CHAPTER 2

Strategic Marketing Planning and the Marketing Plan

2.1 LEARNING OBJECTIVES

When you have read this chapter you should understand:

(a) the nature and purpose of strategic planning;
(b) the ten schools of strategic thinking;
(c) the dimensions of effective planning;
(d) the pros and cons of marketing planning;
(e) the structure of the marketing plan.

2.2 INTRODUCTION

Within this chapter we focus upon the nature of strategic marketing planning and the development of the marketing plan. In doing this we concentrate initially upon patterns of thinking in strategic management and then, against this background, on the nature and structure of the marketing plan. However, before doing this it is worth remembering a comment that is made in *Alice in Wonderland*:

If you don't know where you are going, any road will get you there.

It is for this reason that we argue throughout this chapter for a clarity of thinking about the organization's environment, managerial objectives, organizational capabilities, the nature of any constraints that exist, and indeed anything else that impinges upon the process of effective planning and implementation.

2.3 THE ROLE OF STRATEGIC MARKETING PLANNING

Strategic marketing planning is typically seen to be concerned with the definition of marketing objectives and how over, say, a three- to five-year period, these objectives might best be achieved. There is, however, a substantial body of admittedly largely anecdotal evidence to suggest that, although a majority of businesses have plans, these are often used primarily to control spending. Largely because of the rate of environmental change over the past 10 years, there has also been a growing cynicism about formal planning, with many of its detractors arguing that, in a volatile environment, there is little to be gained from planning since both the underlying assumptions and the plan itself are quickly invalidated. It is also often argued that plans frequently suffer from a lack of realism, stifle creativity, lead to a degree of inflexibility in terms of dealing with the unexpected, and frequently give the illusion of control. (These points are discussed in greater detail at a later stage in this chapter.) However, this misses the point, since the *process* of planning is often as important as the plan itself. The essential value of the planning process is that it forces the planning team to question assumptions, tests the rigour of the team's thinking, and provides an opportunity to rehearse the future. In order to plan more effectively, the team therefore needs to use the corporate, divisional or brand vision as a guiding star, and to view planning as a learning process rather than as an exercise in control.

Strategy and planning

The strategic marketing planning process is concerned with the development of strategies that are based on the planning team's assessment of the market and perceptions of managerial expectations and organizational capability. However, before we examine the detail of the marketing planning process, it is worth recognizing that strategy and planning are probably two of the most overworked and misunderstood words in the management lexicon. Given this, we need to clarify what is meant by strategy (a number of definitions of strategy appear in Illustration 2.1).

Mintzberg and Strategy

For Mintzberg (1987), strategy is concerned with five Ps:

1. Planning, which deals with the direction of the organization
2. Ploys, which are designed to deal with and outwit the competition
3. Patterns, which represent a logical stream of actions
4. Position, which relates to how the organization is located in the market place
5. Perspectives, which reflect the management team's view of the world.

Illustration 2.1 Defining strategy

Over the past 50 years a considerable amount has been written about strategy, and from this a variety of definitions and strategic perspectives have emerged. However, one of the first to discuss strategy in a structured way was the Chinese General Sun Tzu (1963), who, in his book *The Art of War*, suggested that it was better to overcome one's enemies by wisdom rather than by force alone:

> One should appraise a war first of all in terms of five fundamental factors and make comparisons of various conditions of the antagonistic sides in order to assess the outcome. The first of the fundamental factors is politics; the second, weather; the third, terrain; the fourth, the commander; and the fifth, doctrine.

One of the first of the more recent writers to define strategy was Drucker (1955), who described it as the answer to two fundamental questions: What is our business, and What should it be?

Following on from this, Chandler (1962) described strategy as:

> the determination of the basic long-term goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources necessary for carrying out these goals.

Although Johnson, Scholes & Whittington (2008) argue against giving a definition of strategy on the grounds that all too often such definitions lead to overly long discussions about the semantics, they suggest that strategy is:

> the direction and scope of an organization over the long term: ideally, which matches its resources to its changing environment and in particular its markets, customers or clients so as to meet stakeholder expectations.

An alternative approach has been proposed by Stacey (2007), who argues that only rarely is strategy the deliberate set of actions that most writers suggest, and that it is instead a far more organic approach:

> there is a strong tendency to slip into talking about it as a response that 'the organization' makes to 'an environment'. When we do that, we depersonalize the game and unwittingly slip into understanding it in mechanical terms, where one 'thing' moves in predetermined ways in relation to another 'thing'. The inevitable result is lack of insight into the real complexities of strategic management because in reality organizations and their environments are not things, one adapting to other, but groupings of people interacting one with another.

He goes on to suggest that there are, in essence, eight different types of strategy:

1. Planned strategies, which represent a series of deliberate and precise intentions
2. Entrepreneurial strategies, which emerge as the result of a personal vision
3. Ideological strategies, which reflect the collective vision of the management team

4. Process strategies, which result from the leadership controlling the process
5. Umbrella strategies, which emerge from a set of broad objectives set by the leadership
6. Disconnected strategies, as the result of sub-units being only loosely connected
7. Consensus strategies, where members converge on patterns
8. Imposed strategies, where the external environment or a parent company dictates patterns of action.

The extent to which a strategy (be it planned, entrepreneurial or any of the others identified by Mintzberg) is achieved is determined to a large extent by the ways in which organizational resources are managed; something that is achieved through the business and marketing planning process. The arguments in favour of planning are straightforward, and include:

- Organizations must plan to coordinate their activities
- Organizations must plan to ensure the future is taken into account
- Organizations must plan to be rational
- Organizations must plan to control.

In practice, however, planning frequently encounters a series of problems, the eight most critical of which were highlighted by Richardson and Richardson (1989):

1. How best to identify and manage organizational stakeholders
2. How to anticipate long(er)-term futures and develop the most appropriate product or market portfolio in order to leverage competitiveness
3. How to plan for things that might foreseeably go wrong with mainstream plans
4. How to manage product and market ‘dreams’ into reality
5. How to seek out major cost-cutting and contribution-creating opportunities and make the required changes to enhance productivity
6. How to create a responsive team culture whereby resources come together to meet changing market conditions and heighten customer satisfaction
7. How to create a base for innovation and then to harness the ability of the enterprise to change effectively its products, services and processes

8. How to make the most of unexpected opportunities and respond positively to shock events.

Perspectives on strategic thinking

In discussing current thinking on strategy and how strategic perspectives have developed, Mintzberg *et al*. (1998) suggest that:

> *we are all like the blind man and the strategy process is our elephant. Everyone has seized some part or other of the animal and ignored the rest. Consultants have generally gone for the tusks, while academics have preferred to take photo safaris, reducing the animal to two dimensions. As a consequence, managers have been encouraged to embrace one narrow perspective or another – like the glories of planning or the wonders of core competencies. Unfortunately, the process will only work for them when they deal with the entire beast as a living organism.*

To illustrate this, Mintzberg has identified ten views of the strategy process and how they have developed; these are summarized in Table 2.1.

Table 2.1 A summary of the ten schools of strategic thinking (adapted from Mintzberg *et al*., 1998)

School	Advocates	Key themes and characteristics
The Design School	Selznick	Strategy development focuses very largely upon matching internal strengths and weaknesses with external opportunities and threats. Clear and simple strategies are developed by senior managers as the result of detailed and conscious thought and are then communicated to others further down the organizational hierarchy
The Planning School	Ansoff	In many ways similar to the Design School, the Planning School is based on a series of formal and distinct steps characterized by checklists and frameworks. Highly cerebral and formal in its nature, it is typically driven by staff planners rather than senior managers as the key players
The Positioning School	Porter	Based firmly upon the work of writers such as Michael Porter, the Planning School emerged from earlier work on strategic positioning by organizations such as the Boston Consulting Group and the PIMS researchers, and reflects thinking on military strategy and the ideas of Sun Tzu (1963). Strategy is 'reduced' to a series of generic positions that are chosen as the result of formal analyses of industry situations. Planning is seen to be a highly analytical process, with emphasis being placed upon hard data. Amongst the frameworks to have emerged from the planning school are strategic groups, value chains, and game theories
The Entrepreneurial School	Schumpeter	The Entrepreneurial School gives emphasis to the role of the chief executive, with strategies being based not so much upon detailed designs, plans, positions and framework, but upon visions of the future and the organization's place within this. A key element of the school is the argument that all organizations need a visionary leader

(*Continued*)

Table 2.1 Continued

School	Advocates	Key themes and characteristics
The Cognitive School	March and Simon	The Cognitive School is concerned not so much with the type or nature of strategy as with the mental processes that underpin any strategy that emerges. Areas of particular emphasis have proved to be cognitive biases and aspects of information processing
The Learning School	Cyert and March; Hamel and Prahalad	With its origins in the ideas of incrementalism (a series of small steps rather than any large one), venturing and emergent strategy (strategy grows from a series of individual decisions rather than as the result of a tightly defined process), strategy development is seen to take place at all levels within the organization. There is an emphasis upon retrospective sense-making ('we act in order to think as much as we think in order to act') and a belief that strategy formulation and implementation are interlinked
The Power School	Allinson (micro) and Pfeiffer *et al*. (macro)	Seen by many to be a relatively minor school, the Power School gives emphasis to the idea that strategy making stems from power. This power can be seen both at a micro-level in that strategy emerges as a result of politicking between organizational actors, and at a macro-level in terms of external alliances, joint ventures and network relations
The Cultural School	Rhenman; Normann	Whereas the power school concentrates on self-interest and fragmentation, the cultural school is based on a common interest, with strategy development being seen as a social process rooted in the organizational culture. One of the most influential forces in the thinking in this area proved to be the impact of Japanese management in the 1970s and 1980s, as it became evident that difficult-to-copy cultural factors could contribute to competitive advantage
The Environmental School	Hannan and Freeman; Pugh	Whereas much thinking on strategy rests upon how the organization uses its degrees of freedom to develop strategy, the Environmental School focuses upon the significance and implications of demands placed upon the organization by the environment. Included within this is 'contingency thinking', in which consideration is given to the responses expected of the organization as the result of specific environmental conditions, and 'population ecology', which argues that there are significant constraints upon strategic choice
The Configuration School	Chandler; Mintzberg *et al*.; Miles and Snow	Seen by many to be a more extensive and integrative school of thought than those referred to above, this is characterized both by the view that the organization is a configuration of coherent clusters of characteristics and behaviours, and by the belief that change must be seen as a dramatic transformation

In practice, of course, managers are unlikely to adhere to the views and perspectives of any single school because, as Mintzberg *et al*. (1998) suggest:

> *these people have to deal with the entire beast of strategy formation, not only to keep it as a vital force but also to impart real energy to the strategic process. The greatest failings of strategic management have occurred when managers took one point of view too seriously. This field had its obsession with planning. Then came generic positions based on careful calculations, now it is learning, and*

doubtless other perspectives, waiting in the wings, will be greeted with similar enthusiasm before making their exit.

A categorization of approaches to strategy formulation has also been proposed by Whittington (1993), who has suggested that there are four principal or generic approaches to strategy formulation:

1. The classical approach
2. The evolutionary approach
3. The processual approach
4. The systemic approach.

A summary of these four approaches appears in Table 2.2.

The significance of these four approaches – and indeed the differences between them – needs to be understood in some detail by the reader, since the way in which the organization views strategy and the strategy-making process has significant implications for the way in which the marketing strategist goes about the development of marketing strategy. Perhaps the most obvious of these implications can be seen in terms of whether emphasis is placed largely upon a *deliberate* or an *emergent* strategy. In commenting upon this, Mintzberg (1994, pp. 24–5) suggests that:

> *intentions that are fully realized can be called* deliberate *strategies. The literature of planning recognizes both cases, with an obvious preference for the former. What it does not recognize is the third case, which we call* emergent *strategy, where a realized pattern was not expressly intended. Actions were taken, one by one, which converged in time in some sort of consistency or pattern. For example, rather than pursuing a strategy (read plan) of diversification, a company simply makes diversification decisions one by one, in effect testing the market. First it buys an urban hotel with restaurant, and then another of these, etc., until the strategy (pattern) of diversifying into urban hotels with restaurants finally emerges.*
>
> *As implied earlier, few, if any, strategies can be purely deliberate, and few can be purely emergent. One suggests no learning, the other, no control. All real world strategies need to mix these in some way – to attempt to control without stopping the learning process. Organizations, for example, often pursue what may be called* umbrella *strategies: the broad outlines are deliberate while the details are allowed to emerge within them. Thus emergent strategies are not necessarily bad and deliberate ones good; effective strategies mix these characteristics in ways that reflect the conditions at hand, the ability to predict as well as the need to react to unexpected events.*

Table 2.2 The four generic approaches to strategy formulation

Approach	Advocates	Key themes and characteristics
The classical approach	Ansoff; Sloan and Porter	The essential underpinning is economic theory, with its advocates arguing that profit maximization is an important objective and that the strategist's task is to position the organization or business unit in such a way that this can be achieved. Rigorous intellectual analysis represents an essential input to the process, and is designed to contribute to the organization achieving a degree of control over the internal and external environment
The evolutionary approach	Henderson (of the Boston Consulting Group); Friedman; Peters	Similar in a number of ways to the Classical School of thought, strategy evolutionists differ in that they believe that because the strategist cannot control the environment, the idea of a single strategy route is inappropriate. Instead, they argue, the planner needs to recognize the options open to the organization and keep these options open for as long as possible. Its advocates also argue that because large organizations are inherently slow and inflexible, the notion of an all-embracing strategy is unrealistic. In turn, this leads to a belief that long-term strategies can often be counterproductive and that higher levels of long-term performance can often be achieved by a sense of fast-moving, short-term cost-reduction processes. In discussing this, Fifield (1998, p. 9) summarizes a key theme in terms of 'In a competitive market place the organization should launch as many small initiatives as possible and see what works. The competitive processes inherent in the market place should then allow the best initiatives to flourish and an overall strategy should begin to emerge as a pattern from the market place. In this way, we can see that the idea is that the market dictates the strategy, not the manager'
The processual approach	Mintzberg; Hamel	This pattern of thought can be seen to have emerged from the Evolutionary School, and is based on the idea that a worthwhile strategy can only emerge as the result of the strategist's detailed involvement in the day-to-day activities of the business. They recognize that the environment is too powerful and unpredictable for the strategist to overcome or manage it purely on the basis of intellectual analysis and that – unlike the evolutionists – markets are not sufficiently or inherently efficient to allow for performance maximization. Given that organizations represent a collection or coalition of individuals and interests, goals – and strategy – emerge as the result of a bargaining process. They believe strongly that planning and implementation need to be firmly interlinked, and that the classical school's ideas of strong central corporate planning departments are of little value. Mintzberg in particular believes that (effective) strategy involves a series of small steps that then coalesce into a pattern, and that the key to high(er) performance is an emergent rather than a deliberate strategy. This view is also based firmly upon the idea that in the absence of the right competencies, strategy and plans are to all intents meaningless
The systemic approach	Whittington; Morgan	This reflects a belief that there is no one strategy model that is applicable to all types of organization, but that both the objectives and the strategy process are the result of the strategist's social and cultural backgrounds and of the social context in which they are operating. This view gives emphasis to the way in which strategy and the strategy process are not necessarily objective and rational but, particularly in multinational corporations (MNCs), are a reflection of an amalgam of possibly very different forces that have their origins in social systems. The most obvious ways in which these differences are manifested within an MNC include attitudes to profit, risk, group versus individual decision-making, levels of accountability, timescales and indeed the notion of the free market. Advocates of the systemic school argue that a focus upon implementation is essential and that this is significantly influenced by organizational sociology

2.4 SO WHAT IS MARKETING STRATEGY?

At its simplest, strategy means knowing where you want to go and then deciding upon how best to get there. Strategic marketing can therefore be distilled down to the planner deciding – with complete clarity – in which markets the organization wants (or is able) to compete, and then how exactly it will do this (see Figure 2.1).

Given this, an effective marketing strategy can be seen to be based upon four key dimensions:

1. Being close to the market
2. Developing valid assumptions about environmental trends and market behaviour
3. Exploiting the competencies of the organization
4. Developing a realistic basis for gaining and sustaining competitive advantage.

A slight variation on this, which reflects the 'three Cs' of marketing strategy, is illustrated in Figure 2.2.

An organization's marketing strategy is not developed in isolation; instead it needs to be developed against the background of and within the constraints imposed by the organization's overall corporate plan. There is therefore a cascade process, with the marketing strategy emerging from the corporate strategy, and the marketing plan and tactics then emerging from the marketing strategy. An integral part of any marketing strategy is the competitive strategy. In other words, *how* – in detail – will the organization compete within the market place?

Although there are numerous dimensions to any competitive strategy (many of which are discussed in detail in later chapters), competitive strategy at its most extreme can be seen to be about being better than the competition in every function and at every level. The reality for many organizations is often very different, since the organizational culture and overall level of

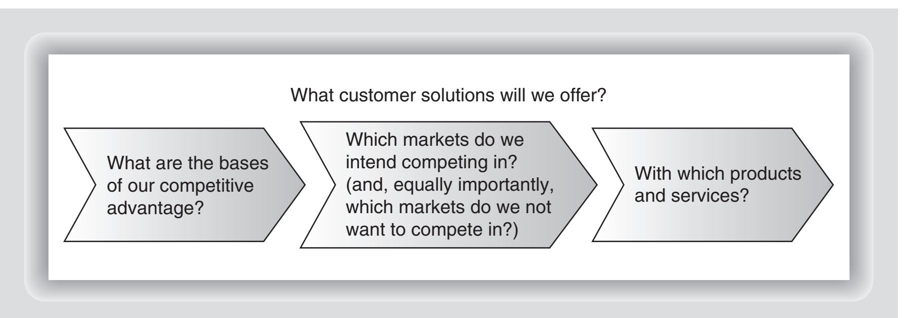

FIGURE 2.1 *The key dimensions of marketing strategy*

In developing the strategic marketing plan, the strategist needs to take as one of the starting points the analysis of the three Cs of strategy: Customers, Competitors and Capabilities.

Customers: Who are they? When, where and how do they buy? What motivates them? How is the market currently segmented? How might it be segmented?

Competitors: Who are they? What strategies are they pursuing? What are their strengths and weaknesses? What are their areas of vulnerability? How are they most likely to develop over the next few years?

Capabilities: What are the organization's relative strengths and weaknesses in each of the market segments in which it is operating? What levels of investment are available? How might the capabilities best be leveraged?

FIGURE 2.2 *The three Cs of marketing strategy*

capability prevent this. (See Illustration 2.2 in which we discuss the idea of organizational DNA.) However, regardless of capability, the strategic marketing planning process needs to begin with the identification of key issues, both externally and internally. Externally, these include the general environment, the markets, customers and competitors. Internally, the key issues are both real (e.g. budgetary or production constraints) and imaginary or artificial (e.g. an attitude of 'we can't do it that way' or 'it just wouldn't work').

Having identified these key issues, the next step is their analysis, followed by the strategy and action plans, and then implementation, monitoring, control and feedback (see Figure 2.3).

The approach that is reflected in Figure 2.3 can be termed a logical, sequential and rational approach to planning, in that it is based on a highly structured view of how an organization operates. In practice, the planning process is often far less structured. Stacey, for example, whose work is based on chaos theories of management that reflect his view that strategy is a far more dynamic and unpredictable process than is typically acknowledged, has argued for a far more organic approach to strategy and planning. Here, however, we focus largely upon a structured approach to thinking about the process of marketing planning and implementation.

An alternative framework for thinking about strategy is illustrated in Figure 2.4. Here, the core organizational values and defining competencies drive the core purpose of the business and, in turn, the vision or what we have labelled 'the Olympic goal'. Strategies and action plans then emerge from this, with areas such as operational efficiency, the organizational structure, people, and customer service all being aspects of the implementation process. This is then developed in greater detail in Figure 2.5, which explores how the organization might achieve its objective.

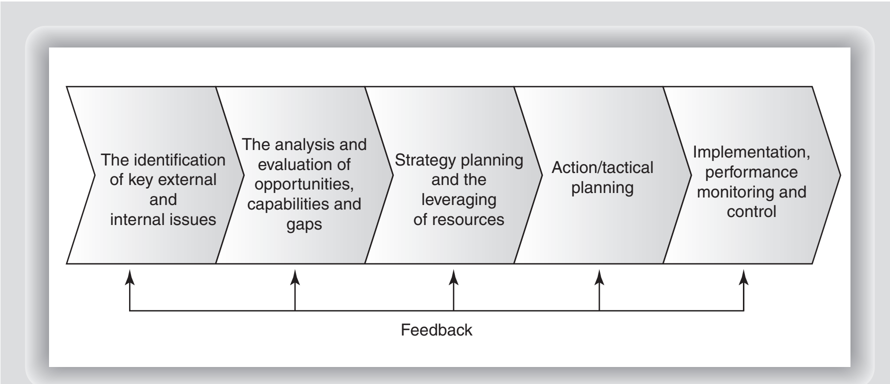

FIGURE 2.3 *The strategic marketing planning process*

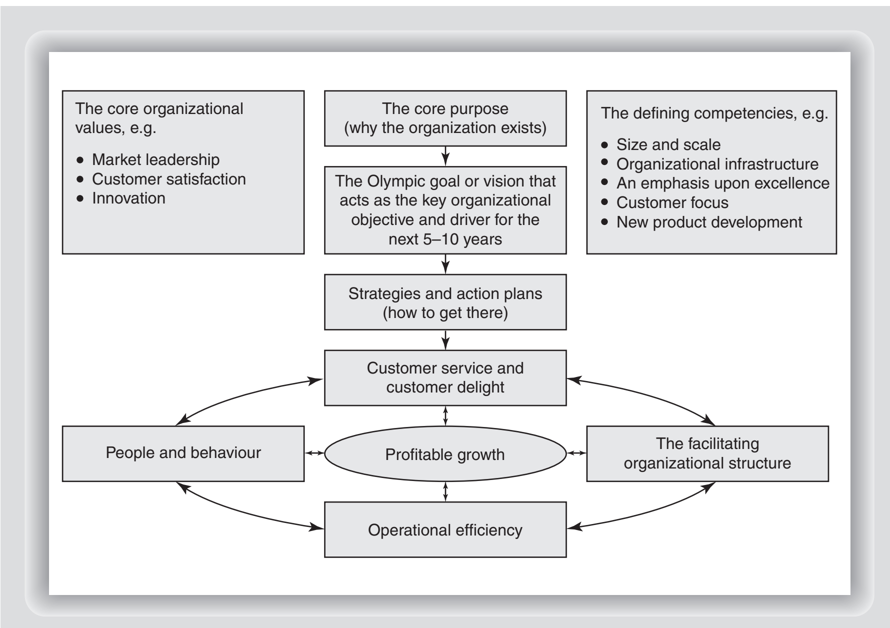

FIGURE 2.4 *The Olympic goal as the driver for strategic marketing planning*

However, despite all the attention that has been paid to strategy and to the factors that influence it, the reader needs to recognize that an organization cannot really claim to have a strategy if it simply carries out many of the same activities as its competitors, but only a little better. If it does this, it is merely operationally more efficient. An organization can only really claim to have a robust strategy when major points of difference exist between what it is doing and what its competitors are doing. In the absence of this, the organization runs the risk of a self-inflicted vulnerability and of falling into the trap of action **without** strategy.

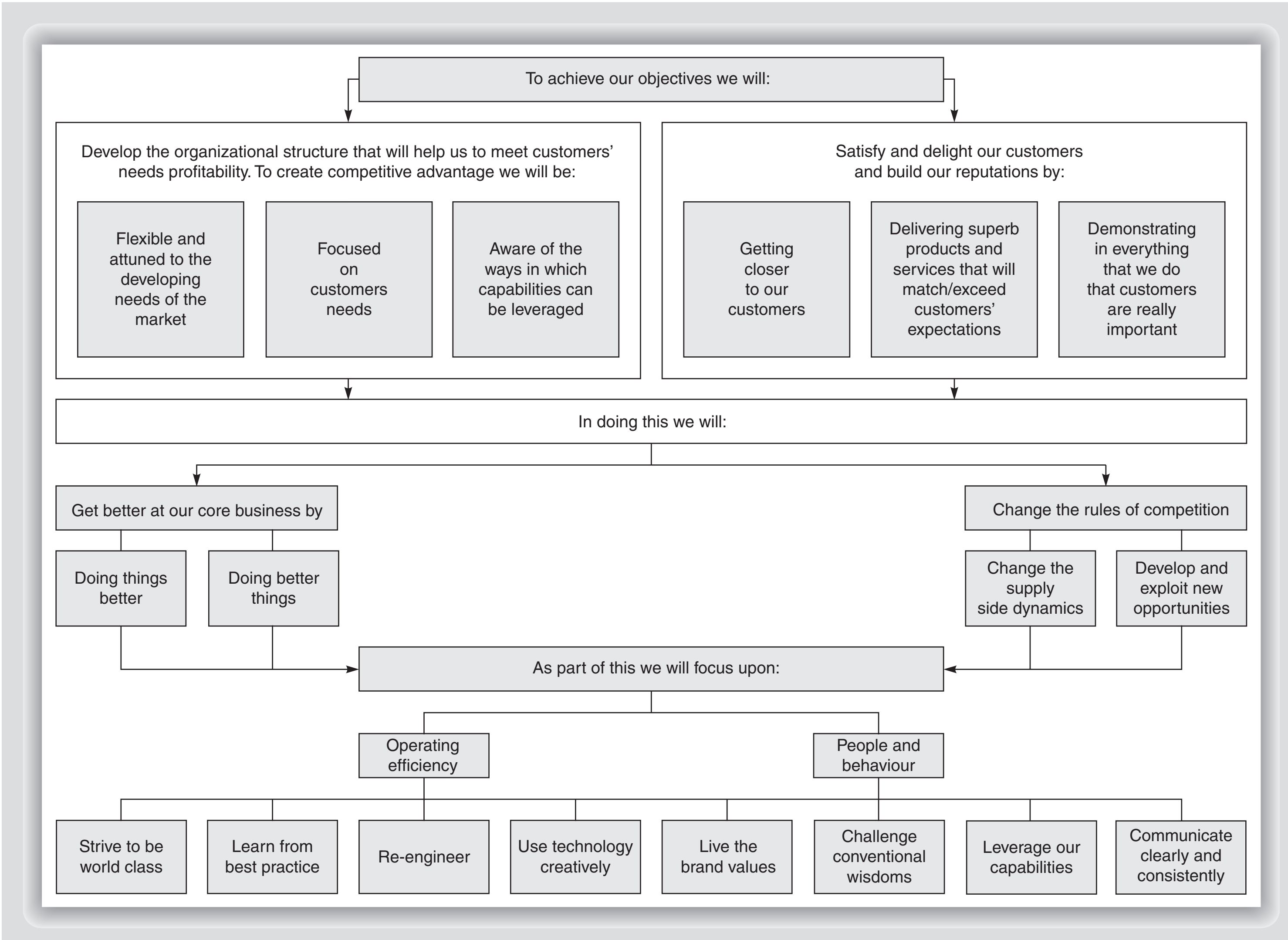

FIGURE 2.5 *Developing and implementing strategies*

In discussing this, Neilson and Pasternack (2005) of the consultants Booz Allen Hamilton develop the concept of organizational DNA which, they suggest, is one of the primary determinants of performance. In essence, they argue, there are seven organizational types, only three of which are healthy (refer to Illustration 2.2). The implications of these profiles for planning and, more importantly, for implementation are significant and highlight the ways in which, despite the attention that might be paid to a planning process, if the underlying DNA of the business is unhealthy, little that is different or meaningful is likely to be achieved. Instead, the organization simply zig-zags towards the land of the lost.

Illustration 2.2 Planning and the significance of organizational DNA

In their book *Results: Keep What's Good, Fix What's Wrong and Unlock Great Performance,* Neilson and Pasternack (2005) use the Booz Allen Hamilton DNA profiling tool (see www.orgdna.com) to identify seven types of organization, three of which are healthy and in which planning – and implementation – work effectively. In the other four, a host of factors, including political infighting, a lack of focus and multiple layers of management, conspire to create an environment in which little is likely to be achieved (refer to Figure 2.6). Depressingly, their research suggests that 60% of businesses fall into this category.

The healthy DNA profiles …

The military organization: Typically driven (hard) by a small and focused senior leadership team, it succeeds as a result of a well-thought-out and superior business model and superior execution.

The resilient organization: Sensitive to the market and sufficiently flexible to cope with these changes, the management team has a clear focus upon the strategy and its implementation.

The just-in-time organization: Although it suffers from a degree of inconsistency, there is typically a clear understanding of what is needed to succeed and a high degree of flexibility that allows it to meet market demands.

And the unhealthy DNA profiles …

The out-grown organization: With strategies, structures, systems and processes more suited to an earlier phase in its life, the outgrown organization often has its decision-making concentrated in the hands of a small number of managers who are increasingly out of touch both with the market and what this demands of the organization.

The over-managed organization: Characterized by high levels of bureaucracy, a highly political environment and too many layers of management, the organization typically suffers from paralysis by analysis.

The passive-aggressive organization: Although strategies and plans are developed without argument, the organization then struggles with their implementation.

The fits-and-starts organization: Typically staffed with large numbers of talented and motivated managers, they rarely agree on the direction of the business.

FIGURE 2.6 *The seven types of organizational DNA*

2.5 THE THREE DIMENSIONS OF PLANNING

According to Piercy (2002, p. 586) the strategic marketing planning process consists of three principal and interrelated dimensions:

1. An *analytical* dimension, which is concerned with a series of techniques, procedures, systems and planning models
2. A *behavioural* dimension, which relates to the nature and extent of the participation, motivation and commitment from members of the management team
3. An *organizational* dimension, which is concerned with information flows, structures, processes, management style and culture.

The effectiveness of the planning process – and hence the ultimate value of the plan – is therefore determined by the way in which these three dimensions are managed. Where, for example, there is a culture in which there is little openness, creativity or involvement from staff across marketing and other parts of the business, the value of any analysis and planning is likely to be reduced dramatically. Equally, if the organizational dimension inhibits information flows and/or an emphasis upon implementation, again the value of the planning process and the plan is reduced.

However, although planning has an inherent and logical attraction (a summary of the most commonly claimed benefits of marketing planning appear in Figure 2.7), the reality in many organizations is that the planning process is often managed relatively badly. In attempting to explain why this is so, a variety of issues have been highlighted. Piercy (2002, pp. 583–5), for example, argues that there are ten principal planning pitfalls. These include:

1. *An emphasis upon analysis rather than planning*, which leads to managers becoming preoccupied with tools and techniques rather than thinking creatively about objectives, positioning and strategy
2. *Information instead of decisions*, where there is a constant demand for ever more information before decisions are taken
3. *Incrementalism*, which leads to this year's plan being an often minor development of what has gone before rather than something that raises fundamental questions about issues of capability, objectives and markets
4. *Vested interests*, which lead to an emphasis upon maintaining the *status quo* and the safeguarding of empires and budgets
5. *An organizational mindset*, which refuses to accept plans that move away from the well-accepted and the well-rehearsed approaches of the past

Amongst the most frequently claimed benefits of marketing plans and marketing planning are that:

1. The process of planning encourages or forces managers to think ahead and to examine in detail how the environment may develop and where opportunities and threat exist or might come from
2. Following on from this, the planning process leads managers to think in detail about organizational capabilities, priorities, objectives and policies
3. If clearly and realistically developed, the objectives that emerge from the planning process provide the basis for the development of performance standards and the more effective control of the organization
4. Plans should lead to a better co-ordination of company efforts and the more effective utilization of assets
5. By thinking about the future, managers should be better prepared for any unexpected environmental developments
6. By being involved in the development of the plan, managers should feel a (greater) sense of ownership and have a better understanding of their responsibilities and what is expected of them.

FIGURE 2.7 *The benefits of marketing planning*

6. A general *resistance to change* amongst members of the management team
7. *Little ownership of the plans* and a corresponding absence of commitment
8. *Inadequate resourcing* of the plan
9. *A focus upon planning per se* rather than planning and implementation
10. *A diminishing interest* in the plan as a result of its not having been taken seriously in the past and a general shift towards planning simply becoming an annual, time-consuming, irksome and essentially pointless ritual.

The pitfalls and difficulties of marketing planning have also been highlighted by McDonald (2007), who has suggested that the ten most common barriers to (effective) marketing planning are:

1. *A confusion between marketing tactics and marketing strategy*, and an emphasis upon the easier and more predictable short-term issues and performance at the expense of those that are more complex and uncertain long term

2. *A separation of the marketing function from day-to-day operations*, with the result that plans are developed without the immediacy of contact with the market
3. *A confusion between marketing as a function and marketing as a far broader business concept*; the implications of this are seen most obviously in terms of marketing being seen to be synonymous with sales, or advertising, or customer service, rather than as the driving organizational philosophy
4. *Organizational barriers* that lead to company activities being structured around functional activities rather than customer groups
5. *A lack of detailed analysis*, and an emphasis instead upon preconceptions and conventional wisdoms
6. *A confusion between process and output*; something that is manifested most obviously in terms of models such as SWOT being seen as an end in themselves rather than as the basis for providing real insight to issues of capability
7. *A lack of knowledge and skills*
8. *The lack of a systematic approach to planning* and a reliance instead upon something that is rather more *ad hoc*
9. *The failure to prioritize objectives* on the basis of their impact upon the organization, their urgency and their implications for resources
10. *Hostile corporate cultures* that lead to marketing and, by extension, marketing planning being viewed as less important than other parts of the business.

Given the nature of these comments, it would seem that planning rarely works as well as it should. However, at an intellectual level, few managers would argue against the notion of planning. Instead, it is the way in which planning is often practised that appears to create problems.

Recognizing this, the marketing planner needs to think in detail about how the planning process – and therefore the plans – might be improved. However, before doing this, it is worth thinking about four observations made by Giles (1995):

1. Better planning does not invariably lead to better implementation
2. Over-sophistication hinders ownership of the plan
3. Ownership tends to make implementation work, irrespective of the strategy
4. Sophistication follows ownership and implementation.

Managing the marketing planning process (effectively)

If you buy into a strategy, you have to buy into the consequences *of that strategy. (Anon)*

In the light of what has been said so far, it should be apparent that, if the planning process is to be effective, it is not simply a case of imposing a planning structure upon members of the marketing team. Instead, there is the need to demonstrate, first, that planning is a living and meaningful process, and secondly, that the plan is designed to be a working document – in other words, it is designed to be something that is used on a day-to-day basis to guide and inform decisions. Recognizing this, we can identify a number of initial guidelines:

- The planning format needs to be standardized so that managers across the business are familiar with the process and structure
- There needs to be an inbuilt flexibility so that, as the external environment changes, the plan can be modified to reflect these changes
- The plan needs to be based upon opportunity-oriented and strategic thinking rather than simply being a reiteration of what has gone before
- The priorities and strategy should not be hidden in the detail of the plan, but should instead be immediately apparent.

In addition, the planner needs to think about how to improve levels of commitment and support to the planning process. Some of the ways in which this might be done are examined at a later stage, although at this point it is worth referring to Figure 2.8, in which we show the five levels of commitment and support that typically exist.

The lost art of planning and strategy

The implications of a poorly-developed and poorly-implemented approach to planning have been spelled out by a variety of writers, including de Kare-Silver (1997) who, in his book *Strategy in Crisis*, suggested that many companies have lost the art of planning and strategy-making. They spend too much time, he argues, looking inward at process change, organization and systems, and do not allocate enough time or effort to planning their future, determining where they want to be in their markets, and how they are going to beat competitors. In these circumstances, he suggests, planning processes are typically reduced to annual form-filling and extrapolating numbers without any serious debate about the future. In making this comment, he points to a variety of studies and statements from senior managers:

Only 20 per cent of CEOs surveyed put strategy as their starting point in building their company … As few as 6 per cent of business people in the United States would rate their company excellent at planning for the long-term future … We don't have a strategy, what's the point when the world is so uncertain?

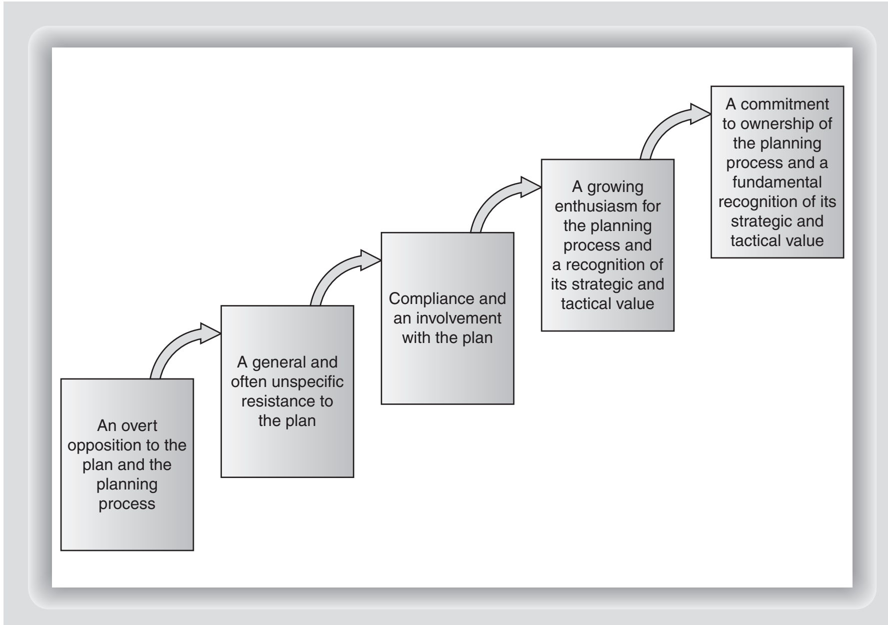

FIGURE 2.8 *The ladder of planning commitment and support (adapted from Jobber, D. (2004, p. 757)*

To support his argument, de Kare-Silver cites the results of a survey of 100 chief executives of the top 100 companies based in the UK and the United States that was carried out by the consultancy firm Kalchas Group. The results suggested that only 14 put 'strategy' at the top of their list of priorities; this is illustrated in Table 2.3.

He goes on to say that:

> *This low ranking for strategy is confirmed by other surveys. For example, another piece of research reviewed in the book* Maximum Leadership *(1995) concluded that only 20 per cent of CEOs described strategy formulation as their defining role. While most acknowledged its importance, at the same time they put other items such as people, change management and core competencies ahead on their list of priorities: In reality, many of the CEOs we interviewed felt entirely comfortable saying they believed the days of top-down strategy formulation are past.*

Insofar as it is possible to identify the characteristics of those organizations in which managers have *not* lost sight of the significance of planning and strategy, they are that:

- There is a clear sense of purpose and direction
- Strategies are clearly articulated

Table 2.3 Where would strategy typically rank on your agenda? (adapted from de Kare-Silver, 1997)

Suggested priority agenda items	Average rankings
People management	1
Financial performance	2
Stockholders	3
Customers	4
Re-engineering	5
Future strategy	6
New products	7
Technology	8
Information management	9
Regulatory environment	10

- There is continuous investment in people, products, processes and markets
- Resources and effort are clearly focused upon those elements that are seen to be important and that give or contribute to competitive advantage
- There is a commitment to the long term
- The management team is determined to overcome obstacles and roadblocks
- There is an emphasis upon implementation
- Managers are concerned with creating their own future, rather than having it created for them by others.

In essence, de Kare-Silver suggests, they not only understand competitive advantage and what it takes to win, but they also recognize that marketing excellence is achieved not through ignorance and guesswork, but through a detailed understanding of the organization's markets and organizational capabilities, and a clear focus upon segmentation and differentiation.

However, a problem for many managers who do attempt to develop and implement a more strategic approach to their markets is that the majority of the best-known and most widely used strategy tools are increasingly being seen as out of date. The Boston Consulting Group's (1970) growth-share matrix and Porter's five forces and three generic strategies, for example, were all developed against the background of a very different business environment from the one within which many managers operate today and, as a consequence, have a number of limitations (these are touched upon in later parts of this book). In order to overcome this, de Kare-Silver argues for what he terms the Market Commitment model, suggesting that it is this that helps managers to come to terms with the way in which competitive advantage might possibly be built and sustained.

The model is based upon two building blocks: commitment and competitive advantage. The first of these stems from de Kare-Silver's belief that in focusing upon the future, high-performing management teams demonstrate a commitment to win and an almost messianic focus that is so strongly articulated that competitors back away, recognizing that the market will be dominated by the key player.

The second building block of the model is competitive advantage. Research by de Kare-Silver and the Kalchas Group led him to suggest that there are four prime areas that differentiate organizations and most frequently influence purchases decisions. These are:

1. Performance
2. Price
3. Emotion
4. 'Service hustle'.

The absolute ideal, he suggests, is the superior performance of the product or service, sold at the most leveraged price, with extraordinary levels of service and compelling emotional values. In practice, of course, there tends to be a focus upon just one or two of these areas rather than all four, and the task of the strategist is therefore to identify which of these is (or are) the most appropriate. Toyota, BMW and Mercedes, for example, focus upon product quality, performance and the development of advances in the product. Marriott Hotels and First Direct base their advantage on delivering very high service levels. Aldi and Wal-Mart use price as the lever, whilst Coca-Cola, Marlboro and Disney base their thinking on the establishment of powerful emotional values with their brands, and the building of customer relationships.

The structure of the marketing plan

Against the background of what we have said so far, we can now turn to the structure of the marketing plan: this appears in Table 2.4, together with an indication of the tools and techniques that might be used at each stage. Deliberately, we have opted for something that is highly-structured and through which the planner moves in a step-by-step way.

Table 2.4 The marketing plan

Key headings of the plan	Tools, techniques and outcomes
1. Executive summary	
2. The background to the plan and the context for what follows (a summary of the position reached and the strategic progress made)	
3. The vision for the organization, the mission and aspirations (e.g. to create superb products and services, to develop and expand the markets in which the company is active, and to create stakeholder value by achieving an exceptional financial performance that will be reflected in the company's share price), and strategic intent (e.g. to gain leadership within defined strategic groups and markets, as well as achieving an excellent financial performance)	
4. Market overview and situational analysis (the statement of where we are currently, the factors that have contributed to this, and a review of what has been going well and what has been going badly and is in need of attention)	
5. Internal analysis: strengths, weaknesses and measures of capability	■ Strengths and weaknesses and their implications ■ Resource analysis ■ Assets and competences ■ Measures of capability ■ Portfolio analysis ■ Product and brand life cycle positions ■ The reality check (why should anyone buy from us?) ■ Strategic intent and strategic reality (what do we want to do, and what are we *really* capable of achieving?) ■ Benchmarking (how do we perform relative to others?)
5(a). *The preliminary assessment of strengths and weaknesses and initial thinking on how to leverage capability*	
6. External analysis and the market audit	■ SLEPT analysis ■ Opportunities and threats: basic beliefs, implications and must do's ■ Market trends and implications ■ Performance/importance analysis ■ Customer analysis, including customers' perceptions of the organization, measures of satisfaction, and measures of loyalty ■ Areas of company–customer mismatch ■ Competitor analysis ■ Market product, brand and technology life cycle analysis

(*Continued*)

Table 2.4 Continued

Key headings of the plan	Tools, techniques and outcomes
6(a). *Preliminary assessment of the opportunities and threats: the issues that emerge from the analysis, including the critical success factors*	
7. Critical issues analysis and thinking on positioning in order to reduce competitive threats and how to exploit opportunities	■ Strategic imperatives and priorities ■ Marketing priorities
8. The principal assumptions underpinning the plan	■ Critical success factors (the areas in which the organization must excel if it is to outperform its competitors and achieve success) and how these are changing ■ Life cycle projections ■ Probable customer and competitor moves and developments ■ The scope for leveraging capability (what can we do to reinvent the marketing proposition and/or the industry?)
9. The target market and its characteristics	■ Customer and consumer issues ■ Strategic groups ■ Segmentation, targeting and positioning ■ Market space analysis
10. The marketing objectives by market, product group, segment and brand	■ The Ansoff matrix ■ Competitive stance and competitive advantage ■ Profits forecast and sensitivity analysis
11. The positioning statement	
12. The marketing and competitive strategy and the competitive stance	The *type* of strategy ■ The big idea – the killer or winning proposition ■ Competitive targets and priorities ■ Issues of differentiation and the competitive stance ■ Approaches to leveraging capability: the three actions/things that would make a difference ■ Breakpoint thinking ■ Segmentation, targeting and positioning
13. The management of the seven Ps of the marketing matrix	■ The seven Ps (Product, Price, Place, Promotion, People, Physical evidence and Process management) ■ Aspects of customer service/establishing the service levels
14. The development of the brand	■ Market mapping ■ Competitive advantage, selling proposition(s) and brand values ■ The 'big idea' and breakpoint thinking ■ The bases for differentiation and competitive advantage ■ Leveraging assets and strategy ■ The delivery of greater value
15. Budgets	
16. Review and the possible reformulation of the objectives	

(*Continued*)

Table 2.4 Continued

Key headings of the plan	Tools, techniques and outcomes
17. The action plan	
18. Implementation and control	■ Issues of responsibility and accountability ■ Deadlines, intermediate targets and measures of performance ■ Internal marketing ■ The McKinsey 7S
19. Contingency thinking (what are we going to do if some of the planning assumptions prove not to be valid and/or our objectives and/or environmental conditions change?)	■ Scenario and 'what if'? thinking

Note: Within this structure, the setting of the budget appears at a relatively late stage. In many organizations, of course, the budget (or at least the initial budget) is allocated at the beginning of the planning cycle, and the planner is therefore faced with the task of developing the plan within this constraint.

Marketing planning and the significance of mindset

In his book *The Mind of the Strategist*, Kenichi Ohmae (1983) claimed that successful strategy was more to do with a particular mindset than with detailed and highly objective analysis. Written in 1975, at the time of a tremendous upsurge in Japanese global economic power, the book was translated into English in 1983 and proved to be particularly successful and influential, since it was at this stage that American business was being hit particularly hard by Japanese firms. Perceived by many to hold the secret to Japanese management thinking, the book was in fact a warning against a belief in a 'Made in Japan' miracle of business strategy.

Ohmae, a consultant with McKinsey, argued in the book that a considerable amount of Japanese strategy was often based on creativity and intuition – a view that was at odds with the common perception of remorseless Japanese logic and detailed planning, something that was, in turn, reflected in the often small and frequently poorly resourced strategic planning units of Japanese companies. Despite this, Japanese firms at the time were often outstanding performers in the market place.

Ohmae contrasted this with the way in which he saw many large American firms being run rather like the Soviet economy in its heyday, with managers feeling that they needed to plan ahead comprehensively and control in detail each stage of the process. In these circumstances, he suggested, creativity and intuition get lost. He also suggested that in these types of organization those who step outside the well-established and clearly-defined planning parameters are often penalized, whilst those who understand and work the system are rewarded.

In commenting on this, Merriden (1998) suggests that:

If creativity and intuition are the key, then the central thrust of Ohmae's argument is that successful strategies result not from rigorous

1. What issues are you facing in your business today, what are the market dynamics, and how are they changing?
2. What actions have your competitors taken in the last three and five years that have had a significant effect upon your organization?
3. What actions have you taken over the last three and five years that have had a significant effect upon the competition?
4. What are the most dangerous and far-reaching actions that your competitors might take, both in the short term and the long term?
5. What are the most effective steps that you could take in the next three years?

FIGURE 2.9 *Five questions for the marketing planner and strategist*

analysis but from a particular state of mind. 'In strategic thinking', he argues, 'one first seeks a clear understanding of the particular character of each element of a situation and then makes the fullest use of human brainpower to restructure the elements in the most advantageous way.' Brainpower on its own is not enough. Hence, at the heart of a Japanese business, there is often a single, talented, forceful strategist, who has 'an idiosyncratic mode of thinking in which company, customers and competition merge'. These three Cs, as Ohmae called them, are all-important, but for the Japanese it is the customer who has always been at the heart of the Japanese approach to strategy.

Ohmae goes on to suggest that an effective strategy is one through which a company can gain significant ground on its competitors at an acceptable cost to itself, and outlines four ways of achieving this. The first is a clear focus on the key factors for success, and a concentration of major resources at an early stage on a single strategically significant function. The second is to build on superiority by employing technology not currently being exploited by your rivals. The third is to pursue aggressive initiatives that upset 'the rules of the game'. The final route is to make full use of what Ohmae calls 'strategic degrees of freedom', focusing on areas in which competitors are not involved.

Given the nature of these comments, we can identify a number of questions that marketing planners and strategists need to ask themselves on a regular basis (see Figure 2.9). It is the answer to these questions that (should) help to focus attention upon some of the more significant issues that underpin the development of the strategic marketing plan.

Testing and evaluating the plan

In testing and evaluating the strategy and plan, a number of criteria need to be considered – the three most obvious of which relate to the plan's *appropriateness* (does it, for example, strengthen and exploit the current position?); its *feasibility* (can it be successfully implemented?); and its *desirability* (does it close any planning gaps, and are the risk levels acceptable?). A slightly different approach to evaluation is encapsulated in Table 2.5, where the plan is tested against a number of criteria.

Having developed the plan and applied the initial test that appears in Table 2.5, there is then the need to take the evaluation a stage further with a straightforward five-stage test.

1. The objectives — To what extent are the objectives measurable, stretching, and motivating, with clear interim steps?
2. A long-term view — Does the plan reflect a long-term perspective, and is there a clear picture of how the future will be or might be different?

Table 2.5 Testing the strategy and plan

To what extent does the strategy and plan:	To a very high degree				Not at all
1. Build upon and exploit our strengths	•	•	•	•	•
2. Address our weaknesses	•	•	•	•	•
3. Leverage and strengthen our competitive position	•	•	•	•	•
4. Exploit emerging opportunities	•	•	•	•	•
5. Provide a basis for meaningful differentiation	•	•	•	•	•
6. Hurt the competition	•	•	•	•	•
7. Leverage marketing assets	•	•	•	•	•
8. Strengthen our image and reputation	•	•	•	•	•
9. Develop our routes to market	•	•	•	•	•
10. Build customer loyalty	•	•	•	•	•
11. Reflect product and/or process innovation	•	•	•	•	•
12. Coordinate resources – including staff – across the organization	•	•	•	•	•
13. Make best use of resources	•	•	•	•	•
14. Satisfy the criteria of simplicity	•	•	•	•	•
15. Satisfy the criteria of flexibility	•	•	•	•	•

3. The allocation of resources	Are the resources needed for the plan understood in detail, and has this level of resource been committed?
4. Competitive advantage	What are the bases of competitive advantage for the company? How significant are they? To what extent are they capable of being leveraged and how are they to be used?
5. Simple	By ensuring that the strategy is clear, concise and simple, the chances of successful implementation increase dramatically.

Assuming that the plan satisfies these criteria, the focus needs then to switch to that of implementation.

The difficulties of implementation

It has long been recognized that it is one thing to develop the strategy and the strategic plan. It is another to implement the plan effectively and translate strategy into action. One of the first to explore this in detail was the Prussian staff officer Karl von Clausewitz (1984) who, in his book *On War*, suggested that 'everything in strategy is very simple, but that does not mean that everything in strategy is very easy'. He went on to say that 'countless minor incidents – the kind you can never really foresee – combine to lower the general level of performance, so that one always falls short of the intended goal'. He referred to this phenomenon as 'friction' and believed it to be the principal reason why strategies fail.

Although von Clausewitz was discussing strategy in terms of war, a similar theme has been pursued by numerous business writers, including Ansoff (1984), Dromgoole *et al.* (2000) and Mintzberg *et al.* (2005). In some instances, the factors that cause the strategy to fail are built into the strategy itself, in that the underlying assumptions are flawed and/or the underlying environmental conditions change. As an example of this, the car makers General Motors and Ford both assumed for many years that the sports utility vehicle market in the USA, where both companies had considerable strengths, would continue to grow. Faced, however, in 2008 with rapidly rising fuel prices, customers began looking for smaller and more economical vehicles. Equally, the unexpected rejection by customers of 'New Coke' in 1985 forced the Coca-Cola company into a very different marketing strategy, whilst in 2004 the US pharmaceutical group Merck was unexpectedly forced into withdrawing one of its key products, the arthritis treatment drug Vioxx.

Given examples such as these, there are five possible guidelines for the planner:

- Ensure that the underlying marketing strategy is as realistic as possible
- Check the external and internal environmental assumptions and conditions on a regular basis
- Recognize the pivotal importance of ongoing communication so that staff understand what the plan entails and what it demands of them
- Be prepared for the unexpected and have contingencies in place. Faced with the rapid rise in the price of oil in mid-2008, for example, when oil reached almost $150 a barrel, many organizations were forced into having to think very differently and put in place contingency actions. Airlines, for example, began rethinking routes, mothballing aircraft and imposing additional levies on passengers
- If market conditions change significantly, be willing to dramatically revise or even drop the plan and begin again.

In an attempt to summarize the primary contributors to poor or ineffective implementation, Piercy and Morgan (1990) have pointed to:

1. The separation of planning activities from the day-to-day management of market, products and brands
2. The hopeless optimism that leads to plans being developed that are divorced, almost totally in some cases, from reality
3. Issues associated with the implementation of the plan being recognized at too late a stage, with the result that the plan that emerges simply cannot be taken further without the injection of new resources, capabilities, systems and people
4. A denial of any potential implementation problems (this is sometimes manifested in terms of senior management taking the approach that 'if this is the way that we say it is going to be, this is the way it is going to be'). In the absence of buy-in, ownership and commitment, even the most logical of plans is unlikely to be implemented fully
5. Implementation being seen almost as an after-thought and a tidying up of loose ends rather than as something that needs to be an integral part of the planning process from the outset
6. Any barriers or potential implementation problems that are identified are not analysed in sufficient detail, and managers then either over-react or react inappropriately.

McDonald (1989) offers a broadly similar perspective when discussing the problems of implementation, pointing to:

1. Too little support from senior management, with the result that too few resources are available and levels of buy-in are low
2. The lack of a plan for planning so that few of the team really understand what is required and how the plan will be used
3. The absence of line management support
4. Confusion over the planning terminology
5. A focus upon numbers rather than clearly stated objectives and strategies
6. Too great an emphasis upon detail
7. The emergence of planning as a once-a-year ritual rather than as an ongoing process that involves analysing markets, capabilities and strategic options
8. The failure to distinguish properly between the short- and the long-term and between the operational and the strategic dimensions
9. The failure to integrate marketing planning with corporate planning
10. The temptation to leave planning to a (separate) planning team rather than seeing it to be the responsibility of those who manage the business.

Piercy (2008) has highlighted a series of broadly similar issues, suggesting that, if the planning – *and implementation* – processes are to work effectively, there is the need for the formulization of marketing planning across the organization, supported by high levels of management involvement; a thoroughness which includes resources and rewards; a recognition of the behavioural issues associated with planning; and a culture which ensures that the plan is used.

In addition to these points, Freedman (2003) has pointed to the problems of:

- Strategic inertia which leads to managers being unwilling to change, despite what the plan demands
- A lack of stakeholder commitment
- Strategic drift
- Strategic dilution which is characterized by a lack of clarity about the plan's ownership and drivers
- Strategic isolation in communication is poorly developed and the plans increasingly become disconnected from the focus of activity

- The failure to monitor and understand the progress being made
- Initiative fatigue in which (too much) action becomes mistaken for strategy
- A level of impatience in which the timetable for results is unrealistically short
- The failure to celebrate success.

In order to overcome these sorts of problems, Piercy and Morgan (1990) advocate taking four steps:

- Turn planning upside-down. Start with those things that line executives see as most critical. Work back from this to begin putting together a strategic plan.
- Make participation a controlled variable to get the right blend of line executives and planning analysts, departmental and political interest, 'change champions' and 'culture carriers', to weld strategy and implementation together.
- In all strategic plans, demand explicit, costed, researched implementation strategies for every key item. Reject out-of-hand any plan that does not explicitly address implementation issues.
- Challenge all strategic plans that do not show how the plan gains the commitment of the people who run the business, and that ignore the importance of consistency between what has to be done and what the organization is going to try to do.

Having started this section with a quotation from von Clausewitz, it is perhaps appropriate to finish with a quotation from another military strategist. The Prussian Field Marshal Helmuth von Moltke once said that 'no plan survives contact with the enemy'. In business terms, this would be that 'no plan survives contact with reality' and that what looks to be robust as a planning document may not work out in practice.

2.6 SUMMARY

Within this chapter we have examined the nature and role of strategic marketing planning and illustrated some of the different perspectives that have emerged over the past few years. We have also examined the dimensions of marketing strategy and planning and how the planning process might be made to work effectively. Against this background we have introduced the structure of the marketing plan, and it is this that provides the framework for the remainder of the book.

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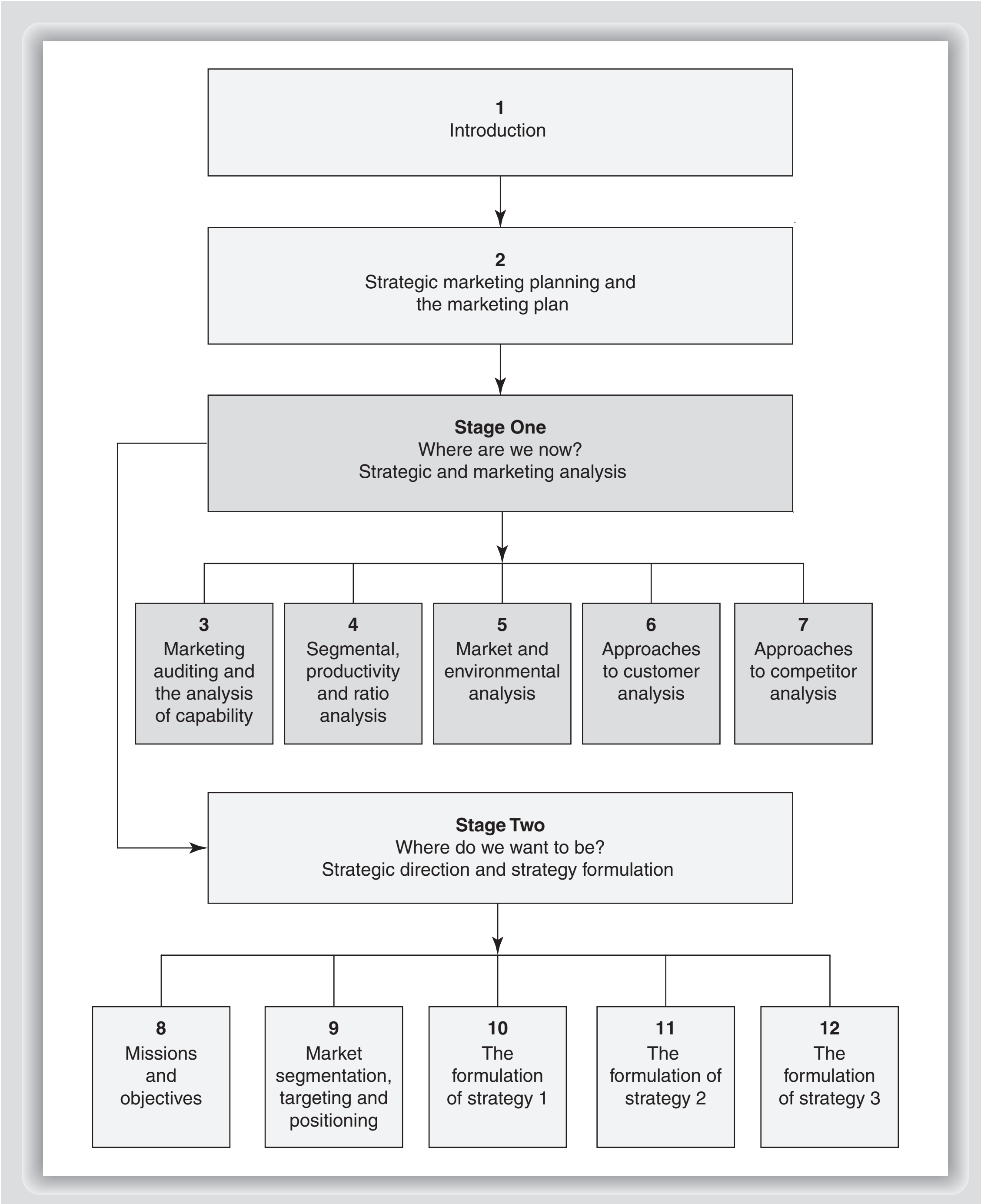

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STAGE ONE

Where Are We Now? Strategic and Marketing Analysis

Our primary concern in Stage One is with the ways in which organizations can most clearly identify their current position and the extent of their marketing capability. With the background of the picture that emerges from this analysis, the marketing planner should be in a far better position to begin the process of deciding upon the detail of the organization's future direction and the ways in which strategy is to be formulated. The starting point in this process of strategic and marketing analysis involves a detailed marketing audit and review of marketing effectiveness. Together, the two techniques are designed to provide the strategist with a clear understanding of:

- The organization's current market position
- The nature of environmental opportunities and threats
- The organization's ability to cope with the demands of this environment.

The results of this analysis are then incorporated in a statement of Strengths, Weaknesses, Opportunities and Threats (SWOT), and subsequently a measure of capability.

Although the marketing auditing process is, as we discuss in Chapter 3, a relatively underutilized activity, a growing number of planners, strategists and writers have over the past few years highlighted the nature of its potential contribution to effective strategy formulation. Although there is no single format for the audit, it is generally acknowledged that, if the process is to be worthwhile, account needs to be taken of six dimensions:

1. The marketing environment

2. The current marketing strategy

3. Organizational issues
4. The marketing systems in use
5. Levels of marketing productivity
6. Marketing functions.

Used properly, marketing auditing and a review of marketing effectiveness are recognized as potentially powerful analytical tools that are capable of providing the planner with a detailed understanding of the organization's marketing capability and the nature of the environment that it is likely to face.

This process of analysis is taken a step further in Chapter 4, in which we discuss the ways in which the planner can establish patterns of resource allocation and its productivity by relating inputs (resources or costs) to outputs (revenues and profits). By doing this, the process of cost-effective planning is capable of being improved significantly.

Against this background we turn, in Chapters 5, 6 and 7, to the environment as a whole and then to the various ways in which competitors and customers can be analysed.

It has long been recognized that marketing strategy is to a very large extent driven by the strategist's perception of competitors and customers, and because of this the failure to analyse competitors' and customers' potential response profiles in depth is likely to be reflected in strategies that lack an adequate underpinning.

In the case of competitors, our understanding of how competitive relationships develop and operate has increased greatly over the past few years, largely as the result of the work of Michael Porter. Porter's work is based on the idea that the nature and intensity of competition within an industry is determined by the interaction of five key forces:

1. The threat of new entrants
2. The power of buyers
3. The threat of substitutes
4. The extent of competitive rivalry
5. The power of suppliers.

Analysis of these allows, in turn, for the identification of strategic groups, and for a far clearer identification of the relative position, strengths and objectives of each competitor. In the light of this, the arguments in favour of a competitive intelligence system are compelling. However, as we point out in Chapter 7, the value (and indeed the existence) of such a system is determined to a very large extent by the belief in competitive monitoring on the part of top management. Without this, the evidence that emerges from the work of numerous writers suggests that the organization will be largely introspective, with competitive analysis playing only a minor role in the planning process.

Broadly similar comments can be made about the role and value of customer analysis (refer to Chapter 6). As with competitive behaviour, our understanding of how buyers behave has advanced significantly in recent years. All too often, however, evidence suggests that firms devote relatively little attention to detailed customer analysis, assuming instead that because they interact with customers on a day-to-day basis they have a sufficient understanding of how and why markets behave as they do. Only rarely is this likely to be the case and, recognizing that customer knowledge is a potentially powerful source of competitive advantage, the rationale for regular and detailed analyses of customers is therefore strong.