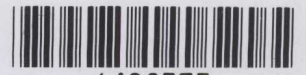


SEVENTH EDITION

MARKETING PLANS

HOW TO PREPARE THEM, HOW TO USE THEM

**Malcolm McDonald
and Hugh Wilson**



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Marketing Plans

How to Prepare Them,
How to Use Them

Seventh Edition

Malcolm McDonald
Hugh Wilson
常州大学图书馆藏书章



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Preface and acknowledgements

Please read this as it contains important information about this book.

The importance of marketing planning is demonstrated by the half million copies of this book which have been sold in English and many other languages since it was first published in 1984.

Since the book's launch, it has helped and encouraged hundreds of thousands of practising managers with the difficult task of marketing planning. Many of them have been kind enough to write expressing their thanks for the book's practical, no-nonsense style and approach to the subject. This has encouraged the first author, Malcolm McDonald, to update the book continually in previous editions, and in this edition to ask his esteemed colleague Professor Hugh Wilson to join him as co-author. Originally a computer scientist, Hugh brings to the book deep experience in the latest thinking on marketing in a digital world, including integrated marketing communications, e-commerce, multichannel strategy and CRM. The authors have been working together on how to evolve marketing planning in a digital world for over 20 years.

The purpose of this book is quite simply to explain and demonstrate how to prepare and use a marketing plan. It is equally relevant for consumer, service and industrial goods companies, as well as not-for-profit organizations, since the process is universal.

It is based on our research into the marketing planning practices of industrial, service and retail companies, which has revealed marketing planning as an area of major weakness. Almost without exception, companies that thought they were planning were in fact only forecasting and budgeting, and suffered grave operational difficulties as a result. The problem, as companies face up to the opportunities and challenges of the twenty-first century is not that the *philosophy* of marketing is not believed; rather it is that most companies, particularly industrial goods companies and many service organizations, have difficulty in making it work.

This is largely because of ignorance about the process of planning their marketing activities, for which little help is provided in the extant body of literature. Books or articles often turn out to be about the management of the several elements of the marketing mix rather than about how the process of combining them into a coherent plan can be managed. Others treat marketing planning in such a generalized way that it is difficult to distil from them any guidance of operational significance. Finally, there are many excellent papers about individual aspects of the marketing planning process.

The truth is, of course, that the actual *process* of marketing planning is simple in outline. Any book will tell us that it consists of: a situation review; assumptions; objectives; strategies; programmes; and measurement and review. What other books *do not* tell us is that there are a number of contextual issues that have to be considered that make marketing planning one of the most baffling of all management problems.

Here are some of those issues:

- *When* should it be done, *how often*, by *whom*, and *how*?
- Is it different in a *large* and a *small* company?
- Is it different in a *diversified* and an *undiversified* company?
- Is it different in an *international* and a *domestic* company?

- What is the role of the *chief executive*?
- What is the role of the *planning department*?
- Should marketing planning be *top-down* or *bottom-up*?
- What is the relationship between *operational* (one year) and *strategic* (longer term) planning?

Since effective marketing planning lies at the heart of a company's revenue-earning activities, it is not surprising that there is a great demand for a guide which strips away the confusion and mystery surrounding this subject and helps firms to get to grips with it in a practical and down-to-earth manner.

This book explains what marketing is, how the marketing planning process works, how to carry out a marketing audit, how to set marketing objectives and strategies, how to schedule and cost out what has to be done to achieve the objectives, and how to design and implement a simple marketing planning system.

Our approach is both logical and practical. This view has been confirmed by the hundreds of letters referred to above, and by the fact that this book is now a standard text on many marketing courses in universities, and in-company training programmes around the world.

This book includes:

- Application questions, to help you personalise the learning
- Exercises at the end of every chapter to enable practising managers to translate the theory into practice
- Mini case studies to exemplify the points being made
- A step-by-step process, with templates, for producing marketing plans

Additionally, a comprehensive online Tutors' Guide is available for those who wish to teach the subject to others. This Tutors' Guide contains lecture plans, PowerPoint masters, case studies, tutors' discussion points and additional assignments for use by tutors. Please visit www.marketingplansbook.com.

We should like to thank our friends and colleagues for the advice they have given us and material they have generously allowed us to use during the life of this book. To the following we are especially grateful: Dr Chris Bailey, Dr Krista Bondy, Lindsay Bruce, Professor Martin Christopher, Professor Moira Clark, Professor Elizabeth Daniel, Dr Iain Davies, Matt Hobbs, Professor Aamir Khan, Ardi Kolch, John Leppard, Dr Emma Macdonald, Professor Simon Majaro, Dr Stan Maklan, Anne Mollen, Aly Moore, Peter Mouncey, Professor Adrian Payne, Beth Rogers, Professor Lynette Ryals, Dr Brian Smith, Rod Street and Diana Woodburn. To them and the many other scholars and practitioners who have contributed invaluable ideas in specific sections we will always be grateful. Rather than updating the flow of the text by providing complete individual references, we restrict ourselves to a few references at the end of each chapter. For fuller bibliographies, please see the PhD research on which this book is primarily based: details are available from m.mcdonald@cranfield.ac.uk or hugh.wilson@cranfield.ac.uk.

Professor Malcolm McDonald
Professor Hugh Wilson
Cranfield University School of Management
February 2011

How to use this book to achieve the best results

At the end of each chapter, you will find a number of application questions. More importantly, there are also a number of exercises designed to help you translate the theory into practice in the context of your own organization.

As you work through this book, you will find that some of the exercises are diagnostic and enable you to 'plot' where your company is. Some will help you to understand what might be happening to your organization. Other exercises are more concerned with generating factual information about your organization, its products, its markets or its planning processes. We find this combination of exercises not only provides you with insights and learning about many aspects of marketing planning, but it also helps you to assemble information which can contribute to a marketing plan for your organization.

Whenever scoring and interpretation are required for an exercise, you will find the answers are provided at the end of each chapter.

This book is written to fulfil three principal needs. The first relates to the *process* of marketing planning, which, while theoretically simple, is in practice extraordinarily complex, involving, as it does, people, systems and organizational structures. One purpose, then, is to ensure that readers fully understand the process, what the pitfalls are and how to negotiate them.

The second purpose is to ensure that readers know which are the appropriate marketing diagnostic tools, structures and frameworks to use at each stage of the process.

The third and most important purpose, however, is to give both students and managers a no-nonsense, practical, step-by-step guide on how to prepare a really good, strategic marketing plan that will help their organizations to create sustainable competitive advantage for themselves and for their customers.

KEY AREAS FOR IMPROVEMENTS IN STRATEGIC MARKETING PLANNING: WHERE TO LOOK IN THIS TEXT FOR PRACTICAL GUIDANCE

This help section is based on the analysis of over 700 strategic marketing plans from over fifty multinationals during a period of twenty five years. A fee was charged for each analysis, so these comments are based on considerably more than just opinions.

Summary of the book

A strategic marketing plan should be a clear and simple summary of key market trends, key target segments, the value required by each of them, how we intend to create superior value (to competitors), with a clear prioritization of marketing objectives and strategies, together with the financial consequences.

Alas, frequently, they come across as diffuse, confusing compilations of unconnected sections, masquerading as marketing plans.

Specific problems encountered and where to look for guidance

- Market overviews contain substantially more information than is necessary, with no hint of the implications for marketing activity. See Chapters 2 and 3.
- Key segments are rarely identified. 'Segments' are often sectors or products, rather than groups of customers with similar needs. See Chapter 4.
- The competitive situation is not well analysed and plans appear to assume no activity or reaction by competitors. See Chapter 6.
- SWOT analyses rarely pin down convincingly the value that is required by segments. They are frequently too general to lead to any actionable propositions. See Chapter 5.
- Our own distinctive competences are rarely isolated and built on. See Chapters 5.
- SWOTs are rarely summarized clearly and logically in a portfolio which provides a categorization of the relative potential of each and our relative strengths in each. See Chapter 5.
- Marketing objectives are frequently confused with marketing strategies and do not follow logically from the portfolio summary. See Chapter 6.
- The resource implications of effecting the marketing plans are not always clear. See Chapter 13.
- Communications such as advertising are fragmented and based on habit, rather than being integrated with each other and targeted on the value required by attractive segments. See Chapter 7.
- The sales plan is developed in isolation from the marketing plan. See Chapter 8.
- There is no particular logic behind pricing. See Chapter 9.
- Channels are taken for granted, rather than used as a key source of innovation and differentiation. See Chapter 10.
- CRM is delegated to IT or operations. See Chapter 11.

Main differences between the Sixth Edition and this Seventh Edition

While all chapters have been extensively updated, the most dramatic changes in this edition are as follows.

Chapter 7 on *integrated marketing communications* (previously 'advertising and sales promotion') has significant new material on how to decide what communications tools to use and how to fit them together - the key problem in IMC planning which every other book we've looked at skirts around rather than actually solving! This is based on recent research at Cranfield and elsewhere which we've successfully road-tested with practitioners and in our teaching. The chapter also has rewritten and considerably expanded sections on *digital communications* which draw on the latest developments in this fast-moving field.

Chapter 8 on *sales* (now 'sales and key account management') now reflects the considerable attention given to key account management, as solution/adaptive selling, co-creation and global accounts change the world of selling totally. New material outlines what key account management is, what constitute key accounts, who you need as key account managers, how different relationship stages require different KAM, and how to develop a key account portfolio. Cranfield School of Management is a global force in sales and key account management research, teaching and consulting, so this material is world leading.

Chapter 9 on *pricing* now includes considerably expanded material on *value-in-use*: the art of increasing the value obtained by the client as a means of accessing larger profit pools and maintaining, if not raising, prices. Any fool can plot a response curve and reduce prices to increase demand, often at the cost of profits; our approach is all about increasing demand while maintaining prices. This material draws on the latest research by the authors, other Cranfield faculty and scholars worldwide on service-dominant logic, co-creation and value, and reflects our work with many leading blue-chips in recent years.

Chapter 10 on *The multichannel plan: the route to market* (formerly 'The distribution plan and customer service plan') summarises key lessons from the authors' influential publications on multichannel strategy over the last decade. It reflects the significant shift from channels operating in isolation to multiple channels combining in the customer journey. This is a hot topic in tough times, as companies struggle to make the best use of low-cost channels without damaging their customer experience or market coverage. This chapter has world-class, thoroughly proven tools to square this circle, road-tested with the blue-chip members of Cranfield's best practice clubs, whose strategy reviews have resulted in multi-million dollar and on two occasions multi-billion dollar contributions to profit. The chapter also includes up-to-the-minute material on *customer experience*.

Chapter 11 on the *CRM* plan draws on 5 years of work of our Customer Management Forum. Through tens of top management case study presentations in Cranfield, as well as two surveys of 800 companies, we have synthesized a definitive update on what works in crafting long-term profitable relationships through retention, cross-sell and upsell processes. The chapter is structured around 10 key success factors for CRM which delivers sector-leading customer lifetime value.

Chapter 13 on *marketing effectiveness* addresses one of the key demands of chief executives from their marketing directors: greater accountability for spending. A proper metrics set enables continuous improvement in results and forms a crucial complement to any marketing plan. This new chapter explains how to develop metrics aligned with the plan which will drive the organization in the right direction. It is based on several years of research work in this domain with a group of leading companies.

Learning features

Marketing Plans Seventh Edition has full pedagogical features as follows:

Summary

Each chapter begins with bullet points which highlight the main features and learning to be covered in the chapter.

Key Concepts

Principal marketing ideas and themes are highlighted as snapshots throughout the text.

Crucial Terms

Concise definitions of important terms and vocabulary are provided in the margin to allow for a smoother, easier reading of the text.

Examples

Provide additional illustrative marketing accounts to contextualize learning.

Marketing Insights

Real-life marketing anecdotes contextualize learning.

Headlines

Highlights taken from the text as marginalized notes bring important points to the attention of the reader.

Case Studies

In-depth studies of marketing experiences show how the theories work in real world companies.

Application Questions

These appear at the end of each chapter and relate the theory to practice by asking the reader to apply the theory to real-life situations.

Chapter Review

Condenses the main themes of the chapter and directs the reader to relevant exercises for each topic for them to try.

Exercises

These appear at the end of each chapter and are preceded by a brief introduction which informs the reader of the issues and concepts they will find within each exercise. Each exercise helps the reader to translate the theory into practice and reinforces the learning gained from each chapter. Many exercises also end with an 'interpretation' to guide the reader in their workings.

Tutor's guide

Tutor and student support sites for using Marketing Plans Seventh Edition for teaching and learning can be found at www.marketingplansbook.com.

This will include:

- Introduction to the Tutor's Guide and Use of the Text
- PowerPoint slides
- Case studies and detailed Tutor's Guides
- Examples of Marketing Plans
- Exercises
- Tutor's Notes

- 1 Understanding the marketing process
- 2 The marketing planning process: The main steps
- 3 The marketing planning process: Removing the myths
- 4 Completing the marketing audit: The customer and market audit
- 5 Completing the marketing audit: the product audit
- 6 Setting marketing objectives and strategies
- 7 The integrated marketing communications plan
- 8 Sales and key account management plan
- 9 The pricing plan
- 10 The multichannel plan: The route to market
- 11 The customer relationship management plan
- 12 Implementation and organizational issues in marketing planning
- 13 Measuring the effectiveness of marketing planning
- 14 A step-by-step marketing planning system

- Working with Case Studies/Case Studies

Case 1: Eindhoven Containers

Case 2: Multi-electronique et Cie

Case 3: Property Services International

Case 4: International Electrical Supplies

Case 5: Rentlow Cars SA

Case 6: The Dynamic Manager

Case 7: Cranchem marketing plan

Case 8: Lockwell Company Ltd

Case 9: Hydraulic Industries Ltd: Acquisition in West Germany

An important note to the reader from the authors

STOP

Producing an effective marketing plan that will give your organization competitive advantage is not easy. It takes knowledge, skills, intellect, creativity and, above all, time.

Everything you need to succeed is in this book, but you must be prepared to devote time to it. It is most definitely not a quick read!

FAST TRACK

However, for those who need a fast track to producing a marketing plan, Chapter 14 will help you. Be careful, however:

A little learning is a dangerous thing. Drink deep, or taste not the Pierian Spring.

(Alexander Pope)

INTERMEDIATE TRACK

For those interested principally in how to tie all marketing initiative together in a strategic marketing plan, it is possible to omit Chapters 7-11, as these contain a level of detail on specific area of the marketing mix. Again, however, be careful and only omit these chapters if you feel that you already know enough about promotion, pricing, sales, channels, CRM and customer service to be able to outline appropriate strategies in your strategic marketing plan. Also, particularly in Chapters 7, 10 and 11 there are some crucially important state-of-the-art developments in digital marketing described in some detail, each of which is substantially changing the face of marketing.

An important test to help you decide which track you need

It is important that you complete the questionnaire which follows before you start Chapter 1. This test was developed by the authors for the President of a global IT company, who asked what he should be looking for in a world class strategic marketing plan.

Interpretation

In our experience, it is unlikely that many readers will score above five on many of these questions. This is not the point, however. The purpose of the questionnaire is to focus your attention at the beginning of the book on what essential deliverables a marketing plan should produce. If you work carefully through this book and implement it in your organization, you will be able to give yourself high scores in all boxes. Then, you will be a truly market-driven organization!

We have just one more suggestion for readers of this book, which is that they should also complete the very last questionnaire in this book, at the end of Chapter 14. This will most certainly alert readers to the need to focus on the contents of this research-based book.

Professor Malcolm McDonald
Professor Hugh Wilson

ARE YOU GETTING THESE ESSENTIAL DELIVERABLES FROM YOUR STRATEGIC MARKETING PLAN

Market structure and segmentation

Score out of 10

- Is there a clear and unambiguous definition of the market you are interested in serving?
- Is it clearly mapped, showing product/service flows, volumes/values in total, your shares and critical conclusions for your organization?
- Are the segments clearly described and quantified? These must be groups of customers with the same or similar needs, **not** sectors.
- Are the real needs of these segments properly quantified, with the relative importance of these needs clearly identified?

Differentiation

- Is there a clear and quantified analysis of how well your company satisfies these needs compared to competitors?
- Are the opportunities and threats clearly identified by segment?

Scope

- Are all the segments classified according to their relative potential for growth in profits over the next three years and according to your company's relative competitive position in each?
- Are the objectives consistent with their position in the portfolio (volume, value, market share, profit)?
- Are the strategies (including products, price, place and service) consistent with these objectives?
- Are the key issues for action for all departments clearly spelled out as key issues to be addressed?

Value capture

- Do the objectives and strategies add up to the profit goals required by your company?
- Does the budget follow on logically from all of the above, or is it merely an add on?

Total score

Chapter



UNDERSTANDING THE MARKETING PROCESS

SUMMARY

- What marketing is
- Its role in getting the best out of an organization's asset base
- The link between the external environment, customers and their needs and the marketing mix
- Clearing up the confusion surrounding marketing's role
- Clarification of what customers look for in their suppliers
- The differences and similarities between consumer, service and industrial marketing
- Whether a marketing department is essential
- Exercises to turn the theory into actionable propositions
- Readers who are already wholly familiar with the role of marketing in organizations may wish to go straight to Chapter 2, which begins to explain the marketing planning process

THE MARKETING CONCEPT*

In 1776, when Adam Smith said that consumption is the sole end and purpose of production, he was in fact describing what in recent years has become known as the marketing concept.

The central idea of marketing is of a matching between a company's capabilities and the wants of customers in order to achieve the objectives of both parties.

It is important at this stage to understand the difference between the marketing concept (often referred to as 'market orientation') and the marketing function, which is concerned with the management of the marketing mix. The management of the marketing mix involves using the various tools and techniques available to managers in order to implement the marketing concept.

*The authors would like to remind the reader that they will use the word 'product' throughout the text to avoid unnecessary references to 'services', 'not-for-profit services', 'capital goods' and 'retail'. The text is equally relevant to all of these.

The marketing concept implies that all the activities of an organization are driven by a desire to satisfy customer needs

For the sake of simplicity, these are often written about and referred to as the four Ps, these being Product, Price, Promotion and Place although today many scholars include a number of additional Ps, such as People and Process.

However, before any meaningful discussion can take place about how the marketing function should be managed, it is vital to have a full understanding about the idea of marketing itself, and it is this issue that we principally address in this chapter.

For readers who are interested in a history of marketing and the role of key players like Levitt, Kotler, Hunt, Alderson, Holbrook and others, please refer to Jones (1999) in the bibliography at the end of the chapter.¹

THE MARKETING FUNCTION

There are many definitions of marketing and much confusion about what it is. The following definition should clarify this for readers.

Marketing is a process for:

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

For this process to be effective, organizations need to be consumer/customer driven.

This definition is represented as a 'map' in Figure 1.1. This definition and map are important because we will refer to them throughout the remainder of this book.

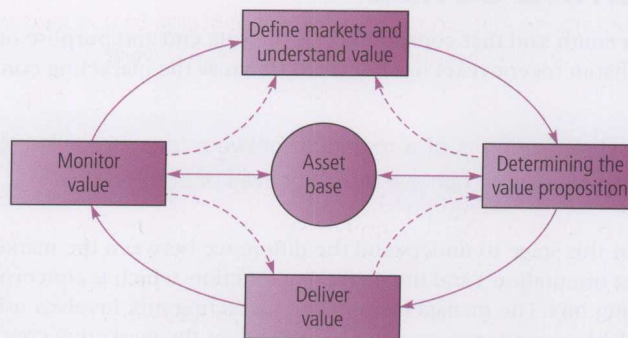


Figure 1.1: A map of marketing.