

# Glossary of marketing planning terms

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**Assumptions** The *major* assumptions on which the marketing plan is based.

**Benefit** A perceived or stated relationship between a product feature and the need the feature is designed to satisfy. *See also* Differential advantage *and* Feature.

**Brand** A name or symbol which identifies a product or service. A successful brand identifies a product or service as having sustainable, competitive advantage.

**Budget** The revenue and costs associated with forecasts used in planning.

**Business plan** A plan commonly intermediate between a company's strategic plan and its annual marketing plan. The purpose of the business plan is to establish the broad business objectives and strategies to be pursued by the business unit or centre over a time period of as many as five years. In this respect, business plans are similar to strategic plans which concern themselves with equally long time-frames. Business plans are like strategic plans in one other respect: usually they deal with such strategic considerations as new product development, product acquisition, and new market development to achieve desired financial goals. Business plans also require extensive marketing input for their formulation and, in this respect, they share characteristics in common with marketing plans. However, business plans generally do not include action programmes – a feature typical of marketing plans – but simply spell out intentions and directions. For example, if new product development was among the strategies to be pursued, this would be stated along with appropriate supporting rationale. However, the statement of this strategy would not be accompanied by a new product development plan.

**Charter** A statement of the chief function or responsibility of an operating unit within an organization made up of several operating units. *See also* Mission.

**Closed loop system** A bureaucratic planning system that consists mainly of pro-formas for completion by managers according to pre-determined headings and formats. Such systems frequently degenerate into stale form-filling exercises and there is little opportunity for adding creative insights.

**Consumer** The final consumer of goods or services. Customers are people or organizations who buy directly from us.

**Core strategy** A term used in marketing to denote the predominant elements of the marketing mix, selected by marketing management to

achieve the optimum match between the benefits customers seek and those the product offers. This process of selection is sometimes referred to as 'making the differential advantage operational'.

**Critical success factors (CSFs)** The factors (strengths and weaknesses) that most affect an organization's success. These are measured relative to those of its competitors. For example, product performance, breadth of services, low costs, etc.

**Customer service** A system organized to provide a continuing link between the first contact with the customer, through to the time the order is received and the goods/services delivered and used, with the objective of satisfying customer needs continuously. It is also sometimes defined as the percentage of occasions the product or service is available to the customer *when* and *where* he or she wants it.

**Data** Words, pictures, sounds, etc. Data by themselves are of little use until they are combined with direction and hence become information.

**Database** A collection of data and information from outside and inside an organization which is stored in such a way that it can be accessed and analysed to provide intelligence for making decisions to achieve the organization's objectives.

**Data warehouse** Similar to an Executive Information System or EIS, it stores all external and internal information (both historical and current data) in a format that can be easily accessed.

**Data mining** Software that allows users to access the data warehouse to search for statistics and for correlations between data that can be used in decision-making.

**Demographics** Commonly used descriptions of customers and consumers according to public and measured criteria.

**Differential advantage** A benefit or cluster of benefits offered to a sizeable group of customers which they value (and are willing to pay for) and which they cannot obtain elsewhere. *See also* Feature *and* Benefit.

**Distribution** A term used in marketing to refer to the means by which a product or service is made physically available to customers. Distribution encompasses such activities as warehousing, transportation, inventory control, order processing, etc. Because distribution is the means of increasing a service or product's availability, it is also a tool which can be used by marketing management to improve the match between benefits sought by customers and those offered by the organization.

**Experience effect** It is a proven fact that most value-added cost components of a product or service decline steadily with experience and can be reduced significantly as the scale of operation increases. In turn this cost (and therefore price advantage) is a significant factor in increasing the company's market share.

**Feature** A characteristic or property of a product or service such as reliability, price, convenience, safety and quality. These features may or

may not satisfy customer needs. To the extent that they do, they can be translated into benefits. *See also* Benefit and Differential advantage.

**Forecast** In planning terms a forecast is usually associated with predicting the volume and value of products and services at some future point in time.

**Gap** In marketing terms, the difference between a service or product's present or projected performance and the level sought. Typically, the gaps in marketing management are those relating to return on investment, cash generation or use, return on sales and market share.

**Gap analysis** The process of determining gaps between a service or product's present or projected performance and the level of performance sought. *See also* Gap.

**Growth/share matrix** A term synonymous with 'product portfolio' which in essence is a means of displaying graphically the amount of 'experience' or market share a product or service has and comparing this share with the rate of growth of the relevant market segment. With the matrix, a manager can decide, for example, whether he or she should invest in getting more 'experience' – that is, fight for bigger market share – or perhaps get out of the market altogether. These choices are among a number of strategic alternatives available to the manager – strategic in the sense that they not only affect marketing strategy but determine use of capital within the organization. *See also* Experience effect.

**Intelligence** Information which is consumable and usable by management in converting uncertainty into risk.

**Market** A customer need described in a way which covers the aggregation of all the alternative products or services which customers regard as being capable of satisfying the same or similar needs.

**Market map** A map which defines the distribution and value chain between service provider and final user, which takes into account the various buying mechanisms found in a market, including the part played by 'influencers'.

**Market research** Research specifically about markets.

**Market segment** A group of actual or potential customers who can be expected to respond in approximately the same way to a given offer (who share the same or similar needs); a finer, more detailed breakdown of a market.

**Market segmentation** The process of splitting customers, or potential customers, in a market into different groups, or segments. A critical aspect of marketing planning and one designed to convert product/service differences into a cost differential that can be maintained over the product's lifecycle. *See also* Product lifecycle/service lifecycle.

**Market share** The percentage of the market represented by a firm's sales in relation to total sales. Some marketing theorists argue that the term is misleading since it suggests that the dimensions of the market are known and assumes that the size of the market is represented by the

amount of goods sold in it. All that is known, these theorists point out, and correctly, is the volume sold; in actuality, the market may be considerably larger.

**Marketing audit** A situational analysis of the company's current marketing capability. *See also* Situational analysis.

**Marketing concept** The marketing concept, as opposed to the marketing function, implies that all the activities of an organization are driven by a desire to satisfy customer needs.

**Marketing intelligence/information system (MIS)** A system to facilitate information flows so that there are appropriate inputs and the correct data gets to the users in a sensible form.

**Marketing mix** The 'tools' or means available to an organization to improve the match between benefits sought by customers and those offered by the organization so as to obtain a differential advantage. Among these tools are product, price, promotion and distribution service. *See also* Differential advantage.

**Marketing objectives** A statement of the targets or goals to be pursued and achieved within the period covered in the marketing plan. Depending on the scope and orientation of the plan – whether, for example, the plan is designed primarily to spell out short-term marketing intentions or to identify broad business directions and needs – the objectives stated may encompass such important measures of business performance as profit, growth and market share.

Marketing objectives with respect to profit, market share, sales volume, market development or penetration and other broader considerations are sometimes referred to as 'primary' marketing objectives. More commonly, they are referred to as 'strategic' or 'business' objectives since they pertain to the operation of the business as a whole. In turn, objectives set for specific marketing sub-functions or activities are referred to as 'programme' objectives to distinguish them from the broader business or strategic objectives they are meant to serve.

**Marketing plan** Contains a mission statement, SWOT analysis, assumptions, marketing objectives, marketing strategies and programmes. Note that the objectives, strategies and policies are established for each level of the business.

**Marketing planning** A logical sequence of events leading to the setting of marketing objectives and the formulation of plans for achieving them.

**Marketing research** Research into marketing processes.

**Mission** A definite task with which one is charged; the chief function of an institution or organization. In essence it is a vision of what the company is or is striving to become. The basic issue is: 'What is our business and what should it be?' In marketing planning, the mission statement is the starting point in the planning process, since it sets the broad parameters within which marketing objectives are established, strategies developed and programmes implemented. Some companies,

usually those with several operating units or divisions, make a distinction between 'mission' and 'charter'. In these instances, the term 'mission' is used to denote the broader purpose of the organization as reflected in corporate policies or assigned by the senior management of the company; the term 'charter', in comparison, is used to denote the purpose or reason for being of individual units with prime responsibility for a specific functional or product-marketing area. *See also* Charter.

**Objective** A statement or description of a desired future result that cannot be predicted in advance but which is believed, by those setting the objective, to be achievable through their efforts within a given time period; a quantitative target or goal to be achieved in the future through one's efforts, which can also be used to measure performance. To be of value, objectives should be specific in time and scope and attainable given the financial, technical and human resources available. According to this definition, general statements of hopes or desire are not true 'objectives'. *See also* Marketing objectives.

**Planning** The process of predetermining a course or courses of action based on assumptions about future conditions or trends which can be imagined but not predicted with any certainty.

**Policies** Guidelines adopted in implementing the strategies selected. In essence, a policy is a summary statement of objectives and strategies.

**Positioning** The process of selecting, delineating and matching the segment of the market with which a product or service will be most compatible.

**Product** A term used in marketing to denote not only the product itself – its inherent properties and characteristics – but also service, availability, price, and other factors which may be as important in differentiating the product from those of competitors as the inherent characteristics of the product itself. *See also* Marketing mix.

**Product lifecycle/service lifecycle** A term used in marketing to refer to the pattern of growth and decline in sales revenue of a product over time. This pattern is typically divided into stages: introduction, growth, maturity, saturation and decline. With time, competition among firms tends to reduce all products in the market to commodities – products which can only be marginally differentiated from each other – with the result that pioneering companies – those first to enter the market – face the choice of becoming limited volume, high-priced, high-cost speciality producers or high-volume, low-cost producers of standard products. (Similar definition applies to 'service lifecycle'.)

**Product portfolio** A theory about the alternative uses of capital by business organizations formulated originally by Bruce Henderson of the Boston Consulting Group, a leading firm in the area of corporate strategy consulting. This theory or approach to marketing strategy formulation has gained wide acceptance among managers of diversified companies, who were first attracted by the intuitively appealing notion that long-run corporate performance is more than the sum of the contributions of individual profit centres or product strategies. Other factors which account for the theory's appeal are: (1) its usefulness in

developing specific marketing strategies designed to achieve a balanced mix of products that will produce maximum return from scarce cash and managerial resources; and (2) the fact that the theory employs a simple matrix representation useful in portraying and communicating a product's position in the market place. *See also* Growth/share matrix.

**Programme** A term used in marketing planning to denote the steps or tasks to be undertaken by marketing, field sales and other functions within an organization to implement the chosen strategies and to accomplish the objectives set forth in the marketing plan. Typically, descriptions of programmes include a statement of objectives as well as a definition of the persons or units responsible and a schedule for completion of the steps or tasks for which the person or unit is responsible. *See also* Strategy statement *and* Marketing objectives.

**Psychographic segmentation** Dividing a market into different groups based on social class, lifestyle, behaviour, attitudes and personality characteristics.

**Relative market share** A firm's share of the market relative to its largest competitor. *See also* Market share.

**Resources** Broadly speaking, anyone or anything through which something is produced or accomplished; in marketing planning, a term used to denote the unique capabilities or skills that an organization brings to a market or business problem or opportunity.

**Revenue** The monetary value received by a company for its goods or services. It is the net price received, i.e. the price less any discounts.

**Service** A service (or product) is the total experience of the customer or consumer when dealing with an organization. A service product cannot be made in advance and stored for selling 'off the shelf' at some later stage.

**Service business** A business specifically focused on providing a service or services to customers. The service product may involve goods.

**Situational analysis** The second step in the marketing planning process (the first being the definition of mission), which reviews the business environment at large (with particular attention to economic, market and competitive aspects) as well as the company's own internal operation. The purpose of the situational analysis is to identify marketing problems and opportunities, both those stemming from the organization's internal strengths and limitations, and those external to the organization and caused by changes in economic conditions and trends, competition, customer expectations, industry relations, government regulations and, increasingly, social perceptions and trends. The output of the full analysis is summarized in key-point form under the heading SWOT (strengths, weaknesses, opportunities and threats) analysis; this summary then becomes part of the marketing plan. The outcome of the situational analysis includes a set of assumptions about future conditions as well as an estimate or forecast of potential market demand during the period covered by the marketing plan. Based on these

estimates and assumptions, marketing objectives are established and strategies and programmes formulated.

**Strategic plan** A plan that covers a period beyond the next fiscal year. Usually this is for three to five years.

**Strategy statement** A description of the broad course of action to be taken to achieve a specific marketing objective such as an increase in sales volume or a reduction in unit costs. The strategy statement is frequently referred to as the connecting link between marketing objectives and programmes – the actual concrete steps to be taken to achieve those objectives. *See also* Programme.

**Tactical plan** A plan that covers in detail the actions to be taken and by whom, during a short-term planning period. This is usually for one year or less.

**Target** Something aimed at; a person or group of persons to be made the object of an action or actions intended, usually to bring about an effect or change in the person or group of persons.

