

Robert E. Stevens

Strategic Marketing Plan Master Guide



A step-by-step guide to preparing and implementing an effective plan

STRATEGIC MARKETING PLAN MASTER GUIDE

ROBERT E. STEVENS



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Preface

The purpose of this book is to present a systematic approach to strategic marketing planning that is philosophically sound and practically oriented. It is written for the practitioner of marketing who is involved in the planning process and the student who is interested in learning more about what the strategic marketing plan should contain and how to prepare it. The approach used in this book is a consumer-oriented philosophy that views the customer as the center of the firm's activities and therefore as the logical center of the planning process. The customer not only is considered in the approach used here but also is the focal point around which the rest of the planning process revolves.

The practical orientation of the book is achieved through the emphasis on techniques and tools rather than theory. This in no way undermines the importance of theory, but the practitioner is concerned with "How do we do this?" or "How can we implement this concept into our operations?" Usually lacking in most books on marketing is the emphasis on the *tools* which can be used to analyze the consumer or to perform competitive analysis. Although everyone in marketing uses the jargon, not everyone really understands how to implement concepts and/or put them together. It is easy, for example, to explain why we need to analyze competition, but (1) how is this done? and (2) what do you do with the analysis when you've finished? These questions are seldom asked, much less answered, in a planning context.

Students need to orient themselves to this type of thinking in the transition from an academic setting to that of a particular firm.

This book may be used as either the primary text or a supplement to other materials in marketing courses where the emphasis is on planning. All the material is classroom tested for both readability and comprehension, as well as usefulness in preparing a marketing plan as a part of a course assignment.

The book is divided into six basic parts:

- I. Introduction to Marketing Planning
- II. Environmental Analysis
- III. Objectives
- IV. Strategy, Strategy Variables, and Financial Impact
- V. Controlling the Planning Process
- VI. Planning Analysis

Part I introduces strategic marketing planning from a consumer perspective and outlines the strategic marketing plan. The second chapter in this part deals with some of the organizational factors that directly influence the planning process. Part II contains four chapters which take the reader step by step through environmental analysis. The emphasis is on using available tools in analysis and relating the analysis to the rest of the plan. Part III focuses on objectives—what they are and how to go about setting them for a specific marketing plan. Part IV deals with strategy and contains six chapters on strategy, strategy variables, and the financial impact of strategies on profit. Part V deals with the monitoring and control procedures which can be used to assess and alter actions aimed at predetermined objectives. Part VI contains the final chapter, which deals with the types of analysis and research necessary to improve the planning process.

ACKNOWLEDGMENTS

A book of this type is seldom the work of one individual. Several people contributed a great deal toward its completion. First, special thanks are due to Jane Olsen, who tirelessly typed the many drafts of this book. John Blaho, a graduate student, helped prepare Appendix A and also used the material in developing a marketing plan for a new industrial product. Dr. Henry Migliore, my boss, gave me constant support and encouragement to write this book. To all these people I am deeply grateful. However, all errors of omission or commission are solely my responsibility.

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INTRODUCTION TO MARKETING PLANNING

1

Importance of Marketing Planning

Planning is one of the keys to success of any undertaking, and nowhere is it more important than in business. Every study which has dealt with business failures uncovers the same basic problem whether it is called undercapitalization, poor location, or simply a lack of managerial skills. Because all these problems have their root in poor planning, marketing planning is one of the most important types of business activity that must be planned. The strategic marketing plan defines the nature of the business and what the firm will do to satisfy its customers' needs in the marketplace.

For this planning to be successful, it must be founded in a root philosophy or conceptual framework that provides a basis for analysis, execution, and evaluation. A thorough understanding of both marketing and planning must precede any manager's attempt to develop and execute a marketing plan. This chapter focuses on marketing and planning and their relationship in the planning process.

WHAT IS MARKETING?

Various definitions of marketing have evolved over the years, but one which appears to be fairly complete is as follows: *Marketing directs those activities which involve the creation and distribution of goods and*

*services to identified market segments.*¹ Several key words in this definition need further explanation. First, marketing *directs*. This is the managerial perspective of marketing rather than a residual perspective of only what has to be done to get goods and services to customers. Thus marketing is not just a group of activities but activities which are controlled in their execution to attain identifiable objectives. Second, marketing involves the performance of specific activities or functions. These functions constitute the work or substance of what marketing is all about. To be involved in marketing means being involved in the planning, execution, and/or control of these activities.

Third, marketing involves both creation *and* distribution of goods and services. Although the product or service is actually created by the production function, marketing personnel are very much concerned about the creation of goods and services from both a physical perspective and one of customer need. Marketing needs to have a vital role in creation as well as distribution of goods and services. In fact, a well-conceived product or service makes the rest of the marketing tasks easier to perform.

Finally, marketing's concern is with customers and meeting a need in the marketplace. But its concern is not just with any customers or all customers but those preselected by management as the market segment(s) on which the company will concentrate. Thus, specific customers with their specific needs become the focal point of marketing activities.

THE MARKETING CONCEPT

A better focus of what marketing can be in an organization can be attained through an examination of the development of marketing thought in the United States. Table 1-1 shows four distinct eras in this development.

The development of marketing thought appears to have progressed through these stages in an almost geometric manner, reflecting the increased business complexity and managerial sophistication.

The current stage of development began when management started to realize that everyone, not just the marketing department, had to be concerned about customers. For example, one Pillsbury executive stated that it realized it was a marketing company and that everything the company did should in some way be related to consumer needs.² Drucker stated this idea succinctly when he said that the basic purpose or reason for existence for every firm was to create a customer.³

Table 1-1 Stages in the Development of Marketing Thought

Era	Time Periods*	Theme
1. Production orientation	1750–1920	How can we produce more?
2. Sales orientation	1920–late 1940s	How can we sell more of what we are currently producing?
3. Marketing department orientation	Late 1940s–late 1950s	How can marketing activities be oriented toward the customer?
4. Marketing company orientation	Late 1950s	How can the company be oriented toward customer needs?

*These are, of course, only approximate time periods.

Source: Adapted from William J. Stanton and Richard H. Buskirk, *Management of the Sales Force* (Homewood, Ill.: Richard D. Irwin, Inc., 1978), pp. 8–12.

A recent extension of this orientation is the systems approach, which views the company as a system made up of various subsystems, each concerned with the performance of specific functions and the customer as the center of the system.

This more comprehensive view of marketing and its role in organizational philosophy gives credence to the following definition of the marketing concept: *The only social and economic justification for the existence of a business enterprise is the satisfaction of customer needs, at a profit.*⁴ A firm's existence is justified socially in meeting customer needs—directly, through provision of goods and services, and indirectly through being a good citizen of its operating environment. In the U.S. economy, this philosophy is exactly why businesses were given the right by society to own and use resources to produce goods and services. A firm is justified economically by making a profit. Profit justifies the investment in the organization by its owners and assures continued availability of funds. Customer needs become the focus of firms which operate under this philosophy.

Managers operating under the marketing philosophy must continually survey the marketing environment to detect changes in consumer needs or other related variables that warrant altering their marketing activities. Sales revenues, in effect, become votes to help management judge the effectiveness of its efforts in meeting needs compared to those of competitors, and profits serve as the judge of the efficiency of management in this attempt. Putting this philosophy into

practice requires a planning procedure that transforms this consumer orientation into marketing activities.

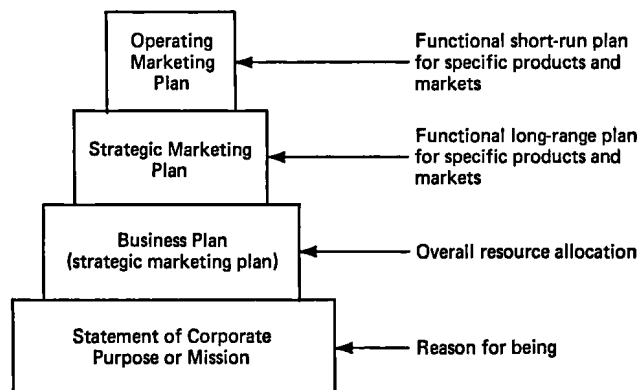
WHAT IS PLANNING?

Anyone studying managerial functions soon learns that although the list of specific functions may vary from author to author, one function common to all lists is planning.⁵ Planning may be defined as *a managerial activity which involves analyzing the environment, setting objectives, and deciding on specific actions needed to both reach the objectives and provide feedback of results.* This process should be distinguished from the plan itself, which is a written document containing the results of the planning process. Nothing is more central to the essence of what a manager does than planning because it involves deciding what is to be done and how it is to be done. Planning is a continuous process which both precedes and follows other functions. Plans are made and executed, and then results are used to make new plans as the process continues.

PLANNING FOUNDATIONS

Understanding the strategic marketing planning process requires a clear understanding of how a functional plan (marketing) relates to a broader business plan. Figure 1-1 illustrates the interrelationships of various business planning building blocks.

Figure 1-1 The Planning Hierarchy



The foundation for all plans within an organization is the statement of purpose or mission. This is a statement of "reason for being," the accomplishment of which justifies the firm's existence. Upon this foundation a business plan, sometimes called a strategic market plan, is developed which specifies the deployment of the firm's resources through various strategies. A firm attempting to achieve balanced growth, for example, may choose a business strategy involving a combination of vertical integration and diversification. This is a broad-based strategic plan which deals with overall resource allocations needed to accomplish the firm's stated purpose.

Once specific product-market decisions are made relating to which products or market a firm will go after, a strategic marketing plan must be developed for each unique product-market situation. This is the plan which deals with the long-run aspects of various product-market situations from a marketing perspective. It is the functional plan for the marketing area.

After the strategic marketing plan has been developed, so are the short-run or annual operating marketing plans which spell out in detail the specifics of the firm's annual marketing activities. A new short-run plan is developed for each operating period.

MARKETING PLANNING

Nowhere in the organization is planning more needed than in marketing. The complexity of today's markets in terms of social, legal, environmental, economic, and resource constraints requires a high degree of skill to provide structure to a course of action a company can follow to achieve desired results.

For marketing management, the marketing planning process becomes the marketing concept or philosophy in action. A business concept or philosophy has no impact on an organization's operating procedures unless it is reflected in the performance of the managerial functions. The consumers' needs are the focus of a firm's operations under the marketing philosophy, and this is made evident in the planning process. Which consumer segments will the firm try to serve? How will the marketing functions be performed? Who will perform them? What level of profitability will be achieved? These are all questions which are answered by a well-thought-out and well-written marketing plan. In essence, the plan becomes a tool through which the marketing concept is implemented into the firm's decision-making procedures.

An understanding of the marketing planning process is also an invaluable aid in helping managers organize their thinking about the marketing process and the various methods and procedures used. When they talk about sales volume and profit, managers relates these items to the objectives to be accomplished. A study reporting consumer attitudes toward competing products becomes another aspect of environmental analysis. *Managers begin to think systematically and analytically about the marketing process in their company, and this itself may be one of the most crucial contributions of management's involvement in marketing planning.*

STRATEGIC MARKETING PLANNING

Before discussing the details of a marketing plan, it is important to specify the relationship between the strategic marketing plan and the annual operating or short-term marketing plan. Whereas it is not at all clear from current literature that this distinction is frequently made, a much better perspective of the planning process can be achieved if it is. For our purposes, we will consider the strategic marketing plan as a long-term plan directly tied to the overall business plan of an enterprise. It deals with the specifics of the marketing approach to a given product-market situation once commitments of resources have been made in the more general business plan.

The annual operating or short-term marketing plan by contrast is an operating plan which spells out in detail the results of a situation analysis; a set of objectives to be attained at the end of the year; a detailed tactical statement explaining what must be done, when, and how. The relationship between this type of plan and a strategic plan can be illustrated with an economic concept—the long-run cost curve.

As shown in Figure 1-2 a long-run cost curve is made up of an “envelope” of short-run cost curves. Whereas the short-run curves apply to the current operating periods, the long-run curve refers to a longer time horizon.⁶

In other words, many operating plans are developed and executed to carry out a strategic marketing plan which is broader in scope and longer in time span. The annual or short-term marketing plan may be viewed as a set of intermediate steps which enable a firm to carry out a strategic marketing plan.