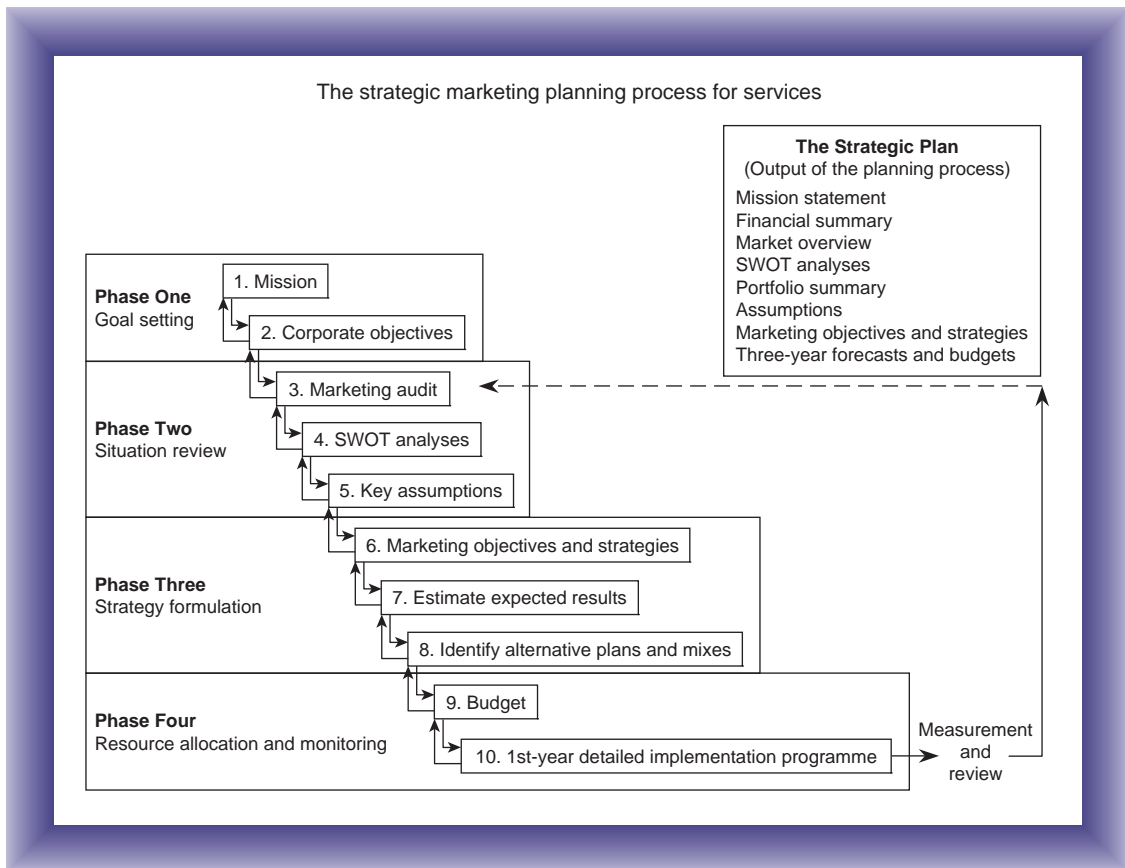


4 Marketing planning for services: the problems



Marketing planning and services

Having reviewed the ten key steps in the marketing planning process, we next briefly discuss some formal studies on the use of marketing planning by companies and consider the key problems associated with marketing planning. We review these studies chronologically in order to show how the study of marketing planning has evolved.

The need for effective planning in the services sector has been recognized for a considerable time. For example, as long ago as 1975 Chisnall¹ pointed to the growing services sector and emphasized that in planning

services, whether it be in the commercial or public sector, greater attention should be given to input/output measurement to ensure that resources used reflect their contribution to the efficiency of the organizational output. He described the relevance of marketing techniques such as marketing research, strategic planning and marketing control to help improve the development of service organizations, but argued that there was an institutionalized reluctance of service industries to develop a more realistic and market-oriented approach to marketing planning.

Marketing planning has been slow to develop in the service sector

By the 1980s, there was little evidence that service organizations had adopted marketing planning on a widespread and successful basis. Hooley² and his colleagues found that 43% of their sample of 529 service firms claimed to have both one-year and long-range marketing plans but noted that their mailed surveys were skewed towards more successful companies. No attempt was made to evaluate formally how comprehensive the marketing planning was.

Greenley³ examined marketing planning practices in 50 UK service companies from a number of industries including: banking and insurance; freight forwarding and transport; management and market research consultancy; technical consultancy; catering; television entertainment; and the gas and electricity sector. He compared the headings of the major sections of marketing plans of these service companies with a typical list of headings suggested in the marketing literature, which included: situation analysis; objectives; strategy statement; action programme; budget; and control. Greenley concluded that marketing planning in service companies was not well developed.

The research on marketing planning in service organizations follows more general research on marketing planning. Despite the obvious and theoretically supported benefits of marketing planning, a review of empirical studies that have been carried out suggests that as few as 10% of companies actually use a comprehensive marketing planning process and even the most optimistic of these studies only offered a figure of 25%.

Studies in the 1990s showed slow adoption of sophisticated marketing planning approaches. A study of 385 medium and large firms in the UK found that just over half attempted to prepare marketing plans. Of these, 73% were described as 'having a go at the entire marketing planning model, whilst doing little of it comprehensively'.⁴

The 1994 study by Greenley and Bayus⁵ of marketing planning processes in US and UK companies suggested that only 13% of the companies could be described as sophisticated marketing decision-makers. A further study by the Conference Board, a global research network based in New York, found that much remained to be done in asserting the role of marketing and marketing planning in the boardroom.⁶

A study of marketing planning in the UK, published in 2001, showed that only 50% of companies had long-term marketing plans as well as

annual marketing plans.⁷ Brian Smith's 2003 Ph.D. thesis, concluded that marketing planning is not widely used, even if it is a good prescription and the literature is a poor description of what happens in practice.⁸ A further piece of research published in 2004⁹ points to the lack of success in marketing planning and how management processes should be given greater emphasis in the development of strategic marketing plans.

A 2010 study of marketing planning,¹⁰ drawing on a sample of 750 companies, confirmed that there is a positive relationship between higher company performance and undertaking formal marketing planning. Over 65% of the firms studied were within the services sector. This study identified a statistically significant relationship between higher company performance and 14 key strategic marketing practices including: conducting a comprehensive situation analysis; adopting a proactive approach to the future; carrying out self-generated market research; the commissioning of market research; setting longer-term profit objectives; setting more offensive marketing objectives; adopting a strategic focus of market expansion; competing on the basis of superior value-to-the-customer; introducing new ways of doing business; developing and introducing new products; and using a marketing intelligence-gathering system to monitor changes in competitor behaviour, customer behaviour, technology, and business/economic trends.

Another 2010 study of 216 business organisations¹¹ concluded that marketing planning is positively associated with executives' perception of change in their company's overall financial performance. The results showed a positive association between formal marketing planning and the market share performance. Higher levels of formal marketing planning were associated with higher levels of market share achieved. The study also found a difference between those organizations that formally prepare marketing plans and those that do not. Those organizations that had adopted a formal marketing planning process showed higher performance levels than those that did not.

Of course just having a marketing plan is by no means sufficient. There needs to be strong leadership behind it and company-wide commitment to it. In an article entitled 'Strategic Marketing Planning: A Twenty-First Century Perspective', Keegan, drawing on his much earlier study of the Japanese approach to strategic market planning, concluded: 'An essential element of a Strategic Market Plan is vision and commitment to that vision. This requires strong leadership by dedicated individuals. The successful Japanese companies have had this kind of leadership. At the same time, a successful Strategic Market Plan also requires the commitment of the entire organization to its goal and objectives. One of the functions of strong leadership is to create and support this commitment throughout the organization.'¹² Keegan points out that his earlier conclusions about leadership and commitment line up with contemporary best standards of twenty-first century advanced practice in marketing planning.

There are some signs of an improved approach to marketing planning in the service sector

A review of marketing planning literature published over the past three decades shows a growing recognition of the importance of marketing planning and an increasing body of literature focusing on the preparation of marketing plans. However, our own research suggests many service companies lag behind accepted best practice and there is much opportunity for improvement.

The question is – does it matter if service organizations don't bother with strategic marketing planning?

There can be little doubt that marketing planning is essential when we consider the increasingly hostile and complex environment in which companies operate and the many services companies who have declined or failed in recent years. Hundreds of external and internal factors interact in a bafflingly complex way to affect our ability to achieve profitable sales. Also, let us consider for a moment the four typical objectives which companies set: maximizing revenue; maximizing profits; maximizing return on investment; and minimizing *costs*. Each one of these has its own special appeal to different managers within the company, depending on the nature of their particular function. In reality, the best that can ever be achieved is a kind of 'optimum compromise', because each of these objectives could be considered to be in conflict in terms of equivalences.

Definition: ●
Costs are charges incurred in running an enterprise. They can take many forms including overhead, direct, indirect, attributable, avoidable and others.

Managers of a company have to have some understanding or view about how all these variables interact and must try to be rational about their business decisions, no matter how important intuition, feel and experience are as contributory factors in this process of rationality.

Most managers accept that some kind of formalized procedure for marketing planning helps sharpen this rationality so as to reduce the complexity of business operations and add a dimension of realism to the company's hopes for the future. Because it is so difficult, however, most companies rely on sales forecasting and budgeting systems. It is a well-known fact that any fool can write figures down! All too frequently, however, they bear little relationship to the real opportunities and problems facing a company. It is far more difficult to write down marketing objectives and strategies.

Apart from the need to cope with increasing turbulence, environmental complexity, more intense competitive pressures, and the sheer speed of technological change, a marketing plan is useful:

- For the marketer
- For superiors

- For non-marketing functions
- For subordinates
- To help identify sources of competitive advantage
- To force an organized approach
- To develop specificity
- To ensure consistent relationships
- To inform
- To get resources
- To get support
- To gain commitment
- To set objectives and strategies.

The benefits of a marketing plan are:

1. Better coordination of activities
2. It identifies expected developments
3. It increases organizational preparedness to change
4. It minimizes non-rational responses to the unexpected
5. It reduces conflicts about where the company should be going
6. It improves communications
7. Management is forced to think ahead systematically
8. Available resources can be better matched to opportunities
9. The plan provides a framework for the continuing review of operations
10. A systematic approach to strategy formulation leads to a higher return on investment.

Effective marketing is enhanced greatly by a well-thought-through and developed marketing plan. Such a plan helps bring all the service firm's marketing activities together in an integrated manner and helps create a positive future for the firm. However, a number of problems create barriers to the development and implementation of marketing planning.

What gets in the way of marketing planning?

(For readers who want to go straight to the details of the marketing planning process itself, please move to Chapter 5.)

Service organizations facing difficulties in their markets instinctively recognize the need for an integrated approach to marketing planning.

Indeed, many have attempted to adopt a new planning approach. However, it is clear that any attempt to introduce a formalized marketing planning system, like the one described in this book, carries with it serious organizational and behavioural implications for the company. It is not a quick remedy for a service organization's problems.

The introduction of this type of approach strikes at the very heart of how the organization is managed and unless it recognizes this and faces up to the new problems which surface, then real improvements will not take place.

Our research and experience suggest there are a number of barriers which get in the way of successful marketing planning. Here are some of the common barriers which prevent genuine change taking place and an effective services marketing plan being developed in service organizations. In addition, there are other barriers which will be described throughout this book.

1. Short-termism

Too many service organizations are so engrossed in what is happening today that they neglect the future of the company. Managers who are evaluated and rewarded on the basis of current operations will naturally enough find it difficult to concern themselves with the corporate future. Decisions are, therefore, based on short-term results.

It is obviously safer and easier for managers to concentrate on managing current services and customers in order to achieve their current budget rather than concerning themselves with the future.

Similarly, there is a reluctance to invest in tomorrow's services, technologies, and even managers. Of course, there are always cogent arguments why such investment must be delayed, but the truth is that for most managers, tomorrow never comes.

2. Weak support from the chief executive and top management

Senior managers are extremely influential in establishing a corporate climate or culture. While top management might not deliberately set out to do this, subordinates are quick to spot what excites and interests the 'culture carriers'. These areas then become the unwritten agenda for corporate politics, which is all about getting noticed, getting resources and getting on.

Unless the chief executive understands marketing planning, sees the need for it, and, above all, shows an active interest in it, then it will be virtually impossible for a senior marketing executive to make any real progress in improving marketing planning.

Historically, marketing planning has been taken less seriously in service firms than in the consumer products and industrial products sectors.

Where the chief executive pays only lip-service to marketing planning and starves it of adequate resources, it is not likely to flourish and be a successful value-adding activity for the organization. Moreover, other managers will see the low level of priority given to marketing planning and judge for themselves if it is worth getting associated with an out-of-favour activity. Thus, the notion that marketing planning is not really important becomes a self-fulfilling prophecy.

In contrast to this restrictive scenario, the chief executive who champions marketing planning will ensure that it is regularly on the agenda of management meetings, will be chasing up for progress reports, will be seen frequently talking about marketing planning, will see to it that marketing planning skills figure in criteria for recruiting or promoting managers, and so on. There would be no doubt whatsoever in the minds of the staff in this company that marketing planning is *really* important.

The active interest of the chief executive and top management is vital if a formalized marketing planning system is to be successful

3. Lack of a plan for planning

It is one thing to establish a marketing planning system on paper, yet another to make it come alive. As with any significant organizational change process, there has to be a plan for introducing the new system in such a way that it becomes part of the service organization's fabric, rather than an élitist, peripheral activity. Several issues need to be addressed:

- There is a need to mobilize top management support (for reasons explained above).
- There is a need to communicate throughout the company why a new approach to planning is required.
- There is a need for training programmes to equip people for the new roles they have to play.
- There is a need to set up the subsystems which are required to provide the data to fuel the planning system.
- There is a need to ensure that adequate resources are available and in place to make the new system work.

- There is a need to make a ‘dummy run’, or small-scale trials, before plunging headlong into the new approach.
- There is a need to tailor the process so that it fits the specific needs of the organization.

All of these things take time. They cannot just be ignored or glossed over, otherwise marketing planning will be ineffective. By planning the introduction of planning, companies are more likely to get it right first time. In our experience, it can take several years from making a decision to introduce strategic marketing planning to getting it right at an operational level. Taghian¹³ points out that marketing planning needs to be practised formally and periodically to be more useful and that it needs to include both a top-down and bottom-up structure to incorporate the participation and involvement of the talents, skills, and support of all key managers and their supporting staff.

Figure 4.1 shows how both top-down and bottom-up perspectives on marketing planning are required. Typically, in the year a proper strategic marketing planning process is started, there is limited clarity when the first cut at strategic marketing planning is made. In the next period, as the strategic marketing plan is cascaded down to the business or segment level, first cut segment and tactical plans are developed. As these latter plans are developed in detail, inevitably as the

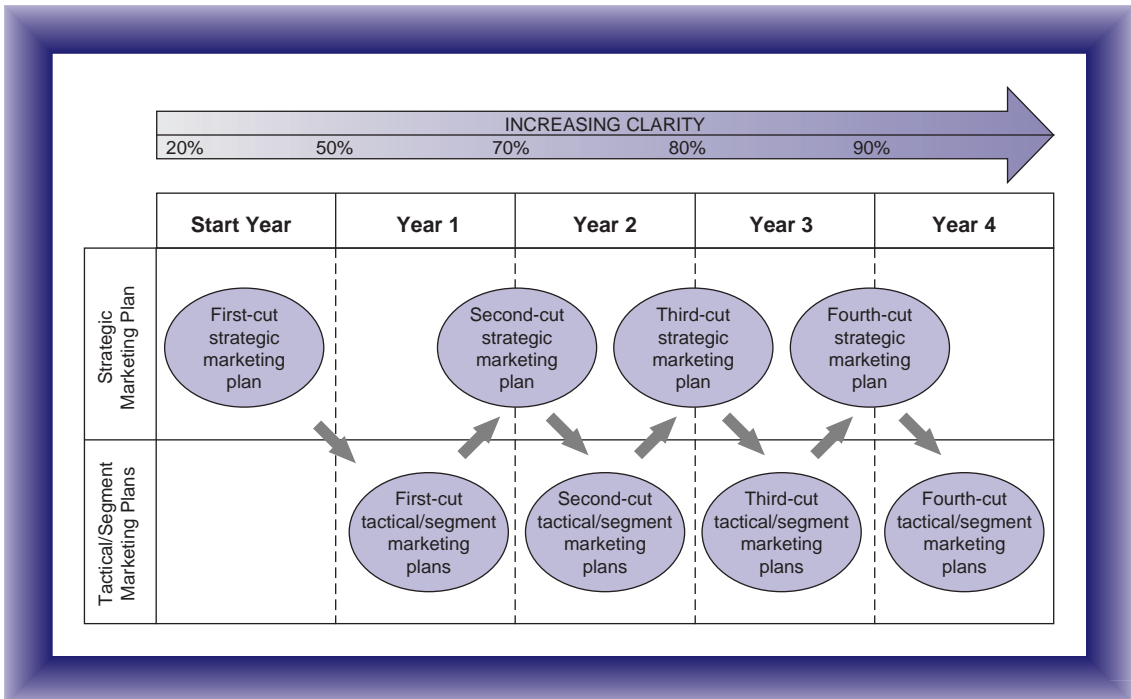


Figure 4.1 Marketing planning requires top-down and bottom-up perspectives

segment and tactical plans are consolidated upwards, further development and changes need to be made as the second cut strategic marketing plan evolves in the next period. Over time, the organization gains increasing clarity and confidence in its marketing plans.

4. Lack of line management support

Line managers, that is to say those with a responsibility for delivering the service product, are often knowingly or unknowingly the repositories of exceedingly valuable marketing information, be it about particular customers or trends they have spotted. For this reason, they have a significant role to play in terms of contributing to the formulation of the marketing plan.

At the same time, these managers are already likely to be very busy doing their 'real job', as they would probably describe it. Therefore, it is essential for those responsible for coordinating marketing planning to win such staff over to their cause and thereby gain access to the information they possess. How this is achieved will vary from company to company. It might be through training, it might be through getting the line managers involved in designing the way data is collected, or it might be through redesigning their jobs. Whatever the chosen method, one thing is certain, unless there is the committed support from these managers to the marketing planning process, it will be fatally handicapped.

5. Confusion over planning terms

Those charged with setting up a marketing planning system are frequently well qualified in this field. For them, marketing terminology and jargon are convenient verbal shorthand with which to communicate to fellow professionals. However, in order to win over the hearts and minds of others in the organization, the planning terminology used must be understood by all managers. Too much talk to non-marketing managers about missions, matrices, strategic thrusts, positioning, and so on, is inappropriate and may well 'turn off' those who need to be influenced.

Companies with successful planning systems have used terminology which is acceptable to operational managers, and where terms like 'objectives' and 'strategies' are introduced these are clearly defined. To help with this definition a glossary of marketing terminology is provided at the end of this book.

Marketing terminology should be consistent and clearly understood

6. An over-reliance on numbers

Many managers are highly numerate. Quantities, percentages, discounts, success rates, sales revenue, costs and the like are the bread and butter of their everyday lives. It is numbers that make their world

turn round. They are evaluated on the basis of numbers and, not surprisingly, in turn judge others in much the same way.

However, when they are asked (as marketing planners often do) to elaborate on causal factors for past performance, to assess expected results, to highlight external opportunities, or to provide a critique of the key issues facing them, they have difficulty doing this.

They appear to be far happier extrapolating numbers and projecting current performance into the future, rather than expressing the logic of how they perceive their current business situation and how that impinges on their objectives and strategies.

A 'numbers-driven' mentality may encourage parochial and short-term thinking, whereas the required approach needs creative analysis. There has to be a new balance between quantitative data and qualitative thinking if there is to be effective services marketing planning.

7. Too much detail, too far ahead

Associated with the issue above is an alternative response from managers. If they are short of the analytical skills to isolate the really key marketing issues, they may overreact and identify far more problems and opportunities than the company can ever hope to cope with. When this happens, the really important strategic issues can get buried deep in a deluge of useless information and over-elaborate detail. Not surprisingly, the ensuing plan will lack focus and confuse those for whom it was supposed to provide guidance. There is also a danger that the company could become overextended, heading off in too many directions at once.

Companies and individuals must learn that it is high-quality intelligence they seek, not a high quantity of data. Systems that generate too much information are not only ineffective, they are also demotivating for those who have to struggle to use them.

Organizations that have overcome these types of problems have done so by ensuring that all levels of hierarchy are clear about the nature of the contribution they are expected to make. At each successive level of management, lower-level analyses are synthesized in ways that ensure that only key decision-making information reaches the next level up. Thus, in effect, there is a hierarchy of audits, SWOT analyses, assumptions, objectives, strategies and plans, each pertinent to the level and sphere of influence that go with its position in the total enterprise.

Such a scheme of things ensures that top management of a service organization is charged with addressing mainly macro-issues and lower management concentrates more on key micro-issues. In this way, everyone plays more to their strengths.

Too much misleading and unreliable data can also be generated if the company's time-frame for planning extends too far into the future. Although anticipating the future is vital, if the time-frame is too long then judgement becomes less reliable and realistic and the credibility and usefulness of the marketing plan then come into question.

8. Once-a-year ritual

In companies where marketing planning is not properly understood, rather like the seasons, 'marketing planning time' comes round once a year. Its arrival is signalled by thick sets of pro-forma sheets arriving on managers' desks, accompanied by a memo proclaiming the urgency of returning the same by a given deadline. The weeks that follow are characterized by a flurry of activity as managers investigate and compete for information. Once the forms are returned, organizational life can get back to normal and managers can relax in the comfort of knowing that their peace will not be disturbed for another 12 months.

One bank we have worked with has a planning process which has a close resemblance to what we have described.

Managers of this bank would make painstaking and diligent inputs to the system, then hear nothing more.

Any plans that did emerge were, apparently, filed away, never to be referred to again. Not surprisingly, in this bank, 'involvement' in the planning process was seen to be a demotivating chore, and marketing is quite rightly interpreted as relatively unimportant.

Companies who tackle marketing planning seriously do not fall into this trap. They have a planning calendar which operates *throughout the year*, as will be explained further in Chapters 11 and 13. When the task is tackled in this way, marketing planning becomes an integral part of the service manager's job, not a temporary 'bolt-on' extra.

9. Confusion between operational and strategic marketing planning

From what has been said so far, it should be obvious that we advocate that a service organization should consider all the strategic implications of its position and set marketing objectives and strategies for about three years hence. Having done this, the company can then

devise the one-year operational marketing plan, which in effect represents the first steps towards reaching those objectives.

Many companies do not do this. Instead, they argue that because the future is so uncertain, they can only look ahead for the next year. Accordingly, they prepare a marketing plan and operational plan rolled into one. From this, they will extrapolate forward to arrive at their longer-term 'strategic' objectives. Clearly, this approach fails to grasp the fact that the future is not likely to be the same as today, and it avoids looking at the real strategic issues which face the company.

Successful service companies understand that their operational marketing plans are derived from their strategic marketing plans, not vice versa.

By operating with this protocol, both the operational and strategic plans will be integrated and mutually supportive.

10. Failure to integrate marketing planning into the corporate planning system

It is clear that the marketing plan should be an integral part of the total corporate planning process. However, it is implicit in this relationship that both are operating over the same timescale and have a similar level of formalization. Indeed, other major functions such as information systems, finance and personnel should also be planned in a similar way over the same period. The linkages and integration between corporate planning, strategic marketing and other functional planning are illustrated in Figure 4.2.

Marketing planning should be an integrated, not an isolated, activity

By having all the planning processes integrated in this way, the fullest advantage can be taken of the company's multi-functional strengths, weaknesses, opportunities and threats, and trade-offs can be made at a functional level between what is needed and what can be afforded.

When marketing planning operates in isolation, it will be found more difficult to gain the participation of other key functions in the company which might be major determinants of success. For example, the marketing plan might call for more manpower and skill levels than personnel can deliver in time. This is why the creation of cross-functional linkages, shown in Figure 4.2, is so important.

11. Delegation of planning to a 'planner'

Most of the literature sees the marketing planner basically as a coordinator, not as an initiator of goals and strategies. In many companies where there is a person with the title of marketing planning manager, the appointment was made to resolve some significant marketing

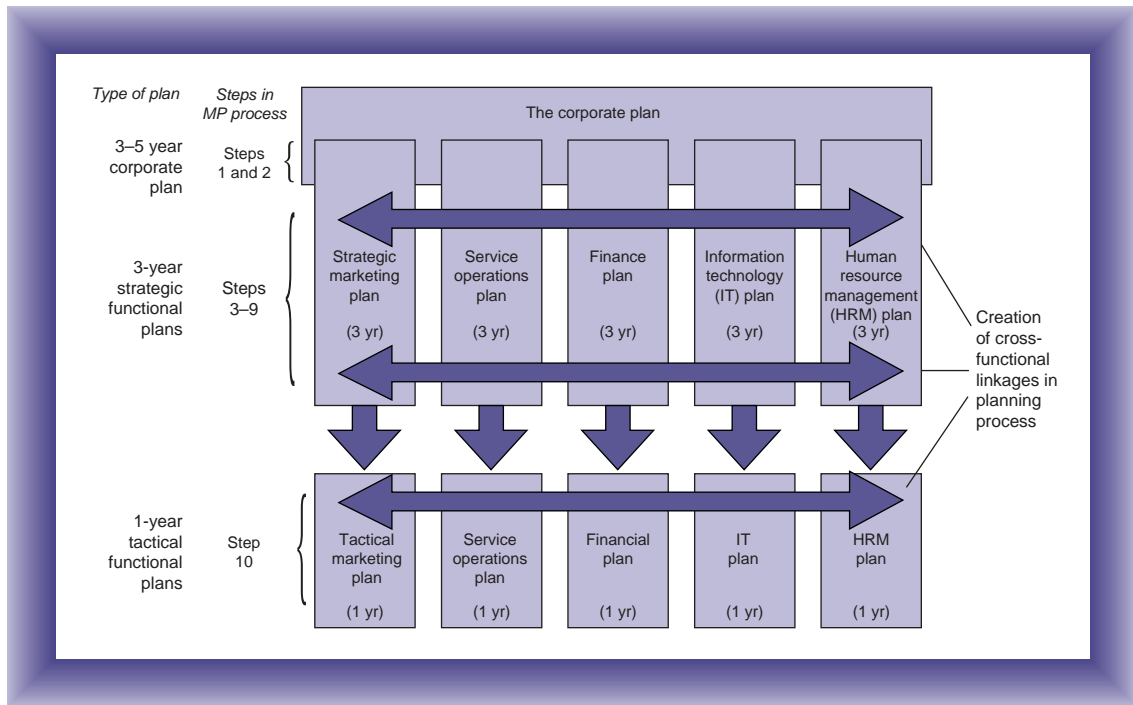


Figure 4.2 Integration of corporate planning, strategic marketing planning and tactical marketing planning

problems and to take the pressure off the marketing director (or CEO). As a result of this, the newcomer, who is often young and highly qualified, is given a (frequently remote) staff position responding directly to the marketing director or CEO.

Such new managers are then told that their task is to design a marketing planning system, coordinate the inputs and formulate overall objectives and strategies for the board.

This puts the marketing planner in the invidious position of having uncertain status and power, yet being expected to make an impact on organizational behaviour at all levels.

Some individuals have the personality, tenacity and political skills to operate from such an unpromising position and eventually win through. Most, however, never earn the respect or cooperation of line managers and, as a result, try to do more and more of the planning themselves.

Understandable though this situation might be, the resulting plan, deprived of crucial line management input, is usually critically flawed. Not surprisingly, those who resented the planner's attempts to

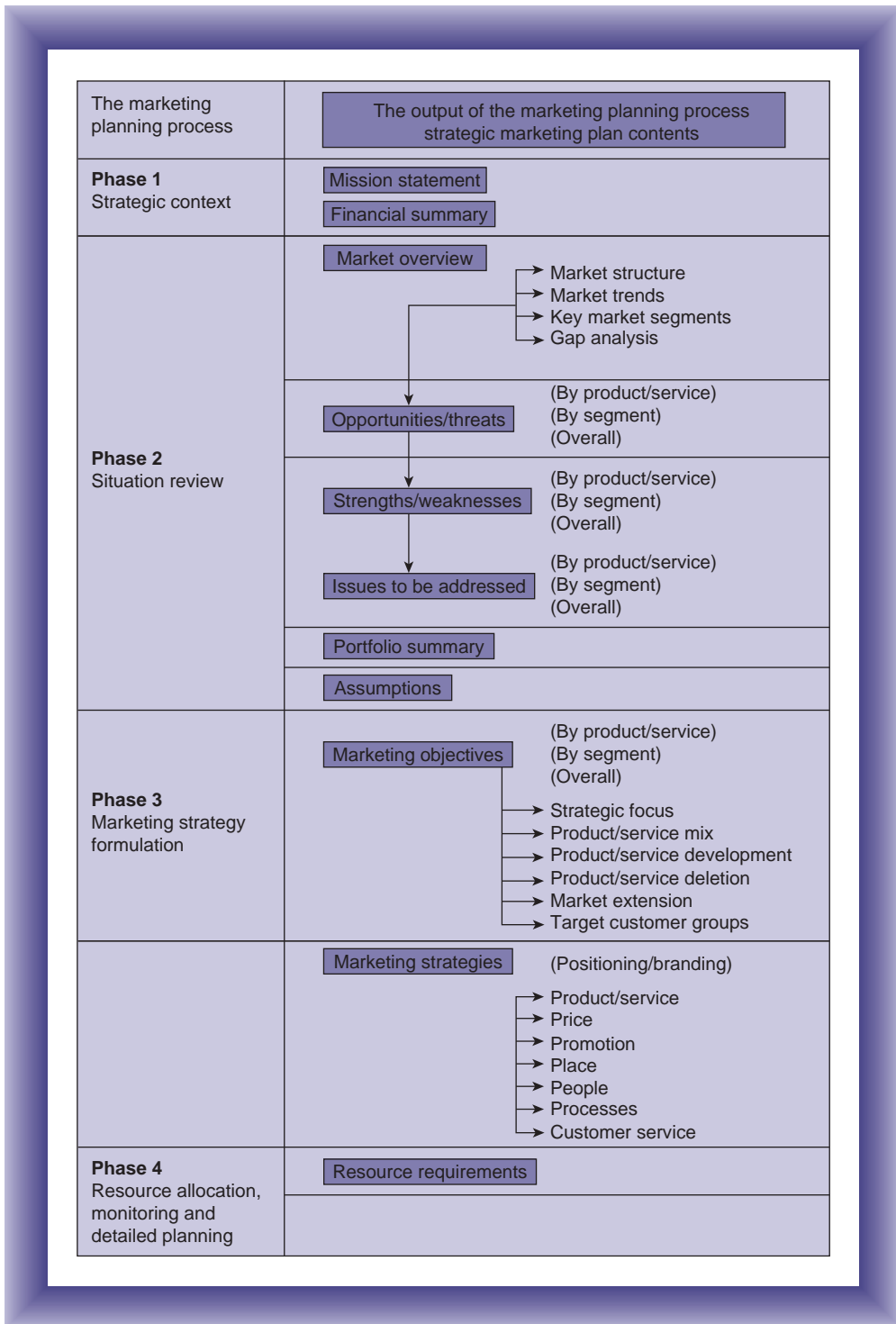


Figure 4.3 What should appear in a services strategic marketing plan
 Source: Based on M. McDonald (2002), *Marketing Plans: How to prepare them, how to use them*, 5th edn, Butterworth-Heinemann, Oxford

establish some sort of order in the first place will happily pick holes in the plans produced, and be heard to make comments about the problems of ‘not living in the real world’.

The problems for the marketing planner raised above occur directly as a result of the abdication of top management in giving thought to the formulation of overall marketing strategies.

However, when market pressures call for a more robust or radical response from the company, top management must get involved and be prepared to play its part.

Planners, by themselves, are relatively impotent to make an impact on the organization.

12. *Uncertainty about what should appear in the marketing plan*

Just as an architect’s working sketches and rough calculations would never appear on the final blueprints, even though they played a crucial part in the design, so should a marketing plan be free of unnecessary detail. Like any good report, the finalized marketing plan should be authoritative and easy to understand. Its major function is to determine where the company is, where it wants to go and how it can get there. It lies at the heart of the company’s revenue-generating activities, such as the timing of cash flow and the size and nature of the workforce. It is in effect a ‘selling document’ for the service organization’s marketing strategy.

What should appear in a written strategic marketing plan is shown in Figure 4.3. The items mentioned in this figure will be elaborated on in later chapters.

Summary

Although the planning process in services marketing looks straightforward when considered in the abstract, it actually presents a number of problems when considered in an organizational context. This is because the introduction of marketing planning is more than a cognitive process. It strikes at the heart of how a company is managed and structured. Many organizations have suffered serious financial consequences as a result of a lack of focus on their markets.

For this reason, there are a number of barriers which prevent a service organization from taking full advantage of marketing planning or introducing it successfully. We considered some of the more common barriers, which were:

1. Short-termism
2. Weak support from the chief executive and top management
3. Lack of a plan for planning
4. Lack of line management support
5. Confusion over planning terms
6. An over-reliance on numbers
7. Too much detail, too far ahead
8. Once-a-year ritual
9. Confusion between operational and strategic marketing planning
10. Failure to integrate marketing planning into the corporate planning system
11. Delegation of planning to a planner
12. Uncertainty about what should appear in the marketing plan.

All of these issues serve to underline the point that strategic marketing planning in service organizations is not an easy task. Its introduction needs careful consideration and, sometimes, nothing short of a change of corporate culture is required if it is to be successfully implanted.

Having discussed the broad strategy marketing planning process and the barriers that need to be overcome for planning to be effective, subsequent chapters expand on each of the four key planning phases.