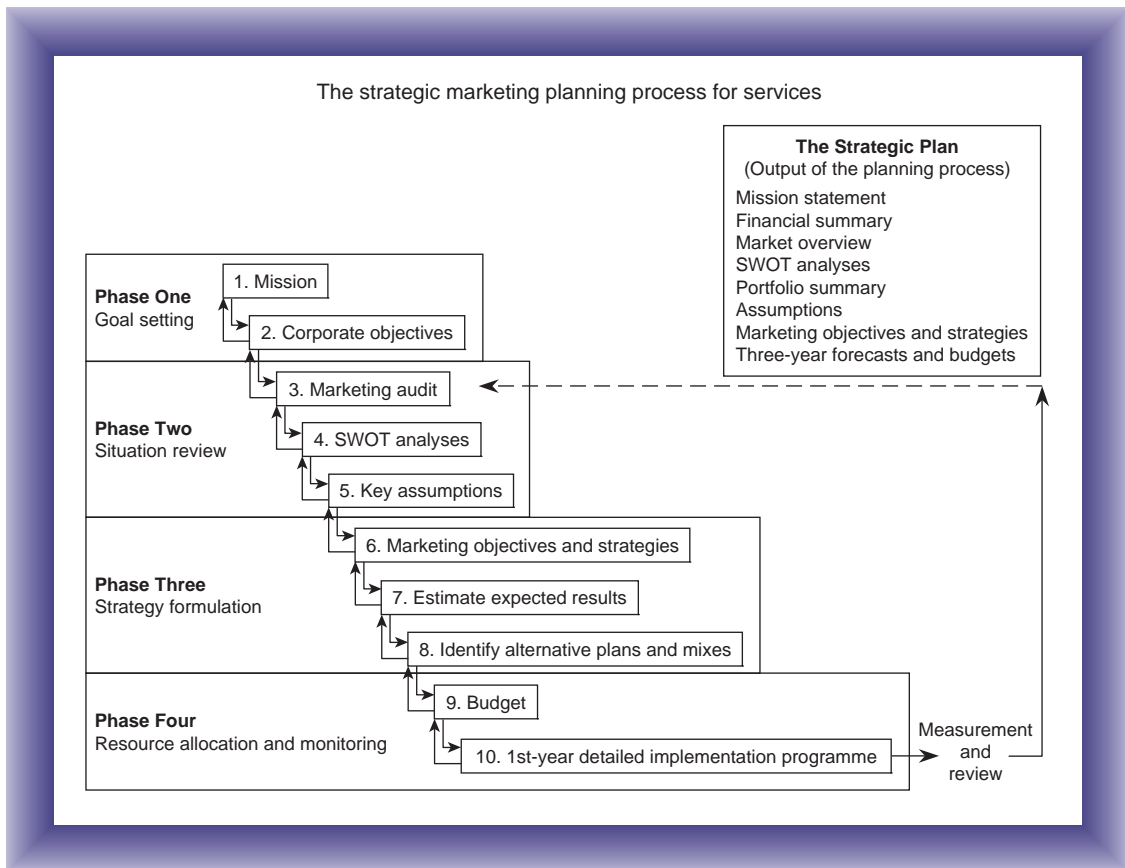


# 3 Marketing planning for services: the process



In this chapter, we will take an overview of the strategic marketing planning process for services, shown above, and also a brief look at some of its component parts. We will also consider some of the reasons why service organizations do not always manage to take advantage of the benefits that strategic marketing planning should bring. The four phases shown above will be examined in detail later in Chapters 5 to 10.

## What is marketing planning?

In essence, marketing planning is a series of activities which are tackled in a logical sequence in a way that leads to the setting of marketing objectives and the devising of programmes to meet them. Thus, the marketing plan becomes a framework for identifying where and why marketing resources are going to be allocated, when they are to come into play and how they are to be integrated in order to make maximum impact.

Marketing plans are now an essential aspect of business

The output of this process is the strategic marketing plan, the contents of which will be spelled out later in this chapter.

As we saw in the previous chapter, when business life was less volatile and complex than it is today service companies were able to survive and sometimes prosper without paying very much attention to marketing planning. Indeed, there are no doubt a few fortunate companies who are still in growth sectors, or who happen to be in the right place at the right time and, as such, see little benefit in devoting resources to marketing planning.

However, for the vast majority, the more uncertain their prospects become, the greater their necessity to have the life-line that a well-formulated marketing plan can offer.

During periods of recession there is often an increased interest in marketing planning and how it can help organizations deal with economic downturn.

Research shows that, not only will a marketing plan bring about a better coordination of activities and individuals whose actions are inter-related over time, but it will also result in a discipline that will:

- Increase the likelihood of identifying external developments
- Prepare the organization to meet change
- Minimize non-rational responses to the unexpected
- Improve communications between executives and departments
- Reduce conflicts that inevitably arise when organizational direction is unclear
- Force management to think ahead systematically
- Balance corporate resources more effectively against market opportunities

- Provide a framework for the continuing review of operations
- Most telling of all, lead to a higher return on investment (as shown in evidence from the PIMS<sup>1</sup> study).

At first sight, with all these benefits on offer, it is surprising that more service organizations have not invested in more detailed and comprehensive marketing planning.

Marketing planning  
involves  
organizational  
change

However, what on the surface appears to be a fairly straightforward planning process, does, in fact, raise a number of deeper issues for the organization.

To introduce marketing planning is more than a cognitive process because inherent in this new approach are implications that can impact on all parts of the business, from the boardroom down. If the planning task is tackled properly, no organizational areas are immune. Marketing planning needs to permeate all parts of the organization, to the extent that even its structure and traditional power patterns have to stand up to scrutiny and change if they are found wanting.

## Other approaches to marketing planning

This book is about the scientific, normative type of marketing planning described in many articles and textbooks during the past 30 years. There are, of course, other strategic decision-making models and it would be remiss not to mention what these different approaches are, together with their strengths and weaknesses.<sup>2</sup> There appear to be six accepted models of perspectives of strategic decision-making. These are:

1. *A planning model* – Here, strategic decisions are reached by use of a sequential, planning search for optimum solutions to defined problems. This process is highly rational and is fuelled by concrete data.
2. *An interpretative model* – Here, the organization is regarded as a collection of associations, sharing similar values, beliefs and perceptions. These ‘frames of reference’ enable the stakeholders to interpret the organization and the environment in which it operates. Information which does not fit with the dominant reference system is actively ignored or downgraded. The same could be said of people. In this way, a particular culture emerges which

encourages individuals to lend themselves to self-fulfilling organizational prophecies, uncontaminated by deviant behaviour or information. Strategy thus becomes the product, not of defined aims and objectives, but of the prevailing values, attitudes and ideas in the organization.

3. A *political model* – Here strategy is not chosen directly, but emerges through compromise, conflict and consensus-seeking among interested stakeholders. Since the strategy is the outcome of negotiation, bargaining and confrontation, those with the most power have the greatest influence.
4. A *logical incremental model* – Here, strategies emerge from 'strategic subsystems', each concerned with a different type of strategic issue. Strategic goals are based on an awareness of needs rather than the highly structured analytical process of the planning model. Often, due to a lack of necessary information, such goals can be vague, general and non-rigid in nature. The commitment to a firm's strategy for reaching the 'image of the future' is delayed as long as possible, as various 'first steps' are evaluated. As events unfold and movement towards the strategic goals proceeds, more information becomes known and strategic action can be adjusted and brought into sharper focus.
5. An *ecological model* – In this perspective, the environment impinges on the organization in such a way that strategies are virtually prescribed and there is little or no free choice. In this model, the organization which adapts most successfully to its environment will survive in a way which mirrors Darwin's natural selection. In reality, restriction of strategic choice is not solely attributable to the external environment. Blinkered perception and the feeling of powerlessness by decision-makers also play their part.
6. A *visionary leadership model* – Here, the strategy emerges as the result of the leader's vision. It is not necessary for the leader to have originated the idea, but his or her commitment to it, their personal credibility, and how they articulate it to others, can provide the necessary organizational momentum. However, to be successful, the vision has to have some resonance with the followers and the surrounding circumstances. In other words, it must be attractive and timely.

It is unlikely that a given service organization will use a pure version of any of these models. In all probability, its strategic decision-making model will be a hybrid of some of them. However, it is possible that one or two of these will predominate and thereby give strategic decision-making a distinctive 'flavour'.

| Strengths  | Weaknesses   |
|--|--|
| <p><i>Planning model</i></p> <ul style="list-style-type: none"> <li>• Systematic</li> <li>• Unemotional</li> <li>• Clear analysis of problems</li> <li>• Various strategic options are considered before selecting the most appropriate one</li> <li>• It provides a framework which can be communicated and understood through the organization</li> <li>• It provides a discipline of review and evaluation for managers</li> </ul>  | <ul style="list-style-type: none"> <li>• Assumptions are made that the environment is predictable over the strategic time-span</li> <li>• It is implied that the organization is not directly affected by the environment over this time</li> <li>• There is separation between those who make decisions and those in possession of the most useful information</li> <li>• It can become bureaucratic and ritualistic, e.g. the annual numbers game</li> <li>• It assumes that people are rational and have the skills to handle information in an unbiased way</li> <li>• It is impossible to assemble all the data required to make a truly rational choice</li> </ul> |
| <p><i>Interpretative model</i></p> <ul style="list-style-type: none"> <li>• There is a conscious effort to establish shared values or beliefs through the organization</li> <li>• Individuals contribute in a way which is congruent with personal values, therefore their commitment is high</li> </ul>   | <ul style="list-style-type: none"> <li>• Symbols and mythology assume greater importance than hard data</li> <li>• Strategy is not related to defined aims, but common perceptions held by the organization</li> <li>• Information which does not confirm the model is rejected or downgraded</li> <li>• If change becomes necessary, a radical shake-up and readjustment programme is required, in order to kill off the old paradigm and those who promoted it</li> </ul>  |
| <p><i>Political model</i></p> <ul style="list-style-type: none"> <li>• There is a recognition of the realities of power</li> <li>• Only serious issues get put on the agenda, i.e. those with bargaining power</li> <li>• Strategic decisions are acceptable to dominant interest groups</li> </ul>  | <ul style="list-style-type: none"> <li>• Strategies, coming as they do from conflict and compromise, are rarely unanimously accepted doctrines</li> <li>• There is an overemphasis on jockeying for position, at the expense of 'keeping an eye on the ball'</li> <li>• Personal success takes precedence over organizational success</li> <li>• The 'out-voted' minorities will often subvert strategies to meet their own ends</li> </ul>  |
| <p><i>Logical incremental model</i></p> <ul style="list-style-type: none"> <li>• There is widely shared consensus for action among top management</li> <li>• The organization is open to learning from the environment</li> <li>• Key players are encouraged to view issues dispassionately</li> <li>• Tentative strategic options are tested before being adopted fully</li> <li>• Ongoing assessment of the environment enables strategy to be modified if necessary</li> <li>• Resources are generally allocated to those parts of the organization which promise most</li> <li>• Change is evolutionary not revolutionary</li> </ul> | <ul style="list-style-type: none"> <li>• The formal processes of the organization cannot analyse and plan all possible strategic variables concurrently</li> <li>• Strategic goals are arrived at by a 'muddling' process, rather than analysis</li> <li>• The process does not allow much scope for creative options</li> <li>• Strategies seem to focus on 'no lose' and organizational health, rather than 'winning'</li> <li>• New problems can disrupt the 'up and running' strategy in a disproportionate way</li> </ul>   |
| <p><i>Ecological model</i></p> <ul style="list-style-type: none"> <li>• Organizational variations which match the environment produce definite advantages</li> </ul>   | <ul style="list-style-type: none"> <li>• Decision-makers mistakenly believe that they are powerless to develop strategy options, whereas they could exercise choice in terms of market segmentation, product differentiation, and so on</li> </ul>   |
| <p><i>Visionary leadership model</i></p> <ul style="list-style-type: none"> <li>• It simplifies complex organizational issues</li> <li>• It communicates at a 'gut' level</li> <li>• It can generate high levels of commitment and motivation among 'believers'</li> </ul>   | <ul style="list-style-type: none"> <li>• The process is heavily dependent on the visionary's dream</li> <li>• Visions might be inadequate or out of synchronization with the times</li> <li>• The organization can remain too committed to an out-of-date vision</li> </ul>  |

Figure 3.1 Strengths and weaknesses of alternative marketing planning models

It will be of interest for the service organization to be aware of the ways in which its strategy-forming processes are 'biased', because each of the models described above has inherent strengths and weaknesses (Figure 3.1).

The reason this book deals with the planning model, rather than the others, is that the authors' research has shown that this is the most effective way of coping with the turbulence and rate of change which now characterizes most service businesses. Also, it is a model that can easily be adapted to take account of organizational size and complexity.

### The marketing planning process

In the last chapter, it was explained how the marketing perspective has to change from being essentially concerned with short-term transactions to longer-term relationships. This being the case, the marketing planning process needs to be considered over a reasonably long time-frame and in a strategic context.

Indeed, the blame for the failure of so many companies in recent years can be firmly traced to short-term, financially dominated objectives; and to being overconcerned with immediate sales performance and profit ratios which reflect historical and current conditions, rather than long-term growth.

A strategic approach  
is essential

A reasonable compromise between short-termism and looking so far ahead as to render it meaningless is to consider a planning period of about three years. Of course, for some types of services, this might still prove to be too long (for example, in computer services) or too short (for example, in energy utilities), but these companies will have to establish a planning window which is appropriate for their particular businesses. Thus, right from the outset, the emphasis is on a three-year (or longer, where necessary) marketing strategy rather than on a one-year tactical plan.

It has been shown that many of today's organizational problems stem directly from a historical overemphasis on short-termism. Many organizations that were tactically efficient died because they did not have an effective strategy towards their markets. Doing things right (tactics) is not an effective substitute for doing the right things (strategy).

It is crucial to do the  
right things as well  
as to do things right

'Doing the right things', in the context of strategic marketing, simply means ensuring on a continuous basis that customers have good reasons to want to do business with one's own organization rather

than with any other competitor who happens to be around. This, in turn, requires an ongoing dialogue with specific groups of customers, whose needs are understood in depth, and for whom offers are developed that have differential advantages over the offers of competitors.

To do this effectively means predicting the changes that are taking place in the business, economic, legislative, technical market and competitive environment, setting objectives and strategies for a period of around three years and then setting in motion the necessary tactical changes in the first year of the plan (the tactical plan). In the absence of a strategic marketing plan, it is simply impossible to do this by means of only a one-year tactical plan. In its turn, of course, a strategic marketing plan is likely to be more effective if appropriate strategic tools are utilized, such as scenario planning, as well as the methods outlined in this book. The really crucial document, however, will always be the strategic marketing plan.

Because research has shown that it is effective strategic marketing planning that is so difficult and elusive, this book focuses solely on this form of planning – the strategic marketing plan.

The planning process which follows is one that has been tried and tested at the Cranfield School of Management for the past two decades. The framework provided originates from research carried out by one of the authors, Malcolm McDonald.<sup>3</sup> In outline there are four major phases:

Phase One: Establishing the strategic context

Phase Two: Conducting a situation review

Phase Three: Formulating marketing objectives and strategies

Phase Four: Allocating budgets and developing a detailed first-year implementation plan.

In turn, these four phases can be broken down into a series of steps, as shown in the figure at the start of this chapter. This figure shows how the four phases are divided into ten discrete steps. For the sake of clarity, the ten steps in the marketing planning process are shown as quite distinct activities.

In practice, many of the steps are interrelated and the whole process is highly interactive.

Thus, instead of starting at Step 1 and pushing on relentlessly to the end, it is likely that there will be quite a lot of interaction and doubling

back, as the feedback arrows or 'loops' that connect each step of the marketing planning process indicate. We emphasize that the services marketing planning process is not a linear one, rather it is an iterative and recursive process. This means that activities, information and insights gained in a later step in the process may have an impact on earlier steps in the plan, possibly causing them to be revisited and revised.

Chapters 5 to 10 focus on the four phases in the planning process in some detail. However, at this point we will briefly explain what each of the ten steps involves before expanding on each of them so as to turn them into actionable propositions.

It is important to understand, however, that the process itself is only the means of producing the output, i.e. a strategic marketing plan.

### **Step 1 *Mission***

It is important for all companies to have a sense of mission. By encapsulating this into a brief, highly personal and meaningful statement, it gives the various stakeholders in the service organization a clear purpose and sense of direction.

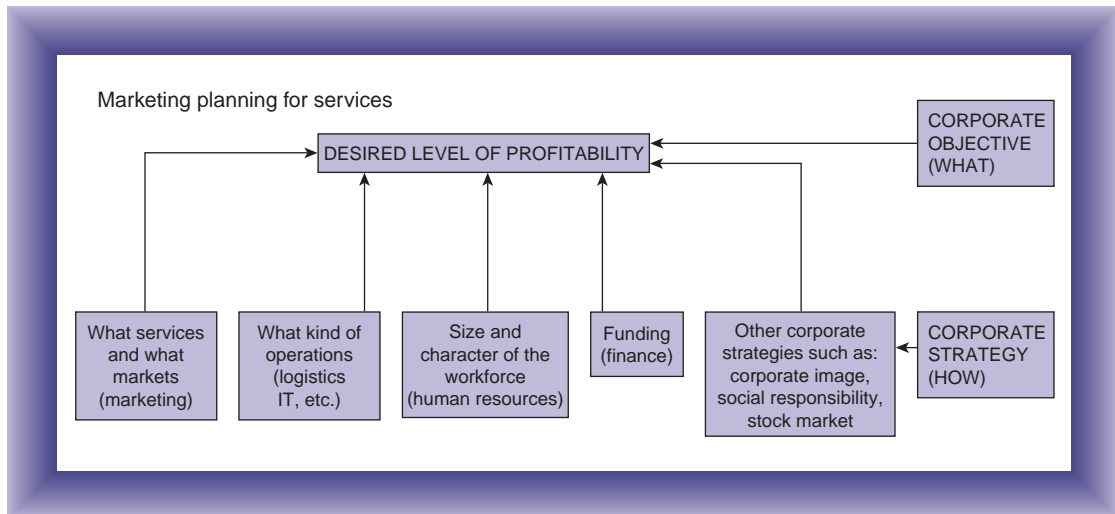
The service mission statement is an important device that can provide an understanding for staff working in different parts of the organization, enabling them to pull together and uphold the corporate values and philosophy. However, it is essential that the mission statement is communicated clearly to all stakeholders and is perceived to be both relevant and realistic. Unless these requirements are met, the mission statement is unlikely to have any real impact on the organization. This is explained in detail in Chapter 5.

### **Step 2 *Corporate objectives***

The purpose of corporate objectives is for the stakeholders to measure the success of the mission. Seen in this light, the only true objective of a company is what is stated as being the principal purpose for its existence. In most commercial service companies, this is expressed in terms of profit, since profit is the one universally accepted criterion by which efficiency can be evaluated. It is profit which provides the means of satisfying shareholders and owners alike. It is also profit which provides the wherewithal to reinvest in the business to make it grow. For non-profit-making service organizations, such as government departments or charities, objectives such as economic efficiency, funds raised or projects completed might be more realistic measures of performance.

From this, it follows that stated desires such as to 'expand market share', 'increase sales' or 'improve productivity' are not objectives, but are actually *strategies* at a corporate level, since they are the means by which the company will achieve its profit objectives.





**Figure 3.2** Relationship between corporate objective and strategies

Some typical corporate objectives and strategies for a commercial organization are shown in Figure 3.2. From this, it can be seen that, at the next level down in the organization, i.e. at the functional level, 'what services and what markets' become *marketing objectives*. In turn, the *marketing strategies* for meeting these, such as using advertising or personal selling, become *departmental objectives* for those particular parts of the business.

When viewed in this way, it can be seen that within the whole organization is a hierarchical chain of interlinking objectives and strategies.

With such a protocol in operation, an objective or strategy set at even the lowest reaches of the organization should be capable of being traced upwards in order to discover how it contributes to the overriding corporate objective.

This, then, is how, when taken together, the mission statement and corporate objectives provide the strategic context for what follows in the marketing planning process.

More about this stage of planning is given in Chapters 6, 7 and 8.

### **Step 3** *Marketing audit*

The purpose of the marketing audit is to gather all the relevant data which can determine how well equipped the service organization is to compete in its chosen marketing arena now and in the future.

Much of the data collected comes from external sources, and is concerned with the business and economic environment, together with market and competitor analysis. Not only is the current situation analysed, but also future trends and their significance are considered. Internal sources provide additional information and help to identify the company's strengths and weaknesses.

In its search to understand the business environment, the sensible service organization will be selective in terms of what it strives to uncover, knowing that 20% of relevant data will provide it with 80% of the answers it needs to know. Unless the organization is practical in its approach to the marketing audit, the task can become extremely time-consuming, with huge volumes of data which overwhelm the process of identifying key relevant information.

This is discussed in more detail in Chapter 6.

#### **Step 4 *SWOT analyses***

The purpose of the SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis is to identify the key components of marketing information from the vast amount of data generated by the audit. By grouping all the salient information under these four headings, it becomes possible for the organization to highlight the external opportunities and threats, and to weigh them against its current internal strengths and weaknesses. Once in possession of this information, the way forward becomes clearer.

Detailed guidelines on how to complete a SWOT analysis for each market segment are given in Chapter 7.

#### **Step 5 *Key assumptions***

The marketing audit and the subsequent SWOT analysis can only reflect reality if some assumptions are made about the future. These might concern the number of competitors, the political climate, the general economic well-being of certain markets, and so on.

Such assumptions, or educated guesses, should be few in number and be addressed only to key factors that have a bearing on the planning period.

They should also be communicated properly so that everyone involved in the planning process understands how the 'playing field' might be expected to change over time. Key assumptions also identify areas which may need to be addressed through 'contingency plans'.

Assumptions are discussed in more detail in Chapter 7.

### Step 6 Marketing objectives and strategies

The SWOT analyses and key assumptions steps provide the marketing planner with the data with which to set marketing objectives and strategies. The marketing objectives will be concerned with which services are provided for which markets. The possible combinations of these are illustrated in a neat way by the matrix developed by Ansoff,<sup>4</sup> shown in Figure 3.3.

Clearly, the quadrant representing current business (present services to present markets) reflects the arena about which the company knows most. In that sense, it is the area of least risk, unlike new services to new markets (diversification) which represents the least known, hence most hazardous, way forward.

As Figure 3.3 shows, marketing objectives bring with them a strong sense of what the marketing strategy should be to achieve them. In Chapter 8 we will explore strategy formulation in more detail. For now, it is enough to recognize that the marketing strategy has its roots in an analytical process.

### Step 7 Estimate expected results

Because the marketing objectives and strategies have to contribute to the corporate objectives in the way shown earlier, the financial outcome of Step 6 has to be calculated as accurately as possible. If the expected results far exceed the corporate objectives, then it could be that the

• Definition:  
Igor Ansoff is an American planning guru who constructed a matrix known as the Ansoff matrix, which has two dimensions and four boxes – existing products, new products, existing markets, new markets

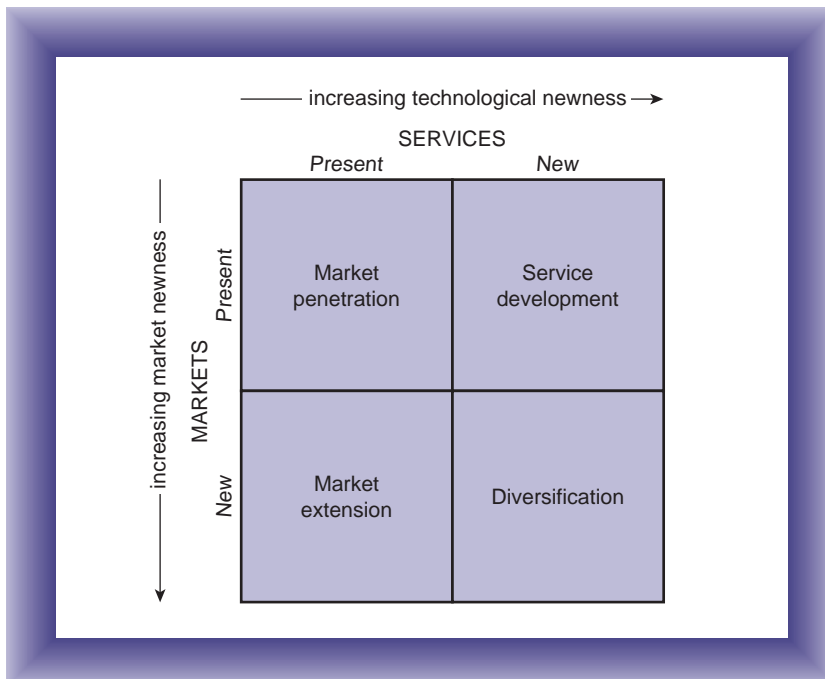


Figure 3.3 Ansoff matrix

corporate objectives need to be set at a higher level. Conversely, if the expected results fall short of the corporate objectives, the next step considers if they can be met by a revised alternative marketing mix.

This is further considered in Chapter 8.

### ***Step 8 Identify alternative mixes***

In this step, the SWOT analysis and key assumptions are reappraised in order to identify if there are other, more productive, mixes of marketing objectives and strategies which get closer to achieving (or exceeding) the corporate objectives. If, after considerable creative experimentation, there is still a shortfall, it has to be considered that the original corporate objectives were unrealistic and they should be adjusted accordingly.

Even if the first attempt at marketing objectives and strategies yields the right level of expected results, it is still recommended that some alternative mixes are considered, as the first solution is not always the best one. The step of alternative mixes helps identify the most appropriate and rewarding marketing objectives and strategies.

This is further considered in Chapter 8.

### ***Step 9 Budget***

Once the marketing objectives and strategies are agreed, it becomes possible to cost out the various programmes for the contributing marketing activities. The nature of the advertising input, sales staff, distribution and so on can be determined and budgets allocated accordingly.

The output of this total process is a strategic marketing plan covering a period of between three and five years.

### ***Step 10 First-year detailed implementation programme***

With the strategic plan as a guide, the detailed implementation programme or one-year tactical plan can be developed. In effect, this one-year tactical plan propels the company towards its strategic goals. Of course, the sensible marketing planning system has a monitoring and control procedure in order to ensure what was planned actually happens – and if it doesn't happen, to know the reason why.

Steps 9 and 10 are dealt with in more detail in Chapter 9.

With the ten-step planning process we have just outlined, it becomes a relatively easy task to monitor progress and to identify the root causes of any 'derailments'. By taking whatever corrective action is shown to

be necessary, and by learning from its mistakes, the company does, in fact, develop a stronger and more effective planning process for the future.

We have found relatively few service organizations whose planning 'systems' possess all of these steps linked in this way.

Those whose marketing planning closely follows this approach do, on the whole, manage to cope with their environment much more successfully than those who rely mainly on a 'sales forecasting and budgetary control' approach.

Moreover, the genuine marketing planners are more prepared and so have less need to 'fire-fight' ongoing events. In short, they suffer fewer operational problems and, as a result, tend to be more effective organizations.

## Summary

In this chapter we defined marketing planning and identified the benefits it could bring to an organization. We went on to outline a marketing planning process for service organizations which consists of four phases: establishing the strategic context; conducting a situation review; formulating marketing objectives and strategies; allocating budgets and devising a detailed first-year implementation plan.

These four phases can be further broken down into ten interactive and interrelated process steps. Each of the steps was described briefly as an introduction to what is to follow in Chapters 5 to 9. However, the amount of text devoted to each step in the following chapters will vary considerably, based on their complexity, importance and the amount of detail with which they need to be addressed.

Before examining the finer points of the marketing planning process, it is useful to consider some of the most common barriers to effective marketing planning. These are described in the next chapter.

