasting ● Ability to optimize price setting <ul style="list-style-type: none"> ● Dealing with micro-segmentation ● Finding ways to shift from single transaction focus to the forging of long-term relationships ● Creating greater customer commitment <ul style="list-style-type: none"> ● Adding value leading to differentiation ● New market creation and stimulation <ul style="list-style-type: none"> ● Finding ways of getting closer to the customer ● Managing the complexities of multiple market channels <ul style="list-style-type: none"> ● Restructuring of domestic operations to compete internationally ● Becoming customer-focused in larger and more disparate markets

avenue which may provide it with a differential advantage over its competitors.

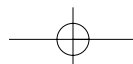
The next section looks at some guidelines which lead to effective marketing planning.

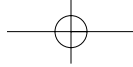
Part 2 Guidelines for effective marketing planning

Although innovation remains a major ingredient in commercial success, there are nevertheless other

challenges which companies must overcome if they wish to become competitive marketers. While their impact may vary from company to company, challenges such as the pace of change, the maturity of markets and the implications of globalization need to be given serious consideration. Some of the more obvious challenges are shown in Table 5.3.

To overcome these challenges the following guidelines are recommended to help the marketer to focus on effective marketing strategies.





Twelve guidelines for effective marketing

1 Understanding the sources of competitive advantage

Guideline 1 (p. XX) shows a universally recognized list of sources of competitive advantage. For small firms, they are more likely to be the ones listed on the left. It is clearly possible to focus on highly individual niches with specialized skills and to develop customer-focused relationships to an extent not possible for large organizations. Flexibility is also a potential source of competitive advantage.

Wherever possible, all organizations should seek to avoid competing with an undifferentiated product or service in too broad a market.

The author frequently has to emphasize to those who seek his advice that without something different to offer (required by the market, of

course!), they will continue to struggle and will have to rely on the crumbs that fall from the tables of others. This leads on to the second point.

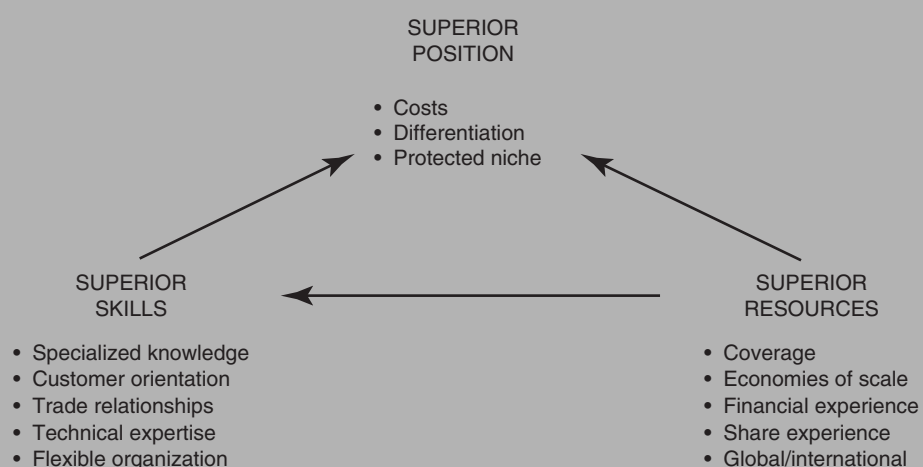
2 Understanding differentiation

Guideline 2 takes this point a little further and spells out the main sources of differentiation. One in particular, superior service, has increasingly become a source of competitive advantage. Companies should work relentlessly towards the differential advantage that these will bring. Points 1 and 2 have been confirmed by results from a 1994 survey of over 8000 small- and medium-sized enterprises (SMEs).

3 Understanding the environment

Guideline 3 spells out what is meant by the term environment in the context of companies. There is now an overwhelming body of evidence to show

Guideline 1 Understanding the sources of competitive advantage



Guideline 2 Understanding differentiation

- Superior product quality
- Innovative product features
- Unique product or service
- Strong brand name
- Superior service (speed, responsiveness, ability to solve problems)
- Wide distribution coverage

Continuously strive to serve customer needs more effectively





Guideline 3 Understanding the environment (opportunities and threats)

- I MACRO ENVIRONMENT
 - Political/regulatory
 - Economic
 - Technological
 - Societal
- 2 MARKET/INDUSTRY ENVIRONMENT
 - Market size and potential
 - Customer behaviour
 - Segmentation
 - Suppliers
 - Channels
 - Industry practices
 - Industry profitability

Carry out a formal marketing audit.

Guideline 4 Understanding competitors

- Direct competitors
- Potential competitors
- Substitute products
- Forward integration by suppliers
- Backward integration by customers
- Competitors' profitability
- Competitors' strengths and weaknesses

Develop a structured competitor monitoring process. Include the results in the marketing audit.

that it is failure to monitor the hostile environmental changes that is the biggest cause of failure in both large and small companies. Had anyone predicted that IBM would lose billions of dollars during the last decade, they would have been derided. Yet it was the failure of IBM to respond sufficiently quickly to the changes taking place around them that caused their recent problems.

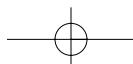
Clearly, marketing has a key role to play in the process. For all organizations, this means devoting at least some of the key executives' time and resources to monitoring formally the changes taking place about them. Guidelines 3, 4 and 5 comprise the research necessary to complete a marketing audit. This leads on naturally to the next point.

4 Understanding competitors

Guideline 4 is merely an extension of the marketing audit. Suffice it to say that if any organization, big or small, does not know as much about its close competitors as it knows about itself, it should not be surprised if it fails to stay ahead.

5 Understanding strengths and weaknesses

Guideline 5 sets out potential sources of differentiation for an organization. It represents a fairly comprehensive audit of the asset base. Together with written summaries of the other two sections of the marketing audit (Guidelines 3 and 4), there should be a written summary of all the conclusions.





Guideline 5 Understanding strengths and weaknesses

Carry out a formal position audit of your own product/market position in each segment in which you compete, particularly of your own ability to:

- Conceive/design
- Buy
- Produce
- Distribute
- Market
- Service
- Finance
- Manage
- Look for market opportunities where you can utilize your strengths

Include the results in the marketing audit.

Guideline 6 Understanding market segmentation

- Not all customers in a broadly-defined market have the same needs.
- Positioning is easy. Market segmentation is difficult. Positioning problems stem from poor segmentation.
- Select a segment and serve it. Do not straddle segments and sit between them.
 - 1 Understand how your market works (market structure)
 - 2 List what is bought (including where, when, how, applications)
 - 3 List who buys (demographics; psychographics).
 - 4 List why they buy (needs, benefits sought)
 - 5 Search for groups with similar needs.

If the sources of the company's own competitive advantage cannot be summarized on a couple of sheets of paper, the audit has not been done properly. If this is the case, the chances are that the organization is relying on luck. Alas, luck has a habit of being somewhat fickle!

6 Understanding marketing segmentation

Guideline 6 looks somewhat technical and even esoteric, at first sight. Nonetheless, market segmentation is one of the key sources of commercial success and needs to be taken seriously by all organizations, as the days of the easy marketability of products and services have long since disappeared for all but a lucky few.

The ability to recognize groups of customers who share the same, or similar, needs has always come much easier to SMEs than to large organizations. The secret of success, of course, is to change the offer in accordance with changing needs and

not to offer exactly the same product or service to everyone – the most frequent product-oriented mistake of large organizations. Closely connected with this is the next point.

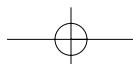
7 Understanding the dynamics of product/market evolution

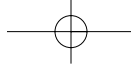
Although at first sight Guideline 7 looks as if it applies principally to large companies, few will need reminding of the short-lived nature of many retailing concepts, such as the boutiques of the late 1980s. Those who clung doggedly onto a concept that had had its day lived to regret it.

Few organizations today will need to be reminded of the transitory nature of their business success.

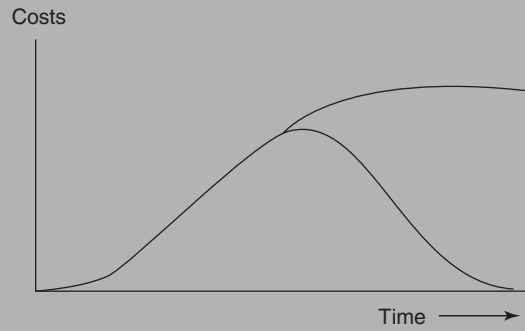
8 Understanding a portfolio of products and markets

Guideline 8 suggests plotting either products/services or markets (or, in some cases, customers)





Guideline 7 Understanding the dynamics of product/market evolution



The biological analogy of birth, growth, maturity and decline is apt. Corporate behaviour, particularly in respect of the marketing mix, must evolve with the market. Share-building in mature markets is difficult and often results in lower prices. Those with lower costs have an advantage at the stage of maturity. Life cycles will be different between segments.

Guideline 8 Understanding a portfolio of products and markets

You cannot be all things to all people. A deep understanding of portfolio analysis will enable you to set appropriate objectives and allocate resources effectively. Portfolio logic arrays competitive position against market attractiveness in a matrix form.

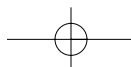
		High	Low
Market attractiveness	High	2	3
	Low	1	4
		Competitive position	

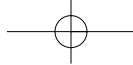
- Box 1 Maintain and manage for sustained earnings
- Box 2 Invest and build for growth
- Box 3 Selectively invest
- Box 4 Manage for cash

on a vertical axis in descending order of market attractiveness. (The potential of each for the achievement of organizational and commercial aims and objectives should be used as a criterion as, clearly, they cannot all be equal.) The organization will obviously have a greater or lesser strength in serving each of these 'markets', and this will

determine their competitive position. For each location on the graph, a circle, representing the size of current sales, should be drawn.

The graph is divided into a four-box matrix, and each box assessed by management as suggested in the figure. This will give a reasonably accurate 'picture' of the business at a glance and will indi-





Guideline 9 Setting clear strategic priorities and sticking to them

- Focus your best resources on the best opportunities for achieving continuous growth in sales and profits.
- This means having a written strategic marketing plan for 3 years containing:
 - A mission statement
 - A financial summary
 - A market overview
 - A SWOT on key segments
 - A portfolio summary
 - Assumptions
 - Marketing objectives and strategies
 - A budget
- This strategic plan can then be converted into a detailed 1-year plan.
- To do this, an agreed marketing planning process will be necessary.
- Focus on key performance indicators with an unrelenting discipline.

Guideline 10 Understanding customer orientation

- Develop customer orientation in all functions. Ensure that every function understands that they are there to serve the customer, not their own narrow functional interests.
- This must be driven from the board downwards.
- Where possible, organize in cross-functional teams around customer groups and core processes.
- Make customers the arbiter of quality.

cate whether or not it is a well-balanced portfolio. Too much business in any one box should be regarded as dangerous.

9 Setting clear strategic priorities and sticking to them

Guideline 9 suggests writing down the results in the form of a strategic marketing plan with all those benefits outlined in Part 1 of this chapter.

Commercial history has demonstrated that any fool can spell out the financial results they wish to achieve. But it takes intellect to spell out how they are to be achieved. This implies setting clear strategic priorities and sticking to them.

10 Understanding customer orientation

Guideline 10 will be familiar to all successful companies. Quality standards, such as ISO 9001 and the like, although useful for those with operations such as production processes, have, in the past, had little to do with real quality, which, of course, can only be seen through the eyes of the customer.

(It is obvious that making something perfectly is something of a pointless exercise if no one buys it.)

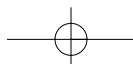
It is imperative today to monitor customer satisfaction, so this should be done continuously, for it is clearly the only real arbiter of quality.

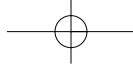
11 Being professional

Guideline 11 sets out some of the marketing skills essential to continuous success. Professional management skills, particularly in marketing, are becoming the hallmark of commercial success in the late 1990s and the early twenty-first century. There are countless professional development skills courses available today. Alas, many directors consider themselves too busy to attend, which is an extremely short-sighted attitude. Entrepreneurial skills, combined with hard-edged management skills, will see any company through the turbulence of today's markets.

12 Giving leadership

Guideline 12 sets out the final factor of success in the 1990s – leadership. Charismatic leadership,





Guideline 11 Being professional

Particularly in marketing, it is essential to have professional marketing skills, which implies formal training in the underlying concepts, tools and techniques of marketing. In particular, the following are core:

- Market research
- Gap analysis
- Market segmentation/positioning
- Product life cycle analysis
- Portfolio management
- Database management
- The four Ps
 - Product management
 - Pricing
 - Place (customer service, channel management)
 - Promotion (selling, sales force management, advertising, sales promotion)

Guideline 12 Giving leadership

- Do not let doom and gloom pervade your thinking.
- The hostile environment offers many opportunities for companies with toughness and insight.
- Lead your team strongly.
- Do not accept poor performance in the most critical positions.

however, without the 11 other pillars of success, will be to no avail. Few will need reminding of the charisma of Maxwell, Halpern, Saunders and countless others during the past decade. Charisma, without something to sell that the market values, will ultimately be pointless. It is, however, still an important ingredient in success.

Part 2 Conclusions

Lest readers should think that these 12 guidelines for success are a figment of the imagination, there is much recent research to suggest otherwise. The four ingredients listed in Figure 5.7 are common to all commercially successful organizations, irrespective of their national origin.

From this it can be seen, first, that the core product or service on offer has to be excellent.

Secondly, operations have to be efficient and, preferably, state-of-the-art.

Thirdly, research stresses the need for creativity in leadership and personnel, something frequently discouraged by excessive bureaucracy in large organizations.

Finally, excellent companies do professional marketing. This means that the organization

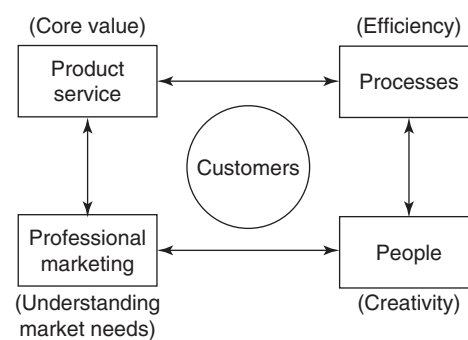
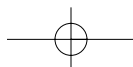


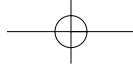
Figure 5.7 Business success

continuously monitors the environment, the market, competitors and its own performance against customer-driven standards and produces a strategic marketing plan which sets out the value that everyone in the organization has to deliver.

Part 3 Barriers to marketing planning

As we have seen, the marketing planning process is quite rational and proposes nothing which, on the surface at least, is risky or outrageous. Similarly,




Table 5.4 Barriers to the integration of strategic marketing planning

- 1 Weak support from the chief executive and top management.
- 2 Lack of a plan for planning.
- 3 Lack of line management support due to any of the following, either singly or in combination:
 - hostility
 - lack of skills
 - lack of information
 - lack of resources
 - inadequate organizational structure.
- 4 Confusion over planning terms.
- 5 Numbers *in lieu* of written objectives and strategies.
- 6 Too much detail, too far ahead.
- 7 Separation of operational planning from strategic planning.
- 8 Once-a-year ritual.
- 9 Failure to integrate marketing planning into total corporate planning system.
- 10 Delegation of planning to a planner.

the guidelines for marketing competitiveness are built on current good practice and common sense. It is extremely surprising, therefore, that when confronted by an unfriendly economic environment, a majority of business people perpetuate an essentially parochial and short-term strategy as a coping mechanism.

By their own admission 80 per cent of companies in recent research studies did not produce anything approximating to an integrated, coordinated and internally consistent plan for their marketing activities.

Marketing's contribution to business success lies in its commitment to detailed analysis of future opportunities to meet customer needs. In other words, identifying what products or services go to which customers. It rewards those managers with a sense of vision who realize that there is no place for 'rear view mirror' planning, that is, extrapolations from past results. Of course, it is wise to learn from history, but fatal for businesses to attempt to relive it.

It is clear that any attempt to introduce formalized marketing planning systems will have profound implications for the business in terms of its organization and behaviour. Until these implications are recognized and addressed, it is unlikely that strategic marketing planning will be effective. Moreover, the task of designing and implementing sensible planning systems and procedures becomes progressively more complex as the size and diversity of the company grows.

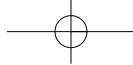
The author's research has identified the items in Table 5.4 as the most frequently encountered barriers to successful marketing planning.

This final section will discuss each of these design and implementation problems.

Weak support from chief executive and top management

Since the chief executive and top management are the key influences in the company, without their active support and participation any formalized marketing planning system is unlikely to work. This fact emerged very clearly from the author's research. Their indifference very quickly destroyed any credibility that the emerging plans might have had, led to the demise of the procedures, and to serious levels of frustration throughout the organization.

There is a depressing preponderance of directors who live by the rule of 'the bottom line' and who apply universal financial criteria indiscriminately to all products and markets, irrespective of the long-term consequences. There is a similar preponderance of engineers who see marketing as an unworthy activity and who think of their products only in terms of their technical features and functional characteristics, in spite of the overwhelming body of evidence that exists that these are only a part of what a customer buys. Not surprisingly, in companies headed by people like this, marketing



planning is either non-existent, or where it is tried, it fails. This is the most frequently encountered barrier to effective marketing planning.

Lack of a plan for planning

The next most common cause of the failure or partial failure of marketing planning systems is the belief that, once a system is designed, it can be implemented immediately. One company achieved virtually no improvement in the quality of the plans coming into headquarters from the operating companies over a year after the introduction of a very sophisticated system. The evidence indicates that a period of around 3 years is required in a major company before a complete marketing planning system can be implemented according to its design.

Failure, or partial failure, then, is often the result of not developing a timetable for introducing a new system, to take account of the following:

- 1 The need to communicate why a marketing planning system is necessary.
- 2 The need to recruit top management support and participation.
- 3 The need to test the system out on a limited basis to demonstrate its effectiveness and value.
- 4 The need for training programmes, or workshops, to train line management in its use.
- 5 Lack of data and information in some parts of the world.
- 6 Shortage of resources in some parts of the world.

Above all, a resolute sense of purpose and dedication is required, tempered by patience and a willingness to appreciate the inevitable problems which will be encountered in its implementation.

This problem is closely linked with the third major reason for planning system failure, which is lack of line management support.

Lack of line management support

Hostility, lack of skills, lack of data and information, lack of resources and an inadequate organizational structure, all add up to a failure to obtain the willing participation of operational managers.

Hostility on the part of line managers is by far the most common reaction to the introduction of new marketing planning systems. The reasons for this are not hard to find, and are related to the system initiators' lack of a plan for planning.

New systems inevitably require considerable explanation of the procedures involved and are usually accompanied by pro formas, flow charts and the like. Often these devices are most conveniently presented in the form of a manual. When such a document arrives on the desk of a busy line manager, unheralded by previous explanation or discussion, the immediate reaction often appears to be fear of their possible inability to understand it and to comply with it, followed by anger and finally rejection. They begin to picture headquarters as a remote 'ivory tower', totally divorced from the reality of the marketplace.

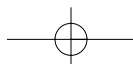
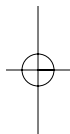
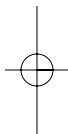
This is often exacerbated by their absorption in the current operating and reward system, which is geared to the achievement of current results, while the new system is geared to the future. Also, because of the trend in recent years towards the frequent movement of executives around organizations, there is less interest in planning for future business gains from which someone else is likely to benefit.

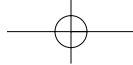
Allied to this is the fact that many line managers are ignorant of basic marketing principles, have never been used to breaking up their markets into strategically relevant segments, nor of collecting meaningful information about them.

This lack of skill is compounded by the fact that there are many countries in the world which cannot match the wealth of useful information and data available in the USA and Europe. This applies particularly to rapidly growing economies, where the limited aggregate statistics are not only unreliable and incomplete, but also quickly out of date. The problem of lack of reliable data and information can only be solved by devoting time and money to its solution, and where available resources are scarce, it is unlikely that the information demands of headquarters can be met.

In medium- and large-sized companies, particularly those that are divisionalized, there is rarely any provision at board level for marketing as a discipline. Sometimes there is a commercial director, with line management responsibility for the operating divisions, but apart from sales managers at divisional level, or a marketing manager at head office level, marketing as a function is not particularly well-catered for. Where there is a marketing manager, he tends to be somewhat isolated from the mainstream activities.

The most successful organizations are those with a fully integrated marketing function, whether it is line management responsible for sales, or a staff function, with operating units





being a microcosm of the head office organization. Without a suitable organizational structure, any attempt to implement a marketing planning system which requires the collection, analysis and synthesis of market-related information is unlikely to be successful.

Confusion over planning terms

Confusion over planning terms is another reason for the failure of marketing planning systems. The initiators of these systems, often highly qualified, frequently use a form of planning terminology that is perceived by operational managers as meaningless jargon.

Those companies with successful planning systems try to use terminology which will be familiar to operational management, and where terms such as 'objectives' and 'strategies' are used, these are clearly defined, with examples given of their practical use.

Numbers *in lieu* of written objectives and strategies

Most managers in operating units are accustomed to completing sales forecasts, together with the associated financial implications. They are not accustomed to considering underlying causal factors for past performance or expected results, nor of highlighting opportunities, emphasizing key issues and so on. Their outlook is essentially parochial, with a marked tendency to extrapolate numbers and to project the current business unchanged into the next fiscal year.

Thus, when a marketing planning system suddenly requires that they should make explicit their understanding of the business, they cannot do it. So, instead of finding words to express the logic of their objectives and strategies, they repeat their past behaviour and fill in the data sheets provided without any narrative.

It is the provision of data sheets, and the emphasis which the system places on the physical counting of things, that encourages the questionnaire-completion mentality and hinders the development of the creative analysis so essential to effective strategic planning.

Those companies with successful marketing planning systems ask only for essential data and place greater emphasis on narrative to explain the underlying thinking behind the objectives and strategies.

Too much detail, too far ahead

Connected with this is the problem of over-planning, usually caused by elaborate systems that demand information and data that headquarters do not need and can never use. Systems that generate vast quantities of paper are generally demotivating for all concerned.

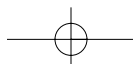
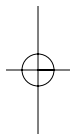
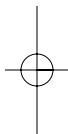
The biggest problem in this connection is undoubtedly the insistence on a detailed and thorough marketing audit. In itself this is not a bad discipline to impose on managers, but to do so without also providing some guidance on how it should be summarized to point up the key issues merely leads to the production of vast quantities of useless information. Its uselessness stems from the fact that it robs the ensuing plans of focus and confuses those who read it by the amount of detail provided.

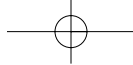
The trouble is that few managers have the creative or analytical ability to isolate the really key issues, with the result that far more problems and opportunities are identified than the company can ever cope with. Consequently, the truly key strategic issues are buried deep in the detail and do not receive the attention they deserve until it is too late.

Not surprisingly, companies with highly detailed and institutionalized marketing planning systems find it impossible to identify what their major objectives and strategies are. As a result they try to do too many things at once, and extend in too many directions, which makes control over a confusingly heterogeneous portfolio of products and markets extremely difficult.

In companies with successful planning systems, there is a system of 'layering'. At each successive level of management throughout the organization, lower-level analyses are synthesized into a form that ensures that only the essential information needed for decision-making and control purpose reaches the next level of management. Thus, there are hierarchies of audits, SWOT analyses, assumptions, objectives, strategies and plans. This means, for example, that at conglomerate headquarters, top management have a clear understanding of the really key macro issues of company-wide significance, while at the lower level of profit responsibility, management also have a clear understanding of the really key macro issues of significance to the unit.

It can be concluded that a good measure of the effectiveness of a company's marketing planning system is the extent to which different





managers in the organization can make a clear, lucid and logical statement about the major problems and opportunities they face, how they intend to deal with these and how what they are doing fits in with some greater overall purpose.

Separation of operational planning from strategic planning

Most companies make long-term projections. Unfortunately, in the majority of cases these are totally separate from the short-term planning activity that takes place largely in the form of forecasting and budgeting. The view that they should be separate is supported by many of the writers in this field, who describe strategic planning. Indeed, many stress that failure to understand the essential difference between the two leads to confusion and prevents planning from becoming an integrated part of the company's overall management system. Yet it is precisely this separation between short- and long-term plans which the author's research revealed as being the major cause of the problems experienced today by many of the respondents. It is the failure of long-term plans to determine the difficult choices between the emphasis to be placed on current operations and the development of new business that lead to the failure of operating management to consider any alternatives to what they are currently doing.

The almost total separation of operational or short-term planning from strategic or long-term planning is a feature of many companies whose systems are not very effective. More often than not, the long-term strategic plans tend to be straight-line extrapolations of past trends, and because different people are often involved, such as corporate planners, to the exclusion of some levels of operating management, the resulting plans bear virtually no relationship to the more detailed and immediate short-term plans.

This separation positively discourages operational managers from thinking strategically, with the result that detailed operational plans are completed in a vacuum. The so-called strategic plans do not provide the much needed cohesion and logic because they are seen as an ivory tower exercise which contains figures in which no one really believes.

The detailed operational plan should be the first year of the long-term plan, and operational managers should be encouraged to complete their long-term projections at the same time as their

short-term projections. The advantage is that it encourages managers to think about what decisions have to be made in the current planning year, in order to achieve the long-term projections.

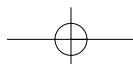
Once-a-year ritual

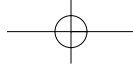
One of the commonest weaknesses in the marketing planning systems of those companies whose planning systems fail to bring the expected benefits, is the ritualistic nature of the activity. In such cases, operating managers treat the writing of the marketing plan as a thoroughly irksome and unpleasant duty. The pro formas are completed, not always very diligently, and the resulting plans are quickly filed away, never to be referred to again. They are seen as something which is required by headquarters rather than as an essential tool of management. In other words, the production of the marketing plan is seen as a once-a-year ritual, a sort of game of management bluff. It is not surprising that the resulting plans are not used or relegated to a position of secondary importance.

In companies with effective systems, the planning cycle will start in month three or four and run through to month nine or ten, with the total 12-month period being used to evaluate the ongoing progress of existing plans by means of the company's marketing intelligence system. Thus, by spreading the planning activity over a longer period, and by means of the active participation of all levels of management at the appropriate moment, planning becomes an accepted and integral part of management behaviour rather than an addition to it which calls for unusual behaviour. There is a much better chance that plans resulting from such a system will be formulated in the sort of form that can be converted into things that people are actually going to do.

Failure to integrate marketing planning into a total corporate planning system

It is difficult to initiate an effective marketing planning system in the absence of a parallel corporate planning system. This is yet another facet of the separation of operational planning from strategic planning. For unless similar processes and time scales to those being used in the marketing planning system are also being used by other major functions such as distribution, production, finance and personnel, the sort of trade-offs and compromises that have to be made in any company





between what is wanted and what is practicable and affordable, will not take place in a rational way. These trade-offs have to be made on the basis of the fullest possible understanding of the reality of the company's multifunctional strengths and weaknesses and opportunities and threats.

One of the problems of systems in which there is either a separation of the strategic corporate planning process or in which marketing planning is the only formalized system, is the lack of participation of key functions of the company, such as engineering or production. Where these are key determinants of success, as in capital goods companies, a separate marketing planning system is virtually ineffective.

Where marketing, however, is a major activity, as in fast-moving industrial goods companies, it is possible to initiate a separate marketing planning system. The indications are that when this happens successfully, similar systems for other functional areas of the business quickly follow suit because of the benefits which are observed by the chief executive.

Delegation of planning to a planner

The incidence of this is higher with corporate planning than with marketing planning, although where there is some kind of corporate planning function at headquarters and no organizational function for marketing, whatever strategic marketing planning takes place is done by the corporate planners as part of a system which is divorced from the operational planning mechanism. Not surprisingly, this exacerbates the separation of operational planning from strategic planning and encourages short-term thinking in the operational units.

The literature sees the planner basically as a co-ordinator of the planning, not as an initiator of goals and strategies. It is clear that without the ability and the willingness of operational management to co-operate, a planner becomes little more than a kind of headquarters administrative assistant. In many large companies, where there is a person at headquarters with the specific title of marketing planning manager, they have usually been appointed as a result of the difficulty of controlling businesses that have grown rapidly in size and diversity, and which present a baffling array of new problems to deal with.

Their tasks are essentially those of system design and co-ordination of inputs, although they are also expected to formulate overall objectives

and strategies for the board. In all cases, it is lack of line management skills and inadequate organizational structures that frustrates the company's marketing efforts, rather than inadequacies on the part of the planner. This puts the onus on planners themselves to do a lot of the planning, which is, not surprisingly, largely ineffective.

Two particularly interesting facts emerged from the author's research. Firstly, the marketing planning manager, as the designer and initiator of systems for marketing planning, is often in an impossibly delicate political position vis-à-vis both their superior line managers and more junior operational managers. It is clear that not too many chief executives understand the role of planning and have unrealistic expectations of the planner, whereas for their part the planner cannot operate effectively without the full understanding, co-operation and participation of top management, and this rarely happens.

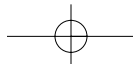
This leads on naturally to a second point. For the inevitable consequence of employing a marketing planning manager is that they will need to initiate changes in management behaviour in order to become effective. Usually these are far reaching in their implications, affecting training, resource allocation and organizational structures. As the catalyst for such changes, the planner, not surprisingly, comes up against enormous political barriers, the result of which is that they often become frustrated and eventually ineffective. This is without doubt a major issue, particularly in big companies.

The problems which are raised by a marketing planning manager occur directly as a result of the failure of top management to give thought to the formulation of overall strategies. They have not done this in the past because they have not felt the need. However, when market pressures force the emerging problems of diversity and control to the surface, without a total willingness on their part to participate in far-reaching changes, there really is not much that a planner can do.

This raises the question again of the key role of the chief executive in the whole business of marketing planning.

Part 3 Conclusions

Consultants have learned that introducing change does not always mean forcing new ideas into an unreceptive client system. Indeed, such an approach invariably meets resistance for the organization's 'anti-bodies' whose sole purpose is to protect the *status quo* from the germs of innovation.



A quicker and more effective method is to remove or reduce the effect of the barriers which will stop the proposed improvement from becoming effective. Thus, any attempt to introduce systematic strategic marketing planning must pay due concern to all the barriers listed in this section.

Of course, not all of them will be the same for every organization, but without a doubt the most critical barrier remains the degree of support provided by the chief executive and top management. Unless that support is forthcoming, in an overt and genuine way, marketing planning will never be wholly effective.

Summary

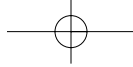
Strategic marketing planning, when sensibly institutionalized and driven by an organization's top management, can make a significant contribution to the creation of sustainable competitive advantage. It is, however, important to distinguish between the *process* of marketing planning and the *output*. Indeed, much of the benefit will accrue from the process of analysis and debate amongst relevant managers and directors rather than from the written document itself.

Twelve guidelines were provided which have been shown to be significant contributors to determining an organization's competitiveness.

Finally, there are many human organizational and cultural barriers which prevent an organization deriving the maximum benefit from strategic marketing planning. Being aware of what these are will go some way to helping organizations overcome them.

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Author Queries

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