

## Chapter 13

# A step-by-step marketing planning system

## Summary

### Part 1

**The main barriers to marketing planning** How to overcome the main barriers to marketing planning A summary of the contents of a strategic marketing plan

### Part 2

**A step-by-step approach to preparing a strategic marketing plan** A step-by-step approach to preparing a tactical marketing plan A format for those who have to consolidate many strategic marketing plans Forms and templates are provided to turn the theory into practice

## Part 1 Marketing planning summary

### The purpose of marketing planning

The overall purpose of marketing and its principal focus is the identification and creation of competitive advantage.

## What is marketing planning?

Marketing planning is simply a logical sequence and a series of activities leading to the setting of marketing objectives and the formulation of plans for achieving them.

### Why is marketing planning necessary?

Marketing planning is necessary because of:

Increasing turbulence, complexity and competitiveness The speed of technological change

The need for *you* to help identify sources of competitive advantage to force an organized approach to develop specificity to ensure consistent relationships

The need for *superiors* to inform The need for *non-marketing functions* to get support  
The need for *subordinates* to get resources to gain commitment to set objectives and strategies

## Ten barriers to marketing planning

This book has described a number of barriers to effective marketing planning. The ten principal barriers are:

- 1 Confusion between marketing tactics and strategy.
- 2 Isolating the marketing function from operations.
- 3 Confusion between the marketing function and the marketing concept.
- 4 Organizational barriers – the tribal mentality, for example the failure to define strategic business units (SBUs) correctly.
- 5 Lack of in-depth analysis.
- 6 Confusion between process and output.
- 7 Lack of knowledge and skills.
- 8 Lack of a systematic approach to marketing planning.
- 9 Failure to prioritize objectives.
- 10 Hostile corporate cultures.

## The 'Ten S' approach to overcoming these barriers

Figure 13.1 summarizes the 'Ten S' approach developed by the author to overcome each of these barriers. The sections which follow elaborate briefly on each of the 'Ten Ss'. Ten fundamental principles of marketing planning are provided.

### Marketing planning – Principle 1. Strategy before tactics

Develop the strategic marketing plan first. This entails greater emphasis on scanning the external environment, the early identification of forces emanating from it, and developing appropriate strategic responses, involving all levels of management in the process.

A strategic plan should cover a period of between three and five years, and only when this has been developed and agreed should the one-year operational marketing plan be developed.

*Never* write the one-year plan first and extrapolate it.

**Marketing planning – Principle 2. Situate marketing within operations** For the purpose of marketing planning, put marketing as close as possible to the customer. Where practicable, have both marketing and sales report to the same person, who should not normally be the chief executive officer.

### Figure 13.1

Marketing planning for competitive advantage

### Marketing planning – Principle 3. Shared values about marketing

Marketing is a management process whereby the resources of the whole organization are utilized to satisfy the needs of selected customer groups in order to achieve the objectives of both parties. Marketing, then, is first and foremost an attitude of mind rather than a series of functional activities **confined to the marketing department**. However, use the expression 'market-led' or 'customer-driven' to describe the philosophy, *not* 'marketing-driven'.

### Marketing planning – Principle 4. Structure around markets

Organize company activities around customer groups if possible rather than around **products or** functional activities and get marketing planning done in these strategic business units. Without excellent marketing planning in SBUs, corporate marketing planning will be of limited value.

### Marketing planning – Principle 5. Scan the environment thoroughly

For an effective marketing audit to take place:

Checklists of questions customized according to level in the organization should be agreed. These should form the basis of the organization's MIS. The marketing audit should be a *required* activity. Managers should not be allowed to hide behind vague terms like 'poor economic conditions'. Managers should be encouraged to incorporate the tools of marketing in their audits, e.g. product life cycles, portfolios and so on.

## Marketing planning – Principle 6. Summarize information in SWOT analyses

*Information* is the foundation on which a marketing plan is built. From information (internal and external) comes intelligence.

*Intelligence* describes the *marketing plan*, which is the intellectualization of how managers perceive their own position in their markets relative to their competitors (with competitive advantage accurately defined – e.g. cost leader, differentiation, niche), what objectives they want to achieve over some designated period of time, how they intend to achieve their objectives (strategies), what resources are required, and with what results (budget).

A 'SWOT' should:

Be focused on each specific segment of crucial importance to the organization's future. Be a summary emanating from the marketing audit. Be brief, interesting and concise.

Focus on *key* factors only. List *differential* strengths and weaknesses *vis-à-vis* competitors, focusing on competitive advantage.

List *key* external opportunities and threats only. Identify and pin down the *real* issues. It should not be a list of unrelated points. Enable the reader to grasp instantly the main thrust of the business, even to the point of being able to write marketing objectives. Follow the implied question 'which means that . . .?' to get the real implications.

Not over-abbreviate.

## Marketing planning – Principle 7. Skills and knowledge

Ensure that all those responsible for marketing in SBUs have the necessary marketing knowledge and skills for the job. In particular, ensure that they understand and know how to use the more important tools of marketing, such as:

Information

How to get it How to use it Positioning

Market segmentation Ansoff

Porter Product life cycle analysis

Gap analysis Portfolio management

BCG matrix Directional policy matrix

4 Ps management

Product Price Place Promotion

Additionally, marketing personnel require communications and interpersonal skills.

## Marketing planning – Principle 8. Systematize the process

It is essential in complex organizations to have a set of written procedures and a well-argued common format for marketing planning. The purposes of such a system are:

1 To ensure that all key issues are systematically considered. 2 To pull together the essential elements of the strategic planning of each

SBU in a consistent manner. 3 To help corporate management to compare diverse businesses and to understand the overall condition of, and prospects for, the organization.

## Marketing planning – Principle 9. Sequence objectives

Ensure that all objectives are prioritized according to their impact on the organization and their urgency and that resources are allocated accordingly.

A suggested method for prioritization is given in Figure 13.2.

**Figure 13.2**

**Figure 13.3**

### **Marketing planning – Principle 10. Style and culture**

Marketing planning will not be effective without the active support and participation of the culture leaders. But, even with their support, the type of marketing planning has to be appropriate for the phase of the organizational lifeline. This phase should be measured before attempting to introduce marketing planning.

## **Conclusion to Part 1**

A summary of what appears in a strategic marketing plan and a list of the principal marketing tools/techniques/structures/frameworks which apply to each step is given in Figure 13.3.

It will be understood from the foregoing that marketing planning never has been just the simple step-by-step approach described so enthusiastically in most prescriptive texts and courses. The moment an organization embarks on the marketing planning path, it can expect to encounter a number of complex organizational, attitudinal, process and cognitive problems, which are likely to block progress. By being forewarned about these barriers, there is a good chance of successfully using the step-by-step marketing planning system which follows in Part 2 of this chapter and of doing excellent marketing planning that will bring all the claimed benefits, including a significant impact on the bottom line, through the creation of competitive advantage. If they are ignored, however, marketing planning will remain the Cinderella of business management.

## **Part 2 A marketing planning system**

### **Introduction**

This marketing planning system is in three sections. Section A takes you through a step-by-step approach to the preparation of a strategic marketing plan. What actually appears in the strategic marketing plan is given under the heading ‘Strategic marketing plan documentation’, which appears later in this chapter.

Section B (page 606) takes you through the preparation of a one-year marketing plan. What actually appears in a one-year marketing plan is given under the heading ‘The one-year marketing plan documentation’. Finally, section C (page 616) refers to the need for a headquarters consolidated plan of several SBU strategic marketing plans and

provides a suggested format.

## **Section A**

### **Step-by-step approach to the preparation of a strategic marketing plan**

There are four main steps in the planning process (presented in diagrammatic form in Figure 13.4), which any strategic business unit\* interested in protecting and developing its business must carry out:

- 1 *Analysis* – it must analyse both its marketplace and its own position within it, relative to the competition.
- 2 *Objectives* – it must construct from this analysis a realistic set of quantitative marketing and financial objectives, consistent with those set by the organization.
- 3 *Strategy* – it must determine the broad strategy which will accomplish these objectives, conforming with the organization's corporate strategy.
- 4 *Tactics* – it must draw together the analysis, the objectives and the strategy, using them as the foundation for detailed tactical action plans, capable of implementing the strategy and achieving the agreed objectives.

This process is formally expressed in two marketing plans, the strategic marketing plan and the tactical marketing plan, which should be written in accordance with the format provided in this system. It is designed for strategic business units (SBUs) to be able to take a logical and constructive approach to planning for success.

Two very important introductory points should be made about the marketing plan:

- 1 *The importance of different sections* – in the final analysis, the strategic marketing plan is a plan for action, and this should be reflected in the finished document. The implementation part of the strategic plan is represented by the subsequent one-year marketing plan.
- 2 *The length of the analytical section* – to be able to produce an action- focused strategic marketing plan, a considerable amount of background information and statistics needs to be collected, collated and analysed. An analytical framework has been provided in the forms, included in the database section of the 'Strategic marketing plan documentation', which each SBU should complete. However, the commentary given in the strategic marketing plan should provide the main findings of the analysis rather than a mass of raw data. It should compel concentration upon only that which is essential. The analysis section should, therefore, provide only a short background.

\* A strategic business unit:

Will have common segments and competitors for most of its products. Will be a competitor in an external market. Will be a discrete and identifiable unit. Will have a manager who has control over most of the areas critical to success.

SBUs are not necessarily the same as operating units and the definition can, and should if necessary, be applied all the way down to a particular product or customer or group of products and customers.

**Figure 13.4**

## Basis of the system

Each business unit in the organization will have different levels of opportunity depending on the prevailing business climate. Each business unit, therefore, needs to be managed in a way that is appropriate to its own unique circumstances. At the same time, however, the chief executive officer of the SBU must have every opportunity to see that the ways in which these business units are managed are consistent with the overall strategic aims of the organization.

This system sets out the procedures which, if adhered to, will assist in achieving these aims.

Sections A, B and C set out the three basic marketing planning formats and explain how each of the planning steps should be carried out. They explain simply and clearly what should be presented, and when, in the three-year marketing plan, in the more detailed one-year operational plan and in the headquarters consolidated marketing plan.

The overall marketing planning format is described in Figure 13.5. (Note that, for the sake of simplicity, it has been assumed that the organization's year runs from January to December.) The following sections explain how each of the steps in the planning process should be completed.

**Figure 13.5**

## The marketing audit

(for completion between February and May each year) (Note: not for inclusion in the plan or its presentation) Every market includes a wide variety of customer groups, not all of which will necessarily provide SBUs with opportunities for servicing profitably.

In order to study those areas of the market which are potentially most favourable to the SBU's operations, it is necessary to divide the market into different *market segments* (hereafter just referred to as 'segments') and to analyse sales potential by type of product within each segment.

All SBUs must, therefore, analyse and evaluate the key segments in their market, plus any other segments which have been identified and selected as being of lesser importance to them.

It is appreciated that all the basic information required for this marketing audit may not be readily available. Nevertheless, an analysis and evaluation of the SBU's situation in each of the selected segments, i.e. a marketing audit, will provide the basis from which objectives can be set and plans prepared.

For the purpose of a marketing planning system, it is usual to provide users with an agreed list so that all SBUs using the system use similar nomenclature for products and markets. In this case, we provide an *example* of such a list in Table 13.1. Please note, more detailed criteria for

**Table 13.1** Example of industrial and marine market segments and industrial product groups  
**Key industrial market segments**  
*Explanatory notes*

Primary metal manufacture	Transportation equipment manufacture	General mechanical engineering/fabricated metal products
Glass and ceramics	Glass, glassware, refractory and ceramic goods	Road passenger and freight transportation (specialists)
Truck and construction equipment distributors	Building and construction	Forestry and timber
Mining and quarrying	Food, beverage, tobacco processing and manufacture	
Oil and gas	Extraction and processing of mineral oil and natural gas, excluding off-shore, which is covered in marine	
Electricity: power generation and transmission	Bricks and cement	
Manufacture of non-metallic mineral products, excluding glass and ceramics	Textiles	

Textile industry and the production of man-made fibres  
 Leather  
 Pulp and paper  
 National defence  
 Central and local government Excludes national defence Aviation  
 Excludes military aviation and aerospace manufacturing industries Industrial distributors  
 Wholesale distribution of industrial machinery, industrial spare parts and tools, etc.  
 Rubber, chemicals, plastics Excludes rubber plantations Cosmetics and pharmaceuticals

**Table 13.1** Continued

***Key marine market segments***

*Fishing Offshore industry* Drilling rigs Submersibles Work units, etc.  
*Miscellaneous*  
 Harbour craft Inland waterways Dredgers Military, etc.  
*International vessels greater than 4,000 GRT*

Oil tankers LPG and chemical tankers Containers General cargo vessels Bulk carriers Ferries and roll-on/roll-off vessels Miscellaneous vessels  
*Coastal/international vessels less than 4,000 GRT*

Oil tankers LPG and chemical tankers Containers General cargo vessels Bulk carriers Ferries and roll-on/roll-off vessels Miscellaneous vessels

***Industrial product groups***

*Automotive products* Engine oils Transmission fluids and gear oils Brake fluids Antifreeze/coolants  
 Greases Miscellaneous 'others'

*Metalworking products* Cutting oils (soluble) Cutting oils (neat) Rolling oils Heat treatment  
*Other products* White oils Electrical oils Process oils Textile oils Leather chemicals Laundry and dry cleaning chemicals Mould releasants  
 Petroleum jelly  
 Defoamers

*Surface treatment products* Corrosion preventives (including DWFs) Non-destructive testing materials Industrial cleaning chemicals

*General industrial lubricants* Hydraulic fire resistant other Gear oils Turbine oils Heat transfer oils Compressor oils (including refrigerator) Grease  
 Circulating oils Other (e.g. wire rope lubricants, Ss)  
*Aviation lubricants* Engine oils Transmission oils Hydraulic oils Grease  
 Other

market segmentation should also be used, where appropriate. For example: geographic location; company organization (centralized or decentralized); purchasing patterns (e.g. price sensitivity, fixed annual budget, local autonomy, etc.); integration level; sales channel preference; support requirements; and so on.

All managers carrying out their audit should use internal sales data and the SBU marketing information system to complete their audit. It is helpful at this stage if the various SBU managers can issue to any subordinates involved in the audit a market overview covering major industry and market trends. The audit will inevitably require considerably more data preparation than is required to be reproduced in the marketing plan itself. Therefore, all managers should start a *running reference file* for their area of responsibility during the year, which can also be used as a continual reference source and for verbal presentation of proposals.

It is essential to stress that the audit, which will be based on the running reference file, *is not a marketing plan* and under no circumstances should voluminous documents relating to the audit appear in any business plans.

## The contents of a strategic marketing plan

The following sections (1–9) describe what should be presented in strategic marketing plans. These should be completed by the end of May each year.

These sections contain instructions. The actual documentation for the strategic marketing plan is also provided in this section.

### 1 SBU mission statement

This is the first item to appear in the marketing plan. The purpose of the mission statement is to ensure that the *raison d'être* of the SBU is clearly stated. Brief statements should be made which cover the following points:

- 1 *Role or contribution of the unit* – for example, profit generator, service department, opportunity seeker.
- 2 *Definition of business* – for example, the needs you satisfy or the benefits you provide. Do not be too specific (e.g. 'we sell milking machinery') or too general (e.g. 'we are in the engineering business').
- 3 *Distinctive competence* – this should be a brief statement that applies only to your specific SBU. A statement that could equally apply to any competitor is unsatisfactory.
- 4 *Indications for future direction* – a brief statement of the principal things you would give serious considerations to (e.g. move into a new segment). A statement about what you *will* consider, *might* consider and *will never* consider can be quite useful.

*Note:* This is Form 1 in the strategic marketing plan documentation.

### 2 Summary of SBU's performance

This opening section is designed to give a bird's eye view of the SBU's total marketing activities.

In addition to a quantitative summary of performance, as shown in Table 13.2, SBU managers should give a summary of reasons for good or bad performance.

Use *constant revenue* (t–1) in order that the comparisons are meaningful. Make sure you use the same base year values for any projections provided in later sections in your plan.

**Table 13.2**

*Three years ago Two years ago Last year*

Volume/turnover Gross profit (%) Gross margin (000 ecu)

*Note:* This is Form 2 in the strategic marketing plan documentation.

### 3 Summary of financial projections

This is the third item to appear in the marketing plan. Its purpose is to summarize, for the person reading the plan, the financial implications over the full three-year planning period. It should be presented as a simple diagram along the lines shown in Figure 13.6. This should be accompanied by a brief commentary. For example: ‘This three-year business plan shows an increase in revenue from 700,000 euros to 900,000 euros and an increase in contribution from 100,000 euros to 400,000 euros. The purpose of this strategic plan is to show how these increases will be achieved.’

**Note to editor “Make it “euros” in the figure please**

**Figure 13.6**

*Note:* There is a form, Form 3, in the strategic marketing plan documentation.

In order to comply with this form, it is strongly recommended that the strategic planning (gap analysis) forms (which follow as Forms 4 and 5 in the strategic marketing plan documentation) are completed first. Note that the ‘objective’ point should be (as a minimum) that point which will enable you to achieve the corporate objectives set for the SBU. *Ideally, however, it should be set at a point which will make this SBU the best of its kind amongst comparable competitive SBUs.* Note that the sales revenue form must be completed first, followed by the profit form.

Forms 4 and 5 should enable you to use an Ansoff Matrix to show diagrammatically where the revenue and profit growth is coming from. (i.e how much from the several products for markets in Box 1, which is existing products in existing markets, broken down by productivity growth, market growth and market share growth; similar for new products for existing markets in Box 2; similar for existing products in new markets in Box 3; and finally, growth from new products in new markets in Box 4).

### 4 Market overview

This section is intended to provide a brief picture of the market before descending to the particular details of individual market segments, which form the heart of the marketing plan.

This system is based upon the *segmentation* of markets, dividing these into homogeneous groups of customers, each having characteristics which can be exploited in marketing terms. *This approach is taken because it is the one which is often the most useful for SBU managers to be able to develop their markets.* The alternative, product-orientated, approach is rarely appropriate, given the variation between different customer groups in the markets in which most organizations compete.

The market segmentation approach is more useful in revealing both the weaknesses and the development opportunities than is an exclusively product orientation.

While it is difficult to give precise instructions on how to present this section of the marketing plan, it should be possible (following completion of the marketing audit) to present a market overview which summarizes what managers consider to be the key characteristics of their markets.

In completing this section, SBU managers should consider the following:

1 What are the major products, markets (or segments) which are likely to be able to provide the kind of business opportunities suitable for the organization.

2 How are these changing? That is, which are growing and which are declining?

This section should be brief and there should be some commentary by the SBU manager about what seems to be happening in their market.

It is very helpful if SBU managers can present as much of this information as possible visually (i.e. bar charts or pie charts, product life cycles, etc.). A market ‘map’ can be extremely useful for clarifying how the market works. (For further details of this technique, see Chapter 4.)

*Note:* There is a form, Form 6, in the strategic marketing plan documentation.

## 5 SWOT analyses of major products/markets

### Compiling the SWOT analyses

To decide on marketing objectives and future strategy, it is first necessary to summarize the SBU's *present* position in its market(s). This was done in the previous section.

In respect of the major products/markets (segments) highlighted in the previous section, the marketing audit must now be summarized in the form of a number of *SWOT analyses*. The word *SWOT* derives from the initial letters of the words *strengths*, *weaknesses*, *opportunities* and *threats*. In simple terms:

What are the unit's differential strengths and weaknesses *vis-à-vis* competitors? In other words, why should potential customers in the target markets prefer to deal with your organization rather than with your competitors? What are the opportunities? What are the present and future threats to the SBU's business in each of the segments which have been identified as being of importance?

### Guidelines for completing the SWOT analysis

The market overview in Section 4 will have identified what you consider to be the key product/market (segments) on which you intend to focus. For presentation purposes, it is helpful if you can present a brief SWOT for each of these key product/market segments. Each of these SWOTs should be brief and interesting to read. Complete SWOTs only for the key segments.

Section I concerns *strengths* and *weaknesses*. Section II which follows is intended to indicate how the *opportunities* and *threats* section of the SWOT should be completed. Section III summarizes *key issues to be addressed*. Section IV describes the setting of assumptions, marketing objectives and strategies for each product/market segment. Section V summarizes the position of competitors.

### I Some important factors for success in this business (critical success factors)

How does a competitor wishing to provide products or services in this segment succeed? There are always relatively few factors that determine success. Factors such as product performance, breadth of services, speed of service, low costs, and so on, are often the most important factors for success.

You should now make a brief statement about your organization's *strengths and weaknesses* in relation to these most important factors for success that you have identified. To do this, you will probably wish to consider other suppliers to the same segment in order to identify why you believe your organization can succeed and what weaknesses must be addressed in the three-year planning period.

These factors are called critical success factors. A layout such as that shown in Figure 13.7 is useful. You should then weight each factor out of

**Figure 13.7**

100 (e.g. CSF1 = 60; CSF2 = 25; CSF3 = 10; CSF4 = 5). It is suggested that you score yourself and each competitor out of ten on each of the CSFs. Then, multiply each score by the weight. This will give you an accurate reading of your position in each segment *vis-à-vis* your competitors. It will also highlight which are *the key issues that should be addressed* in the three-year planning period.

Great caution is necessary to ensure that you are not guilty of self-delusion. Obviously, it is desirable to have independent evidence from market research in order to be able to complete this section accurately. If you do not have independent evidence, it is still worth doing a SWOT, because it will at least indicate what you need to know. Also, it is quite useful if you can get a number of managers to complete this independently, as, sometimes, it reveals

a lot about what they believe to be the factors for success.

## II Summary of outside influences and their implications (opportunities and threats)

This should include a brief statement about how important environmental influences such as technology, government policies and regulations, the economy, and so on, have affected this segment. There will obviously be some opportunities and some threats.

## III Key issues to be addressed

From I and II above will emerge a number of key issues to be addressed.

## IV Assumptions, marketing objectives, marketing strategies

Assumptions can now be made and objectives and strategies set. It should be stressed at this point that such assumptions, objectives and strategies relate only to each particular product/market segment under consideration. These will guide your thinking when setting overall assumptions, marketing objectives and strategies later on (see section below).

*Note:* There is a form, Form 7, in the strategic marketing plan documentation. This form incorporates all the points made in I, II, III and IV above and should be completed for all product/market segments under consideration.

## V Competitor analysis

Here you should summarize the findings of the audit in respect of *major competitors* only. For each competitor, you should indicate their sales within the particular product/market segment under consideration, their share now, *and their expected share three years from now*. The greater a competitor's influence over others, the greater their ability to implement their own independent strategies, hence the more successful they are. It is suggested that you should also classify each of your main competitors according to one of the classifications in the guide to competitive position classifications, below, i.e. leadership, strong, favourable, tenable, weak.

Also list their principal products or services. Next, list each major competitor's business direction and current strategies. There follows a list of business directions and business strategies as guidelines. *These should not be quoted verbatim*, as they are only given as guidelines. Next, list their major strengths and weakness. The format shown in Figure 13.8 is useful.

*Note:* There is a form, Form 8, in the strategic marketing plan documentation.

### *Guide to competitive position classifications*

Leadership Has a major influence on the performance or behaviour of others

Strong Has a wide choice of strategies

Is able to adopt an independent strategy without endangering their short-term position Has low vulnerability to competitors' actions Favourable Exploits specific competitive strengths, often in a product/market niche Has more than average opportunity to improve their position; has several strategies available

Tenable Their performance justifies continuation in business Weak Currently has an unsatisfactory performance and significant competitive weakness They must improve or withdraw

**Figure 13.8**

The following list includes five business directions that are appropriate for almost any business. Select those that best summarize the competitor's strategy.

*Business directions*

- 1 *Enter* – to allocate resources to a new business area. Consideration should include building from prevailing company or division strengths, exploiting related opportunities and defending against perceived threats. This may involve creating a new industry.
- 2 *Improve* – to apply strategies that will significantly improve the competitive position of the business. Often, this requires thoughtful product/market segmentation.
- 3 *Maintain* – to maintain one's competitive position. Aggressive strategies may be required, although a defensive posture may also be assumed. Product/market position is maintained, often in a niche.
- 4 *Harvest* – to relinquish intentionally competitive position, emphasizing short-term profit and cash flow, but not necessarily at the risk of losing the business in the short term. Often, this entails consolidating or reducing various aspects of the business to create higher performance for that which remains.
- 5 *Exit* – to divest a business because of its weak competitive position, or because the cost of staying in it is prohibitive and the risk associated with improving its position is too high.

## 6 Portfolio summary (summary of SWOTs)

All that remains is to summarize each of these SWOTs in a format which makes it easy to see at a glance the overall position and relative importance of each of these segments to the organization. This can be done by drawing a diagram in the form of a four-box *matrix* which will show each of the important product/market segments described earlier. A matrix is shown as Figure 13.9\*. Some easy-to-follow instructions follow on how to complete such a matrix. More detailed instructions are provided in Chapter 5.

**Figure 13.9**

The *portfolio matrix* (referred to as the directional policy matrix in Chapter 5) enables you to assess which products or services, or which groups of customers/segments, will offer the best chance of commercial success. It will also aid decision-making about which products or services (or market segments) merit investment, both in terms of finance and managerial effort.

In this example, market segments are used, although it is possible to use products or services. We recommend that you follow the instructions given below.

\* Please note that 'high' is on the left of the horizontal axis because both Michael Porter and the Boston Consultancy Group Matrix put 'high' on the left. It can, if you prefer, be placed on the right of the horizontal axis.

This is how you arrive at a portfolio matrix for your SBU.

1 List your market segments on a separate piece of paper and decide which ones are the most attractive. (Note that these 'segments' can be countries, divisions, markets, distributors, customers, etc.) To arrive at these decisions, you will no doubt take several factors into account:

The size of the markets  
Their actual or prospective growth  
The margins available to any competitor in this market  
The diversity of needs (which you can meet)  
The amount of competition in terms of quality and quantity  
The supportiveness of the business environment  
Technical developments, etc.

Imagine that you have a measuring instrument, something like a thermometer, but which measures not temperature, but market attractiveness. The higher the reading, the more attractive the market. The instrument is shown in Figure

13.10. Estimate the position on the

### Figure 13.10

scale *each* of your markets would record (should such an instrument exist) and make a note of it as shown by the example above. You should use the methodology outlined in Chapter 5 and the example provided in Table 5.5.

2 Transpose this information on to the matrix in Figure 13.9, writing the markets on the left of the matrix.

3 Still using the matrix, draw a dotted line horizontally across from the top left-hand market as shown in Figure 13.11.

4 Now ask yourself how well your SBU is equipped to deal with this most attractive market. A whole series of questions needs to be asked to establish the company's business strengths, for example: Do we have the right products? How well are we known in this market? What image do we have?

### Figure 13.11

Do we have the right technical skills? How close are we to this market? How do we compare with competitors?

The outcome of such an analysis will enable you to arrive at a conclusion about the 'fitness' of your unit and you will be able to choose a point on the horizontal scale of the matrix to represent this. The left of the scale represents many unit strengths, the right few unit strengths. The analysis completed in the previous section (Section 5 on SWOT analyses) should be used, since you have already completed the necessary quantification. Draw a vertical line from this point on the scale as shown in Figure 13.12, so that it intersects with the horizontal line. (Be certain, however, to use the quantitative method outlined in Chapter 5.)

5 Now *redraw* the circles, this time making the diameter of each circle proportional to that segment's share of your total sales turnover. (Please note that to be technically correct you should take the square root of the volume, or value.)

### Figure 13.12

6 Now indicate where these circles will be in three years' time and their estimated size. The matrix may, therefore, have to show segments not currently served. There are two ways of doing this. First, in deciding on market or segment attractiveness you can assume that you are at  $t_0$  (i.e. today) and that your forecast of attractiveness covers the next three years (i.e.  $t+3$ ). If this is your chosen method, then it will be clear that *the circle can only move*

*horizontally along the axis*, as all that will change is your business strength. The second way of doing it shows the current attractiveness position on the vertical axis, based on the past three years (i.e.  $t-3$  to  $t_0$ ) and then forecasts how that attractiveness position will change during the next three years (i.e.  $t_0$  to  $t+3$ ). In such a case, the circles can move both vertically and horizontally. This is the method used in the example provided (Figure 13.13), but it is entirely up to you which method you use. It is essential to be creative in your use of the matrix. Be prepared to change the name on the axes and to experiment with both products and markets.

*Note:* There is a form, Form 9, in the strategic marketing plan documentation.

**Figure 13.13**

## 7 Overall assumptions

Each SBU must highlight the assumptions which are critical to the fulfilment of the planned marketing objectives and strategies.

Key planning assumptions deal, in the main, with outside features and anticipated changes which would have a significant influence on

the achievement of marketing objectives. These might include such things as market growth rate, your organization's costs, capital investment and so on.

Assumptions should be few in number and relate only to key issues such as those identified in the SWOT analyses. If it is possible for a plan to be implemented irrespective of the assumptions made, then those assumptions are not necessary and should be removed.

You should find that the more detailed lists of assumptions made for each of the principal product/market segments analysed in the SWOT stage (Section 5) will be helpful in deciding what the macro assumptions should be.

*Note:* There is a form, Form 10, in the strategic marketing plan documentation.

## 8 Overall marketing objectives and strategies

### Marketing objectives

Following identification and statement of key strengths, weaknesses, opportunities and threats, and the explicit statement of assumptions about conditions affecting the business, the process of setting marketing objectives is made easier, since they will be a realistic statement of what the SBU desires to achieve as a result of market-centred analysis.

As in the case of objective setting for other functional areas of the business, this is the most important step in the whole process, as it is a commitment on an SBU-wide basis to a particular course of action which will determine the scheduling and costing out of subsequent actions.

An *objective* is what the unit wants to achieve. A *strategy* is how it plans to achieve it. Thus, there are objectives and strategies at all levels in marketing. For example, there can be advertising objectives and strategies, pricing objectives and strategies, and so on.

However, the important point about marketing objectives is that they should be about products and markets only, since it is only by selling something to someone that the SBU's financial goals can be achieved. Advertising, pricing and other elements of the marketing mix are the means (the strategies) by which the SBU can succeed in doing this. Thus, pricing objectives, sales promotion objectives, advertising objectives and so on should *not* be confused with

marketing objectives.

If profits and cash flows are to be maximized, each SBU must consider carefully how its current customer needs are changing and how its products offered need to change accordingly. Since change is inevitable, it is necessary for SBUs to consider the two main dimensions of commercial growth, i.e. product development and market development. Marketing objectives are concerned with the following:

- Selling existing products to existing segments
- Developing new products for existing segments
- Extending existing products to new segments
- Developing new products for new segments

Marketing objectives should be *quantitative*, and should be expressed where possible in terms of *values*, *volumes*, *market* shares and, if appropriate *profitability*. General directional terms such as ‘maximize’, ‘minimize’, ‘penetrate’ should be avoided unless quantification is included.

The marketing objectives should cover the full three-year planning horizon and should be accompanied by broad strategies (discussed in the following section) and broad revenue and cost projections for the full three-year period.

The one-year marketing plan should contain specific objectives for the first year of the three-year planning cycle and the corresponding strategies which will be used to achieve these objectives. *The one-year and the three-year plans should be separate documents. At this stage, a detailed one-year plan is not required.*

At this point it is worth stressing that the key document in the annual planning round is the three-year strategic marketing plan. The one-year plan represents the specific actions that should be undertaken in the first year of the strategic plan.

## Marketing strategies

Marketing strategies should state in broad terms *how* the marketing objectives are to be achieved, as follows:

The specific product policies (the range, technical specifications, positioning, additions, deletions, etc.). The pricing policies to be followed for product groups in particular market segments.

The customer service levels to be provided for specific market segments (such as maintenance support). The policies for communicating with customers under each of the main headings, such as sales force, advertising, sales promotion, etc. as appropriate.

Guidelines for setting marketing objectives and strategies are given in Chapter 6. However, the following summarizes some of the marketing objectives and strategies that are available to SBU managers.

### Objectives

- 1 Market penetration.
- 2 Introduce new products to existing markets.
- 3 Introduce existing products to new markets (domestic).
- 4 Introduce existing products to new markets (international).
- 5 Introduce new products to new markets.

### Strategies

- 1 Change product design, performance, quality or features.
- 2 Change advertising or promotion.
- 3 Change unit price.
- 4 Change delivery or distribution.
- 5 Change service levels.
- 6 Improve marketing productivity (e.g. improve the sales mix).
- 7 Improve administrative productivity.
- 8 Consolidate product line.
- 9 Withdraw from markets.
- 10 Consolidate distribution.
- 11 Standardize design.
- 12 Acquire markets, products, facilities.

## Guidelines for setting marketing objectives and strategies

Completing a portfolio matrix (which you have done in Section 6) for each major product/market segment within each unit translates the characteristics of the business into visible and easily understood positions *vis-à-vis* each other.

Additionally, each product/market segment's position on the matrix suggests broad goals which are usually appropriate for businesses in that position, although unit managers should also consider alternative goals in the light of the special circumstances prevailing at the time.

The four categories on the matrix are:

Invest  
Maintain  
Profit  
Selective

You may prefer to use your own terms, although it should be stressed that it isn't necessary to attach any particular names to each of the quadrants. Each of these is considered in turn.

### Invest

Products in this category enjoy competitive positions in markets/ segments characterized by high growth rates and are good for continuing attractiveness. The obvious objective for such products is to maintain growth rates at least at the market growth rate, thus maintaining market share and market leadership, or to grow faster than the market, thus increasing market share.

Three principal factors should be considered:

- 1 Possible geographical expansion.
- 2 Possible product line expansion.
- 3 Possible product line differentiation.

These could be achieved by means of internal development, acquisition, or joint ventures.

The main point is that, in attractive marketing situations like this, *an aggressive marketing posture is required*, together with a very tight budgeting and control process to ensure that capital resources are efficiently utilized.

### Maintain

Products in this category enjoy competitive positions in markets/ segments which are not considered attractive in the longer term. Here, the thrust should be towards maintaining a profitable position, with greater emphasis on present earnings rather than on aggressive growth.

The most successful product lines should be maintained, while less successful ones should be considered for pruning. Marketing effort should be focused on differentiating products to maintain share of key segments of the market. Discretionary marketing expenditure should be limited, especially when unchallenged by competitors or when products have matured. Comparative prices should be stabilized, except when a temporary aggressive stance is necessary to maintain market share.

### Profit

Products in this category have a poor position in unattractive markets. These products are 'bad' only if objectives are not appropriate to the company's position in the market segment. Generally, where immediate divestment is not warranted, these products should be managed for cash.

Product lines should be aggressively pruned, while all marketing expenditure should be minimized, with prices maintained or where possible raised.

However, a distinction needs to be made between different types of products. The two principal categories are:

Those which are clearly uncompetitive in unattractive markets. Those which are quite near to the dividing line.

Products in the first of these categories should generally be managed as outlined above. The others should generally be managed differently. For example, the reality of low growth should be acknowledged and the temptation should be resisted to grow the product at its previous high rates of growth. It should not be viewed as a 'marketing' problem, which will be likely to lead to high advertising, promotion, inventory costs and lower profitability. Growth segments should be identified and exploited where possible. Product quality should be emphasized to avoid 'commodity' competition. Productivity should be systematically improved. Finally, the attention of talented managers should be focused on such products.

## Selective

Here, it is necessary to decide whether to invest for future market leadership in these attractive markets/segments or whether to manage for present earnings. Both objectives are feasible, but it must be remembered that managing these products for cash today is usually inconsistent with market share growth and it is usually necessary to select the most promising markets and invest in them only.

## Further marketing and other functional guidelines

Further marketing and other functional guidelines which operating unit managers should consider when setting marketing objectives and corresponding strategies are given in Chapter 6.

It should be stressed, however, that there can be no *automatic* policy for a particular product or market, and SBU managers should consider three or more options before deciding on 'the best' for recommendation. Above all, SBU managers must evaluate the most attractive opportunities and assess the chances for success in the most realistic manner possible. This applies particularly to new business opportunities. New business opportunities would normally be expected to build on existing strengths, particularly in marketing, which can be subsequently expanded or supplemented.

## Database and summary of marketing objectives

The forms included in the database provide both an analytical framework and a summary of marketing objectives which are relevant to all strategic business unit managers. This summary is essential information which underpins the marketing plan.

## Forms included in database

Form 11: *Market segment sales values*, showing, across a five-year period, total market demand, the business unit's own sales and the market share these represent for the various market segments.

Form 12: *Market segment gross profits*, showing, across a five-year period, the business unit's sales value, gross profit, and gross margin for the various market segments.

Form 13: *Product group analysis*, showing, across a five-year period, the business unit's sales value, gross profit, and gross margin for different product groups.

Form 14: Summary (in words) of main marketing objectives and strategies.

## 9 Financial projections for three years

Finally, SBU managers should provide financial projections for the full three-year planning period under all the principal standard revenue and cost headings as specified by your organization.

*Note:* There is a form, Form 15, in the strategic marketing plan documentation.

# Strategic marketing plan documentation

## Form 1

### Unit mission statement

*This is the first item to appear in the marketing plan.*

The purpose of the mission statement is to ensure that the *raison d'être* of the unit is clearly stated. Brief statements should be made which cover the following points:

**1 Role or contribution of the unit**

e.g. profit generator service department opportunity seeker

**2 Definition of the business**

e.g. the needs you satisfy or the benefits you provide. Don't be too specific (e.g. 'we sell milking machinery') or too general

(e.g. 'we're in the engineering business').

**3 Distinctive competence**

This should be a brief statement that applies only to your specific unit. A statement that could equally apply to any competitor is unsatisfactory.

**4 Indications for future direction**

A brief statement of the principal things you would give serious consideration to (e.g. move into a new segment).

**It helps if these are under the headings**

**Things we will do**

" " " **MIGHT** "

" " **WILL NEVER** "

## Form 2

### Summary of SBU's performance

This opening section is designed to give a bird's eye view of the SBU's total marketing activities.

In addition to a quantitative summary of performance, as follows, SBU managers should give a summary of reasons for good or bad performance.

Use *constant revenue* in order that comparisons are meaningful.

Make sure you use the same base year values for any projections provided in later sections of this system.

*3 years ago 2 years ago Last year*

Volume/turnover

Gross profit (%)

Gross margin (000 ecu)

*Summary of reasons for good or bad performance*

## Form 3

### Summary of financial projections

*This is the third item to appear in the marketing plan.*

Its purpose is to summarize for the person reading the plan the financial results over the full three-year planning period. It should be presented as a simple diagram along the following lines:

ecu(000)  
Revenue  
900

700

500  
Contribution

t+1 t+2 t+3 Current year forecast (t)

This should be accompanied by a brief commentary. For example:

'This three-year business plan shows an increase in revenue from 700,000 ecu to 900,000 ecu and an increase in contribution from 100,000 ecu to 400,000 ecu. The purpose of this strategic plan is to show how these increases will be achieved.'

Gap analysis (4) Finally, list the value of any new products you might develop for new markets until Point E is reached (Steps 3,4 and 5 represent a sales growth focus). Gap analysis (5) If none of this gives the required return on investment consider changing the asset base. This could be: (a) Investment (b) Divestment (Step 6 represents a capital utilization focus.)  
etc. <sup>12</sup>Product <sup>11</sup>Product <sup>10</sup>Product

etc. <sup>3</sup>Product <sup>2</sup>Product <sup>1</sup>Product  
5 6

10  
<sup>1</sup>23etc. etc.  
Market  
Market  
Market  
<sup>11</sup>12  
Market  
Market  
Market  
(These represent cash and margin focus  
Value/volume

Are there any actions you can take to close the gap under the following headings? Plot the total value of these on the gap analysis graph on the left.

Now proceed to 3 below

TOTAL

Point B.

Point D.

the gap analysis graph on the left,

Point C.

Gap analysis (2) Ansoff product/market matrix (market penetration)

Ansoff Matrix.

Gap analysis (3) Ansoff product/market matrix (new products/new markets)

(Productivity) Better product mix Better customer mix More sales calls Better sales calls Increase price Reduce discounts Charge for deliveries Others

List the value of any new products you might develop which you might sell to existing markets. Alternatively, or as well, if necessary list the products that

you might sell to new markets.

This

point will be the addition of all the values in the right-

hand half of the small boxes in the

If there is a gap,

(a) List principal products on the horizontal axis and principal markets on the vertical axis. In each smaller square write in current sales and achievable

sales during

the planning period. (b) Next plot the market penetration position,

Plot the total value of

these on the gap analysis graph above,

Gap analysis (1)

proceed to 5.

## Strategic planning exercise (gap analysis) 1 Revenue

proceed to 4 below

2

4

Next,

products/markets)

penetration)

(objective)

(new

market

(productivity)

3

(forecast)

13

E

D

C  
B  
A

(a) Start by plotting the sales position you wish to achieve at the end of the planning period, Point E (b) Next plot the forecast position, Point A

Budget

etc. <sup>3</sup>Product <sup>2</sup>Product <sup>1</sup>Product

t1

Objective

## Form 4

1

<sup>1</sup>2

3

etc.

t0

Market

Market

Market

Rev/vol

Gap analysis (Diversification) Finally, list the value of any new products you might develop for new markets until Point E is reached (Steps 3, 4 and 5 represent a sales growth focus). Gap analysis (Capital utilization) If none of this gives the required return on investment consider changing the asset base. This could be: (a) Investment (b) Joint venture (Step 6 represents a capital utilization focus.)

etc. <sup>12</sup>Product <sup>11</sup>Product <sup>10</sup>Product

etc. <sup>3</sup>Product <sup>2</sup>Product

5 6

<sup>1</sup>Product

t0

<sup>1</sup>23 etc. etc.

Market

Market

Market

<sup>11</sup>12

Profit

Market

Market

Market

Gap analysis (Productivity) Are there any actions you can take to close the gap under the following headings? Plot the total value of these on the (These represent cash and margin focus)

Point B.

Not all factors are mutually exclusive)

If there is still a gap,

.

.) Now proceed to 3 below

TOTAL

Point D.

This

point will be the addition of all the values in the right-

hand half of the small boxes in the

gap analysis graph on the left,

(Productivity)

Others (specify)

Gap analysis (2) Ansoff product/market matrix (market penetration)

(a) List principal products on the horizontal axis and principal markets on the vertical axis. In each smaller square write in current sales and achievable

sales during

Gap analysis (3) Ansoff product/market matrix (new products/new markets)

If there is a gap,

Point C.

Ansoff Matrix.

the planning period. (b) Next plot the market penetration position,

Better product mix Better customer mix More sales calls Better sales calls Increase price Reduce discount Charge for deliveries Cost reduction

list the value of any new products you might develop which you might sell to existing markets. Alternatively, or as well, if necessary list the products that

you might sell to new markets.

(Note:

Plot the total value of

these on the gap analysis graph above,

proceed to 5.

## Strategic planning exercise (gap analysis) 2 Profit

.

proceed to 4 below

2

4

Next,

products/markets)

penetration)

(objective)

(new

(market

(productivity)

3

(forecast)

t3

(a) Start by plotting the sales profit position you wish to achieve at the end of the planning period, Point E (b) Next plot the forecast profit position, Point A.

E

D

C

B

A

t2

Budget

etc. <sup>3</sup>Product

t1

Objective

<sup>2</sup>Product <sup>1</sup>Product

## Form 5

1

<sup>1</sup>2

3

etc.

10

Market

Market

Market

Rev/vol

## 596 Marketing Plans

## Form 6

**Market overview** (with 'market map', if appropriate, together with implications for the organization)

Then multiply the score by the weight

Competitor D

Competitor C

Competitor B

Competitor A

.

Score yourself and each of your main competitors out of 10 on each of the CSFs

Strengths/weaknesses analysis

Financial consequences

9 Key strategies

You

Comp

1 2 3 4

Total weight)

5

(score

8 Key objectives

CSF

4

Weighting How important is each of these CSFs? Score out of 100

Total 100

3

## Strategic planning exercise (SWOT analysis) (Note: This form should be completed for each product/market segment under

consideration)  
's  
point of view,  
that any competitor has to do right to succeed?  
Critical success factors What are the few key things from the customer 1 2 3 4 5  
Key assumptions for the planning period  
1 2 3 4 5 6 Key issues that need to be addressed  
6 7  
7

### Threats

SBU description Here, describe the market for which the SWOT is being done

Opportunities/threats What are the few key things

outside your direct control that have had, and will continue to have, an impact on your business?  
Opportunities  
1

## Form 7

5  
1 2 3 4 5

*Competitive position*

### Weaknesses

**: This form should be completed for each product market segment under consideration**

*Strengths*

*Business direction and current objectives and strategies*

*Products/markets*

## **Form 8** *Note*

*Main  
competitor*

*A step-by-step marketing planning system 599*

## **Form 9**

### **Portfolio summary**

Business strengths

High

Low

High

Marketattractiveness

Low

*600 Marketing Plans*

## **Form 10**

### **Assumptions**