

Published on behalf of the Institute of
Marketing and the CAM Foundation

Management Controls and Marketing Planning

*Incorporating
Management Controls
in Marketing*

RMS Wilson

MSc, BA, BCom, FCMA, Dip.M, MInst M, MCAM

Management Controls and Marketing Planning

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The INSTITUTE OF MARKETING
and the CAM FOUNDATION



HEINEMANN : LONDON

William Heinemann Ltd
10 Upper Grosvenor Street, London W1X 9PA

LONDON MELBOURNE TORONTO
JOHANNESBURG AUCKLAND

© R. M. S. Wilson 1979
First published 1979
Reprinted 1980
434 92266 8

Typeset in IBM Press Roman by Preface Ltd, Salisbury, Wilts
Printed in Great Britain by Redwood Burn Limited
Trowbridge & Esher

Management Controls and Marketing Planning

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FOR ANN

**With affectionate appreciation: although
she did not write a word of it, in her own
way she contributed as much to this book
as did the author.**

Foreword

Marketing men in general, and salesmen in particular, know little about financial and managerial controls, whilst accountants seldom know enough about the nature of marketing to fulfil their staff role to marketing in an adequate way. Hence, Richard Wilson's book will be most valuable to both groups. As the Institute of Marketing has rightly identified, bridging this gap between accounting and marketing must have the highest priority if sales-oriented or production-oriented companies are to be able to implement the whole panoply of marketing ideas.

Richard Wilson is particularly well qualified to have undertaken the task of writing a book such as this because, to my certain knowledge, both in the university world and more specifically in a number of senior industrial appointments, he has been responsible for fashioning systems of management control in companies embracing the marketing concept. His chapters on the management process and, in particular, the framework for control indicate an effective understanding of the contributions which management theory can make to this vital problem area. His examination of several elements of the marketing mix, exploring the appropriate techniques for control and the problems of applying them, is extremely thorough and can serve as a most valuable reference for the practising accountant and marketing executive.

I would commend this book to be widely used in universities and polytechnics, and by those members of the Institute of Marketing who feel that their comprehension of management planning and control techniques has room for improvement — which must surely mean us all.

GORDON WILLS

Professor of Marketing & Logistics

Studies,

Cranfield School of Management,

Fellow of the Institute of Marketing

Preface

The rather ambitious (but not, one hopes, pretentious) aim of this book is to aid in improving the quality (in terms both of efficiency and effectiveness) of marketing practice. To this end it is intended for two primary audiences:

Practitioners who are either engaged directly in managing marketing activities (such as marketing managers, product managers, and sales managers), or who are concerned in helping these executives to manage their marketing activities (which includes accountants, business planners, financial analysts, and management scientists).

From a practitioner's viewpoint it is difficult for the marketing man to learn enough about managerial planning and control to enable him to suggest which techniques or approaches might best be applied to help him in problem-solving and decision-making. Similarly, it is difficult in many instances for the staff adviser (be he accountant or managerial services specialist) to be sufficiently aware of the many aspects of marketing that must be controlled, and of the particular problems faced within the marketing sphere, to enable him to apply the tools at his disposal correctly and usefully.

Every effort has been made in writing this book to make it useful in an everyday sense to executives from all functional areas of business. It is hoped that, as a result of reading it, marketing specialists will gain a deeper understanding of management planning and control whilst those from other spheres of activity will gain a wider appreciation of the role of marketing in its total business context.

Advanced students of various management and related subjects. In particular, the book should appeal to those studying for the Marketing Management (Planning and Control) and Marketing Management (Analysis and Decision) papers of the Institute of Marketing's Diploma syllabus.

Beyond this, however, it will be found relevant to those studying for the H.N.D./H.N.C. of the Business Education Council; for the Diploma in Management Studies of the C.N.A.A.; and in a range of other courses offered by the universities,

polytechnics, and business schools. In addition, it should help students who are preparing for the examinations of the Institute of Cost and Management Accountants (notably for the Organisation and Marketing Management paper in Part 2 of the professional stage, and the Corporate Planning and Control paper in Part 3 of the professional stage) and of the Association of Certified Accountants (for Paper 17 in Section 3, Business Management).

In relation to the I.M. syllabus there is the explicit objective of seeking to provide ... 'a firm educational foundation appropriate to the best practice of marketing'. Both effective education and sound practice require the individual to be able to think for himself as opposed merely to being able to follow the tramlines of rigid techniques that were probably designed as attempts to solve rather different problems in rather different circumstances from those facing a given manager. This book attempts to lead to better marketing practice by focusing on *the identification of problems and on a creative approach* (e.g. via modelling) *to their solution*. The learning (by indoctrination) of 'standard' solutions in an unimaginative and uncritical manner is *not* seen as being in any way appropriate to successful marketing which demands evidence of analytical ability. I.M.'s Diploma course seeks to '... extend the analytical and conceptual tools available to candidates and to permit the development of their skills of application in marketing management.' Thus interpretive and inventive skills are to be encouraged, plus the ability to anticipate the implications of using particular solutions.

Whether he be a practitioner or a student, the reader to whom this book is directed is not the narrow, blinkered specialist who has neither interest nor aspiration beyond his own speciality; he is amongst the growing body of managers (and students of management) who are concerned with the way in which functions (be they of the departmental type such as marketing or finance, or of the systems variety such as planning and controlling) can be co-ordinated in the efficient accomplishment of the aims of the enterprise.

The major function of a manager is, it is argued, to control the behaviour of the enterprise, and this involves setting objectives, drawing up plans, allocating resources, monitoring performance, and feeding back results to decision-makers in order that they might revise their plans to meet their objectives in the context of a dynamic environment. Control, therefore, is not a narrow specialism, but the most pervasive feature of organizational life. By putting management control into its corporate setting and then, within a systems framework, relating this to marketing, this volume has been written to fill a known need since no other book focuses attention specifically on management control and on the application of control techniques to marketing.

The revisions in this edition are largely reflected in the change of title from *Management Controls in Marketing* to *Management Controls and Marketing Planning*, and in the much closer linkage between the revised content and the I.M. syllabus.

Chapters 1–5 are entirely new and develop what might be termed an ‘experimentation’ or modelling approach to managerial planning and control. This is the aim of Chapters 1 and 2 in particular, but the theme continues throughout the remaining chapters. Chapter 3 focuses on the future as the relevant time dimension for marketing decision-making, and establishes further grounds for the existence of planning. Chapters 4 and 5 look in some detail at approaches to both corporate and marketing planning. Chapters 6–9 then outline and illustrate the application of control techniques within the framework developed in Chapters 1–5. As evidenced by the extensive bibliography, the opportunity has been taken in this revised edition to tie the text more closely to the wide range of literature that characterizes the eclectic nature both of marketing and of management control. It is not possible to deal in any comprehensive way with methodology, techniques, or applications in a single, modest volume, so readers are strongly advised to make use of the bibliography to follow up ideas within the text that interest them.

It is as a result of a common interest in encouraging the wider adoption of the marketing concept, along with the efficient application of marketing orientation to business practice, that the Institute of Marketing has sponsored this book. I hope it goes some way to achieving its intended purpose.

Beighton, South Yorkshire

R. M. S. W.

Acknowledgements

Without the valuable encouragement of Professor E. Anthony Lowe of the Division of Economic Studies in the University of Sheffield, and Professor Roy Hill of the Cranfield Institute of Technology, the work involved in producing the manuscript for this book would probably never have been started. In its early development Howard Stringer of Yorkshire Vehicles Ltd. offered some helpful comments, and many improvements were made as a result of critical comment from Collin Southern of Mars Ltd. and Bob Wilkins of William R. Warner & Co. Ltd.

Useful advice on several points has been given by Professor John Perrin, Director of the Centre for Industrial, Economic, and Business Research at the University of Warwick; Professor Martin Christopher of the Cranfield School of Management; Professor Philip Kotler of North-Western University and Ted Jenner, Jacqueline Marrian, and the Editorial Board of the Institute of Marketing.

To all these people, for their counsel and support, I offer my grateful thanks. In relation to the revision from *Management Controls in Marketing* to *Management Controls and Marketing Planning* I am particularly indebted to Ted Jenner and Tony Lowe on matters of content and approach, and to Bob Maxwell of the Croydon College of Design and Technology, whilst my appreciation is due to Mrs Wendy Rodgerson and Miss Susan Wardle for coping most efficiently with the task of typing the revisions. The index was prepared by Mrs Audrey Bamber, to whom I express my thanks.

The publishers were helpful and tolerant, and I owe a special obligation to Professor Gordon Wills of Cranfield who has done much more for me than just contributing the Foreword of this book.

For kindly allowing me to reproduce their copyright material, I am pleased to acknowledge the following:

The Editor of *Accountancy* for Figure 4.6 ('Product Portfolio Matrix') from Adrian Buckley's article 'Planning the Corporate Zoo'. *Accountancy*, July, 1974.

The American Management Association for Figures 9.7 and 9.8 which were originally published in A. B. Blankenship and J. B. Doyle: *Marketing Research Management* New York: A.M.A., 1965.

The American Marketing Association for the basis of that part of Chapter 9.4 dealing with the value of information which was drawn from J. Myers and A. C. Samli: 'Management Control of Marketing Research'. *Journal of Marketing Research*, Vol. VI, No. 3, August, 1969.

B.B.C. Publications for Figure 6.3 ('Levels of Information') from G. J. Morris and H. S. Woodgate: *Computers for Management*, London: B.B.C., 1967.

E. L. Buesnel of Unilever Ltd. for Figure 8.21 ('Network for Launching a New Product') from his paper 'Applying Network Analysis in a Dynamic Marketing Environment', contained in *Creating and Marketing New Products*. University of Bradford Management Centre, 1968.

The Free Press for Figure 2.6 ('Stages of an Experiment') adapted from M. Venkatesan and R. J. Holloway: *An Introduction to Marketing Experimentation*. New York: Free Press, 1971.

Granada Publishing Ltd. for several ideas in Chapter 8.8 from W. T. Kelley: *Marketing Intelligence*. London: Staples Press, 1968.

'Harvard Business Review' for Figure 6.2 ('The Anatomy of Management Information') adapted from D. R. Daniel: 'Management Information Crisis'. *Harvard Business Review*, Vol. 39, No. 5, September–October, 1961.

Richard D. Irwin, Inc. for Figures 3.1 and 3.2 based on R. N. Anthony, J. Dearden and R. F. Vancil: *Management Control Systems: Text, Cases & Readings*. Homewood, Illinois: Richard D. Irwin, 1972. Pp. 9 and 15.

David E. Hussey and Pergamon Press Ltd. for Figure 3.4 ('A Generalised Planning System') from D. E. Hussey: *Introducing Corporate Planning*. Oxford: Pergamon, 1971.

Hutchinson & Co. Ltd. for Figures 9.17 and 9.18 A, B and C, from A. Wilson (Ed.): *The Marketing of Industrial Products*. London: Hutchinson, 1965.

Professor Max Kjaer-Hansen for some cost problems incorporated in Chapter 7.5 that he discussed in M. Kjaer-Hansen (Ed.): *Cost Problems in Modern Marketing*. Amsterdam: North-Holland Publishing Company, 1965.

Professor Philip Kotler for Figures 8.18, 8.19 and 8.20 from his manual *Marketing Audit and Control*. University of Bradford Management Centre, 1969.

McGraw-Hill Book Company for Figure 1.2 ('The Cycle of Control') adapted from M. Mundell: *A Conceptual Framework for the Management Sciences*. New York, 1967; Figure 4.1 ('The Corporate Planning Process') from B. W. Denning (Ed.): *Corporate Planning*. Maidenhead, 1971; Figure 4.4 ('Growth Strategies') adapted from H. I. Ansoff: *Corporate Strategy*. New York, 1965; Figure 7.1 ('Key Financial factors in Marketing Performance') and Figure 9.5 ('Delivery Control Statistics') adapted from R. Neuschel: *Management by System*. New York, 2nd. Edition, 1960; and (adapted in Summary form) the bases of cost allocation appearing in Chapter 8.4 and the central ideas in Chapter 8.9 from C. H. Sevin: *Marketing Productivity Analysis*. New York, 1965.

Prentice-Hall Inc. for the summary of problems of the marketing sub-system in Chapter 7.3 abstracted from P. Kotler: *Marketing Management: Analysis, Planning and Control*. Englewood Cliffs, N.J.: Prentice-Hall, 1967.

Professor Leslie W. Rodger and Hutchinson & Co. Ltd. for Figure 5.1 ('The Marketing Process'), the definition of marketing put forward in Chapter 5.1, various ideas on coordination used in Chapter 5.2, and Figure 9.20 ('New Product Development Network') all contained in L. W. Rodger: *Marketing in a Competitive Economy*. London: Hutchinson, 1965.

R. I. Tricker for various myths in Chapter 6 taken from his paper 'Ten Myths of Management Information'. *Management Accounting*, Vol. 49, No. 8, August, 1971.

The University of Bradford Management Centre for Figure 4.5 ('Choice of Strategic Focus') from A. Shuchman: *Industrial Marketing Planning Seminar Manual*, 1975; and for various numerical examples used as a basis for illustration in Chapters 8 and 9 from *New Developments in Industrial Marketing Seminar Manual*, 1968, and *Marketing Technological Products to Industry Seminar Manual*, 1967.

Wadsworth Publishing Company for a number of points contained in the checklist in Chapter 9.1 from A. R. Oxenfeldt: *Executive Action in Marketing*. Belmont, California: Wadsworth, 1966.

John Wiley & Sons for Figure 9.14 ('Product Mix Analysis') adapted from J. Brion: *Corporate Marketing Planning*. New York: Wiley, 1967.

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1. *The Management Process*

Management can be looked at from a variety of viewpoints. It may be seen from one perspective as being largely an *attitude* that reflects a willingness to debate issues and resolve them through the use of appropriate techniques and procedures (Starr, 1971, p. viii)*. Alternatively, management may be viewed in terms of its *responsibility for achieving desired objectives*, which requires the selection of means to accomplish these prescribed ends, and which implies a degree of rationality in the allocation of resources.

During recent years, there have been significant developments in quantitative methods in management, giving new analytical capabilities – often linked to developments in computer technology (although this is not always necessary) and the increasing adoption of what is often termed *the systems approach* (Churchman, 1968). However, managerial success tends to depend on the balancing of enlightened attitudes and analytical skills, rather than on the emphasis of one to the exclusion of the other; and this balance needs to be exercised through people: ‘managing is the art of getting things done through and with people in formally organized groups. It is the art of creating an environment in which people can perform as individuals and yet co-operate towards the attainment of group goals. It is the art of removing blocks to such performance’ (Koontz, 1962).

In endeavouring to work through people in order to achieve his objectives, a manager must determine how he should use his available resources (often characterized in the alliterative form of men, money, machines, materials, and methods) to best effect. This requires him to choose amongst alternative patterns of resource allocation in the usual situation in which there is more than one way of using available resources. (If only one course of action is possible the choice really decides itself.)

Decision-making and management are really the same thing. ‘In treating decision making as synonymous with managing, I shall be referring not merely to the final

*References in the text relate to the bibliography which can be found at the end of the book, pp. 201–17.

act of choice among alternatives, but rather to the whole process of decision' (Simon, 1960, p. 1). This process is rendered problematic because of the existence of risk and uncertainty in the face of which some managers postpone making a choice amongst alternative actions for fear of that choice being wrong. However, they are actually then making another choice in that they are deciding *not to decide* (Barnard, 1956, p. 193), and this is not a means of eliminating risk since it seeks to ignore the problem-situation rather than resolve it. An example might be found in a company having products that are in decline, and a choice has to be made amongst several new products in order to improve future prospects. As usual, uncertainty will make the choice difficult, and the significance of the choice may cause management to put off making a decision until it is too late and the sales of existing products have fallen to such a low level that the company is forced out of business.

The central question in management is, therefore, given that at every point someone must make one or more decisions, how should decisions be made (*see* Welsch & Cyert, 1970)? This book is very concerned with this question which presents itself to us as a problem requiring a solution in the same way that decision situations are really in the form of problems, each requiring a solution. So let us proceed by considering how we might approach problem solving in general, and then narrow this down to cover business decision-making as a particular class of problem (*see* Polya, 1957; Simon, 1960; Wickelgren, 1974). We can suggest an approach involving six stages:

(i) The first step is the recognition that a problem exists (in the form of, for instance, a decision that must be taken or an opportunity that may be seized). In articulating the existence of the problem, it is necessary to consider the purpose that is to be served by its solution: in other words, what is the objective of the exercise? If more than one objective is present in a particular problem context, it may be necessary to make a trade-off (i.e. balance one objective against another by assigning priorities to each, as when a slower rate of market penetration is traded-off against higher product quality in order to ensure repeat buying behaviour patterns for the future on the part of consumers). By specifying clearly at the outset the nature of the problem and the purpose its solution is to serve, the problem-solver is able to concentrate his attention on this matter in an efficient way. It is important to realize, however, that problems need to be perceived: they do not always present themselves in an obvious manner.

(ii) Having formulated the problem, the next step is to formulate alternative solutions to it. Under conditions of uncertainty (which essentially means in the absence of accurate information) this raises another decision problem: how should a search for alternative courses of action be carried out? We return to this problem later (*see* pp. 34–5), but at this point we should recognize that the identification of alternatives requires an input of resources as an intermediate step in solving the initial problem.