The Sales Manager's Book of Marketing Planning

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Preface

Marketing planning will be essential to survival and growth of companies in the rapidly changing business environment of the 1980s. To a much greater degree than in the past company strategies are being driven by forces in the marketplace. Analyzing market behavior and adjusting strategies to changing conditions require a hands-on approach to marketing planning. Decision-based planning has become increasingly critical due to the need to frequently alter strategies for products and markets. Seat-of-the-pants approaches to sales and marketing management are ineffective in the current environment.

This book provides practicing managers with a guide to marketing planning. Developed around a step-by-step approach to marketing planning, the book serves two primary purposes. First, it offers executives who already have established approaches to marketing planning a basis for evaluating and refining the approaches. Second, the book contains a practical set of guidelines for implementing formal marketing planning in companies that want to start a planning program. Each chapter is concluded with a checklist that can be used to review your own marketing planning approach.

The intended reader is the manager who wants a complete yet concise and practical guide to developing and using a marketing plan. It is particularly useful for sales managers who are interested in expanding their knowledge of marketing planning. It should also be of interest to chief executives, marketing researchers, advertising specialists, salespeople seeking management positions, and other executives who want to increase their understanding of marketing planning.

You are an essential part of the planning approach presented in the book. The success of the marketing planning guidelines in your organization depends upon your knowledge of and experience with the market environment in which you operate. Many important marketing planning questions and issues are considered in the book. Obtaining answers to these questions requires a detailed understanding of your particular business environment.

Finally, I have drawn from the contributions and experiences of many different people and organizations. While space does permit thanking each contributor, a special note of appreciation is extended to all. Although the final result is my responsibility, the many contributions of others were vital to accomplishing the product.

David W. Cravens

Contents

1

Marketing planning

The turbulent business environment in the United States and throughout the world is unprecedented in the experiences of most executives. This exciting new challenge that sales and marketing managers face has never been greater in the history of business practice. The 1980s mark the beginning of a new era for business decision makers. There is a shift toward much greater emphasis upon planning and the more active participation of sales and marketing professionals in both corporate and marketing planning. Three major forces are reshaping the role of marketing in many organizations, making it far more demanding than in the past.

- ☐ Rapid changes in markets are creating opportunities and threats by altering the attractiveness of markets and causing pressures for quick and correct strategic response. In many companies survival is the name of the game. We need only look back at the 1970s to appreciate the importance of understanding markets for products and services and the need for prompt attention to the changing needs and wants of customers. Polaroid Corporation's unsuccessful entry in 1977 into the instant movie market illustrates the importance of identifying the real needs and wants of customers and matching them with appropriate product offerings. People did not want to pay a premium price for instant movies whose quality did not measure up to conventional film.
- ☐ Top management is placing far more emphasis than in the past upon sales and marketing capabilities as a way of strengthening the com-

petitive position of the business. While management of firms like General Electric and Procter & Gamble have long recognized the key role of these decisions, many small and medium-sized firms, and even giants like American Telephone & Telegraph, are currently directing much more attention toward marketing strategy.

- Finally, there is a clear recognition that meeting customer needs and wants is the responsibility of all of the people in the organization, not just those assigned to the sales department. Management must mold all activities into a businesswide effort aimed at customer satisfaction.

Sales operations form the core of the marketing efforts of many companies. The role and importance of sales management and other marketing professionals are rapidly expanding in many firms to include their active participation in marketing planning. Additionally, sales managers must plan and manage sales operations as a coordinated part of the marketing strategy of the business. Meeting this new role will require sales and marketing professionals to expand their planning capabilities.

Many managers cite marketing planning as one of their most difficult and frustrating assignments. Others question its usefulness. Virtually all managers are concerned about the time needed for planning. While planning is challenging, it need not be frustrating. And since planning is decision making, its usefulness is not really an issue. The reason managers are on the payroll is to make decisions. Thus, the real issue is not whether to plan but rather how well do we do it. Marketing planning is not a routine activity that can be easily dispensed with. One perplexing problem many executives encounter in planning is deciding what to include in the plan. Often too much is included. Following a proven step-by-step approach in marketing planning will enable most executives to improve the speed of preparation, reduce the length, and increase the effectiveness of their marketing plans. The key, of course, is making the right decisions, and no planning approach can eliminate this responsibility.

Planning is not report preparation by a group of staff people. Managers plan. In this book we shall present an action-oriented and practical approach to marketing planning and illustrate how it can be applied in many different business environments. Representing over two decades of development, with applications in a wide range of firms, the approach is built around the decisions that management must make to satisfy customer needs and wants. Properly applied, it gets results.

This chapter sets the stage for the remainder of the book by first examining what a marketing orientation is all about and considering how adopting it will lead to customer satisfaction. Next, we illustrate the importance of planning to business survival and prosperity, discussing several reasons why strategies fail. Finally, a step-by-step approach to marketing planning is outlined and illustrated. The remaining chapters of the book examine each of these marketing planning steps.

CUSTOMER SATISFACTION

If people do not want or need your product or service, they will not buy it. This is what a *marketing orientation* is all about! It applies to toothpaste, industrial cranes, financial services, or any other product or service. It is important in your business. This approach to marketing consists of three simple, yet critical, cornerstones. Let's review them:

- ☐ Start with customer needs and wants as the basis of business purpose. Management must identify these needs and wants and then decide which ones to try to satisfy.
- ☐ Next, we must determine how to satisfy customer needs and wants. This is the responsibility of all members of the enterprise, not just those assigned to selling.
- ☐ Finally, meeting our objectives is the result of delivering customer satisfaction.

This simple, yet critical, logic is at the heart of business success. While a marketing orientation represents nothing really new to executives and its commonsense guides are clear, surprisingly, many businesses have never put this approach into practice.

Applying the marketing orientation is a continuing activity. Plans must be developed, implemented, and evaluated to assure that customers are satisfied. We cannot identify customer needs and wants at one point and expect them to never change. Determining these needs is not always easy. Management must be ready to adapt to changing conditions which may generate new opportunities and problems. Once identified, choosing an effective business strategy is a major challenge for management. Well-planned and executed business plans do not always result in the levels of performance expected by management and so management must continue making changes until satisfactory performance is reached. Let's examine a company that has built an impressive performance record for many decades in delivering customer satisfaction.

A good listener[1]

Building the business using a marketing orientation has been profitable for Procter & Gamble. Following its guidelines has resulted in impressive performance for more than a century. An aggressive competitor, the firm's sales and marketing professionals are second to none in experience and ability in the use of such marketing techniques as market research and test marketing. P&G has performed well in highly competitive, mature product-markets.

Heeding the consumer

Following a marketing orientation goes back in P&G's history to 1879, when a factory worker made a mistake. A mixing machine for soap ran too long and resulted in a frothy concoction. The workman and his supervisor decided to go ahead and distribute the mixture. Buyers discovered when they used the soap that it floated in water. Consumers wanted more of the soap, and management traced it back to the overmixed batch. The result was Ivory soap. While making mistakes is not what a marketing orientation is all about, the incident demonstrates P&G's early awareness of the importance of listening to its customers. Today, this sensitivity to customer needs and wants has been incorporated into an early warning system. In 1980 the company received upward of 250,000 calls and letters from customers (one half seeking information, one sixth praises, and one third complaints). By the end of 1980 all of P&G's 80 brands had a toll-free number on the package or label. The company received some 500,000 calls in 1981.

Marketing information

Management does not depend only upon consumer-initiated feedback. In 1980 P&G conducted nearly 1,000 consumer studies involving phone or home interviews with some 1.5 million people. The studies are used to measure consumer satisfaction with P&G products, to test names and packaging designs, and to explore other important marketing and product design questions. Some even analyze people's consumption habits, such as how they wash clothes, prepare meals, wash dishes, and perform other household tasks. Research data are circulated monthly to every major segment of the company where the findings are studied for their implications for sales and marketing, advertising, manufacturing, and research and development operations. For example, Cheer detergent is the result of a research finding which indicated that the average household's laundry loads increased in the 1960s from 6.4 to 7.6 a week and the average wash temperature dropped 15 degrees. The cause was synthetic fabrics and new blends which presented different washing problems. Cheer was developed to meet these needs by allowing several fabric types to be washed together.

Strategies for meeting needs

P&G's management knows how to translate feedback from the marketplace into marketing action by continually watching for new trends in tastes, needs, environment, and living habits. They carefully study the competition. New product programs and those for existing brands are planned in detail, launched, and then evaluated on a regular basis. Some critics argue that P&G buys market position with huge advertising and promotional expenditures. The firm's $650 million expenditure on advertising did place P&G at the top of all firms in 1980. While advertising is an important part of the marketing plans used to position P&G brands against competition, the key to a long string of company successes is management's ability to figure out what consumers want and to put the entire company behind an effort to satisfy people's needs and wants. P&G's well-trained professional sales force is a key factor in the company's strong distribution network.

Sometimes mistakes are made. For example, a roll of disposable, detergent-filled paper dishclothes with fabric-like characteristics failed. The product, called Fling, was market tested in 1963 and ultimately dropped. P&G's most recent disaster was its Rely tampon, which was withdrawn from the market in 1980, due to an apparent health hazard, at a cost of over $75 million. While the research and testing for Rely were impressive, the efforts did not guarantee success. Nevertheless, P&G's extensive research, planning, and sound implementation have, in the balance, paid off for the company.

Our look at P&G illustrates three important points concerning adoption of a marketing orientation. To find and hold a strong position against competitors, management must study the marketplace, build a corporate team to serve customer needs and wants, and be ready to respond to the inevitable forces of change.

STRATEGIC PLANNING AND MARKETING

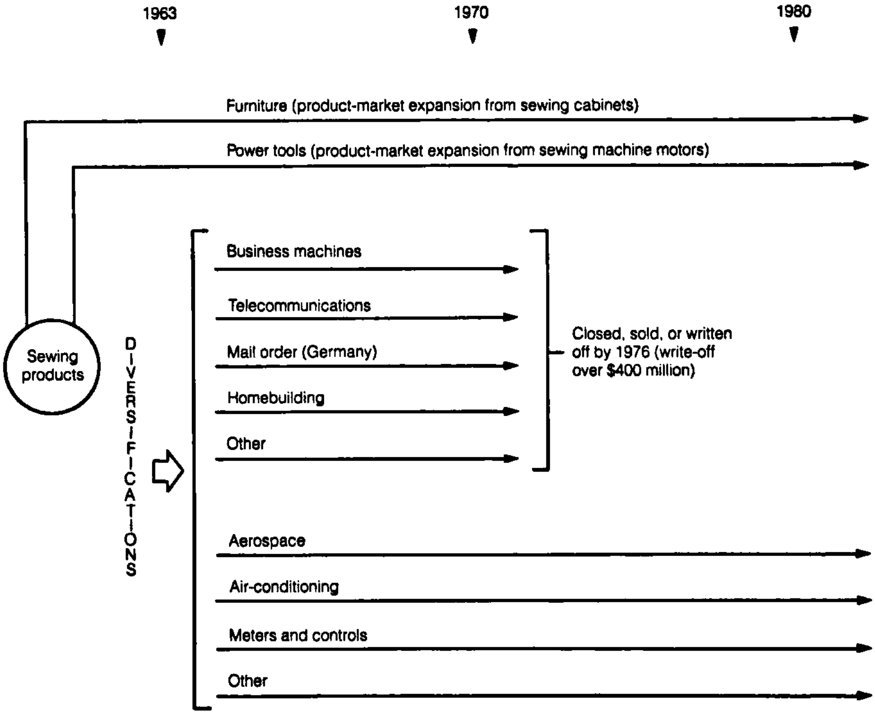
Often we can learn as much by analyzing mistakes as by studying the successes of business firms. In this book the corporate and marketing plans of a variety of companies are examined to illustrate successful and unsuccessful planning decisions. My purpose is not to praise or criticize the management of any company. Rather, their experiences can assist other firms to develop successful plans for capitalizing upon opportunities and avoiding threats. Some companies that are in trouble today may be very successful in the future, and vice versa. Let's examine the Singer Company with two objectives in mind. First, the illustration shows the important role of sound planning in successful corporate performance. Second, as you consider Singer's strategic errors, note, in particular, how marketing decisions had an important influence upon corporate performance.

Importance of planning

The Singer Company is widely recognized throughout the world as the largest manufacturer of sewing machines. Sales in 1981 were over $3 billion. Essentially no sales growth occurred throughout the 1970s after taking inflation into account. Profit performance was even worse. The company entered the 1980s facing an uncertain future after more than a decade of problems including a slowdown in the growth of the sewing market, intense competition, several unsuccessful diversification moves, and some huge write-offs. Strong financial performance in the 1960s had generated large cash flows from sewing machine sales. But recognizing the slow growth implications of a mature home sewing market and facing intense competition from the Japanese, management decided to diversify into other areas.

Too much too fast. As you analyze companies such as Procter & Gamble, General Mills, United Technologies, and others, you will see a logical reason for their movements into new business areas. In contrast, Singer's management plunged the company into product diversifications with apparently limited analysis of market trends, competitive strengths, and the strategic attractiveness of each diversification to the company. As shown in Exhibit 1-1, in the mid-1960s, the company launched over a score of acquisitions that included business machines, audio equipment, heating and air-conditioning equipment, furniture, water meters, valves, aerospace gear, electronics, housing, and even a mail-order house and a credit bank in Germany![2] There was no cohesiveness to the new business units. Hastily acquired in the 60s and 70s, many were no longer in the company's business portfolio by 1980, although a few of the remaining businesses were doing well. While movement away from sewing products was necessary, the fit of many of these acquisitions into Singer's business portfolio is questionable. They represented new technologies, unfamiliar markets, different marketing and distribution methods, and many other new experiences. Huge demands were made upon management's talents and Singer's financial resources. Bringing any one of the new businesses into Singer's operations would have been a challenge for a management team not experienced in managing a diversified corporation. David Packard, co-founder and chairman of the Hewlett-Packard Company, emphasizes the importance of selectivity:

Exhibit 1–1
Singer Company diversifications



> There is one piece of advice a friend gave me early in the game which I think is very important: that more businesses die of indigestion than of starvation. This simply says that a lot of people take on more than they're able to and they get into trouble.[3]

Sound business planning requires deciding what priorities to place upon a firm's various business areas including, in some instances, eliminating products or choosing not to serve certain markets. Few if any firms are successful in meeting everyone's needs. Management must make a realistic assessment of the available capabilities and resources for serving the markets of interest to the firm.

No strategic planning. Interestingly, the only two diversification areas linked to Singer's original sewing business were furniture (from sewing cabinet know-how) and power tools (from sewing machine motor experience). Analysis of the market attractiveness and the competitive situation of proposed acquisitions was not thorough. Apparently no real planning was done:

> Some Singer people blame the company's acquisition troubles on lack of orderly planning. "I haven't seen a 5-year plan around here for 10 years," says one executive. "Our plans aren't even made by the year—they're made by the month." Had more market studies been made, Singer would not have attempted to sell TV and audio products in its sewing machine stores. "We discovered that women don't make those buying decisions," one Singer man says ruefully.[4]

Faulty analyses and poor timing crop up in many parts of Singer's diversification strategy. They bought companies only to find that industries were in slumps or facing slow growth opportunities.

Building business strategies. A close look at Singer's first acquisition provides more evidence of the company's indigestion problems. The Friden Co. (electromechanical calculators), acquired in 1963, grew along with other acquisitions into the Singer Business Machines Division (SBM). It became the largest failure of any of the company's acquisitions. The division was written off in 1975 at a cost of $385 million by the new chief executive officer, Joseph B. Flavin, previously executive vice president at Xerox Corporation.[5] Surprisingly, after pouring huge amounts of cash into this division, management moved it from an obsolete technology position to first position in the electronic cash register market, and then lost this position in 1975 to the National Cash Register Company. The problem is as noted:

> While most of Singer's other woes stem from an acquisition program unsupported by controls, SBM's problems came from a succession of marketing men and engineers who headed the division but who could not blend the marketing and engineering functions successfully as they converted their products from electromechanical to electronic operation.[6]

Although the division never made money, it was strongly positioned in two large growth markets—point-of-sale electronic cash registers and small business computers. If top management had not been so preoccupied with the company's various businesses, this division might have been turned around.

In mid-1982 the company's common stock was selling at $12 per share, down from an all-time high of $100. Singer offers convincing evidence of the dangers in faulty planning, limited market opportunity evaluations, poor implementation, and inadequate management control. The company's future will be heavily dependent upon the performance of its nonsewing products, including power tools, furniture, meters, industrial air conditioning, and aerospace products. These successful divisions more than doubled their operating income from 1975 to 1979 on a 33 percent sales boost.[7]

Strategic planning

The Singer illustration shows the perils of poor planning, indicating the need for close involvement by sales and marketing professionals. Strategic planning is a continuing activity consisting of:

- ☐ Analyzing business performance and identifying future opportunities and threats.
- ☐ Determining corporate mission, objectives, and strategies.
- ☐ Setting objectives and developing strategies for each unit of the business.
- ☐ Implementing, managing, and adjusting mission and strategies to achieve corporate and business unit objectives.

Business analysis. Assessments must be made of present and future performance of the firm in the market areas that it serves. Business analysis may also include evaluating opportunities outside the present scope of the business. A corporation that is comprised of two or more business activities (e.g., sewing products and power tools) should be managed as a portfolio of business units, each reflecting its unique future attractiveness to the firm. The planner studies the composition of the business, product and market interrelationships among the units and pinpoints future threats and opportunities. Both financial and market analysis skills are essential in performing these analyses.

Corporate mission and objectives. Mission and objectives provide guidelines for planning throughout the business. Corporate mission is what the management wants it to be and what available resources will allow the company to be. For example, Bell & Howell defines corporate purpose to be a leading supplier of information systems throughout the world. Mission determination involves deciding the product and market areas to be pursued by the firm. While changes in mission are not made frequently, adjustments to new conditions may be necessary.

Business unit objectives and plans. Strategic planning in the 1970s caused many changes in corporations, including acquisitions, divestments, and setting different performance goals for business units. Some business units face slow growth, while others may offer exciting future opportunities. A firm's strength over competition will also vary between business areas. Thus, business planning activities should indicate how financial resources are to be allocated among units and management's expectations regarding financial and market performance for each business unit. Business unit objectives set the stage for develop-