

Chapter

14

A STEP-BY-STEP MARKETING PLANNING SYSTEM

SUMMARY

PART 1:

- A summary of the contents of a strategic marketing plan

PART 2:

- A step-by-step approach to preparing a strategic marketing plan
- A step-by-step approach to preparing a tactical marketing plan
- A format for those who have to consolidate many strategic marketing plans
- Forms and templates are provided to turn the theory into practice

PART 1 MARKETING PLANNING SUMMARY

INTRODUCTION

This chapter contains a step-by-step system for completing:

- a strategic marketing plan
- a tactical marketing plan
- a consolidated multi-SBU strategic marketing plan.

It is, of course, possible to complete the proformas provided without reading this book, but we stress that this is very dangerous and may well lead to a plan without any real substance. Consequently, we refer readers back to the relevant sections of the main text.

THE PURPOSE OF MARKETING PLANNING

The overall purpose of marketing and its principal focus is the identification and creation of competitive advantage.

WHAT IS MARKETING PLANNING?

Marketing planning is simply a logical sequence and a series of activities leading to the setting of marketing objectives and the formulation of plans for achieving them.

Why is Marketing Planning Necessary?

Marketing planning is necessary because of:

- Increasing turbulence, complexity and competitiveness.
- The speed of technological change.
- The need for *you*:
 - to help identify sources of competitive advantage
 - to force an organized approach to developing strategy
 - to ensure consistent relationships.
- The need for *superiors*:
 - to inform.
- The need for *non-marketing functions*:
 - to get support.
- The need for *subordinates*:
 - to get resources
 - to gain commitment
 - to set objectives and strategies.

WHAT SHOULD APPEAR IN THE STRATEGIC MARKETING PLAN?

A summary of what appears in a strategic marketing plan and a list of the principal marketing tools/techniques/structures/frameworks that apply to each step is given in Figure 14.1.

It must be understood from the foregoing that marketing planning never has been just the simple step-by-step approach described so enthusiastically in most prescriptive texts and courses. The moment an organization embarks on the marketing planning path, it can expect to encounter a number of complex organizational, attitudinal, process and cognitive problems, which are likely to block progress (see Chapter 12). By being forewarned about these barriers, there is a good chance of successfully using the step-by-step marketing planning system which follows in Part 2 of this chapter and of doing excellent marketing planning that will bring all the claimed benefits, including a significant impact on the bottom line, through the creation of competitive advantage. If they are ignored, however, marketing planning will remain the Cinderella of business management.

PART 2 A MARKETING PLANNING SYSTEM

INTRODUCTION

This marketing planning system is in three sections. Section A takes you through a step-by-step approach to the preparation of a strategic marketing plan. What actually appears in the strategic marketing plan is given under the heading 'Strategic marketing plan documentation', which appears later in this chapter.

The marketing planning process	The output of the marketing planning process strategic marketing plan contents	Marketing theory (structures, frameworks, models)
Phase 1 Goal setting	<div>Mission statement</div> <div>Financial summary</div>	
Phase 2 Situation review	<div>Market overview</div> <div> <ul style="list-style-type: none"> Market structure Market trends Key market segments Gap analysis </div> <div>Opportunities/threats</div> <div>Strengths/weaknesses</div> <div>Issues to be addressed</div> <div>Portfolio summary</div> <div>Assumptions</div>	Marketing audit Market research Market segmentation studies Gap analysis Product life cycle analysis Diffusion of innovation Ansoff Matrix Forecasting Market research Issue management Key success factors matrix Market research Market segmentation studies BCG matrix Directional policy matrix Downside risk assessment
Phase 3 Strategy formulation	<div>Marketing objectives</div> <div> <ul style="list-style-type: none"> Strategic focus Product mix Product development Product deletion Market extension Target customer groups </div> <div>Marketing strategies</div> <div> <ul style="list-style-type: none"> Product Price Promotion Place </div>	Porter Matrix Ansoff Matrix BCG Matrix Directional policy matrix Gap analysis Market segmentation studies Market studies Response elasticities Competitive strategies
Phase 4 Resource allocation and monitoring	<div>Resource requirements</div>	Forecasting Budgeting <div>Measurement and review</div>

Figure 14.1: Contents of a strategic marketing plan and associated diagnostic tools.

Section B takes you through the preparation of a one-year marketing plan. What actually appears in a one-year marketing plan is given under the heading 'The one-year marketing plan documentation'. Finally, Section C refers to the need for a headquarters consolidated plan of several SBU strategic marketing plans and provides a suggested format.

SECTION A

Step-by-step approach to the preparation of a strategic marketing plan for a strategic business unit.

A strategic business unit:

- will have common segments and competitors for most of its products
- will be a competitor in an external market
- will be a discrete and identifiable unit
- will have a manager who has control over most of the areas critical to success

Strategic business units (SBUs) are not necessarily the same as operating units and the definition can, and should if necessary, be applied all the way down to a particular product or customer or group of products and customers.

The marketing planning process is formally expressed in two marketing plans, the strategic marketing plan and the tactical marketing plan, which should be written in accordance with the format provided in this system. It is designed for SBUs to be able to take a logical and constructive approach to planning for success.

Two very important introductory points should be made about the marketing plan:

1. *The importance of different sections* – in the final analysis, the strategic marketing plan is a plan for action, and this should be reflected in the finished document. The implementation part of the strategic plan is represented by the subsequent one-year marketing plan.
2. *The length of the analytical section* – to be able to produce an action-focused strategic marketing plan, a considerable amount of background information and statistics needs to be collected, collated and analysed. An analytical framework has been provided in the forms, included in the database section of the 'Strategic marketing plan documentation', which each SBU should complete. However, the commentary given in the strategic marketing plan should provide the main findings of the analysis rather than a mass of raw data. It should compel concentration upon only that which is essential. The analysis section should, therefore, provide only a short background.

BASIS OF THE SYSTEM

Each business unit in the organization will have different levels of opportunity depending on the prevailing business climate. Each business unit, therefore, needs to be managed in a way that is appropriate to its own unique circumstances. At the same time, however, the chief executive officer of the SBU must have every opportunity to see that the ways in which these business units are managed are consistent with the overall strategic aims of the organization.

This system sets out the procedures which, if adhered to, will assist in achieving these aims.

Sections A, B and C set out the three basic marketing planning formats and explain how each of the planning steps should be carried out. They explain simply and clearly what should be presented, and when, in the three-year marketing plan, in the more detailed one-year operational plan and in the headquarters consolidated marketing plan.

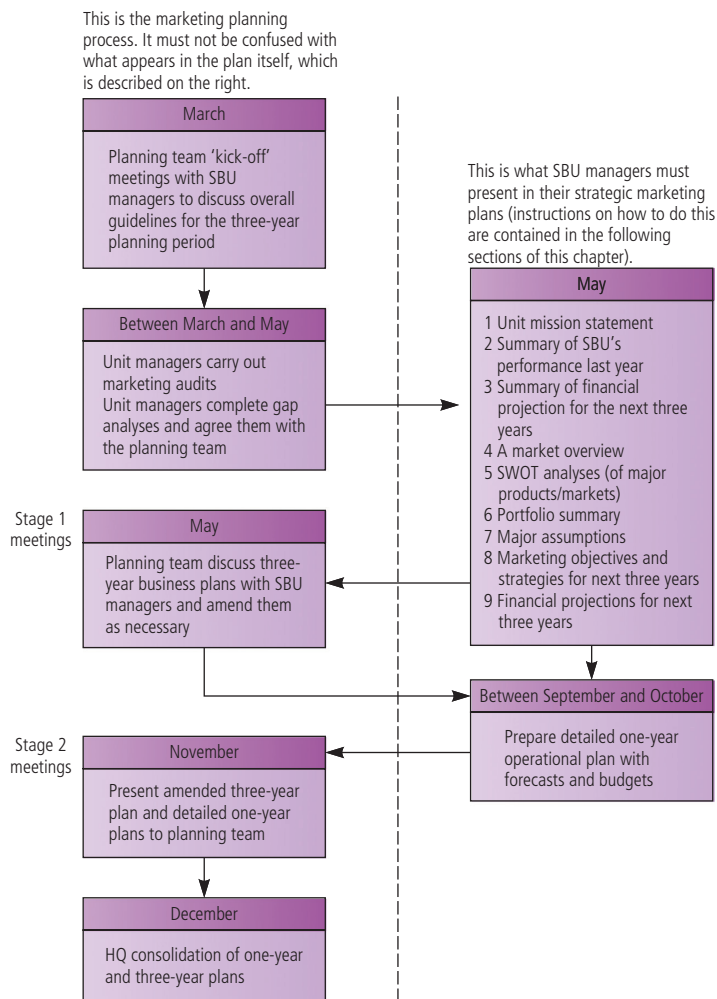


Figure 14.2: The marketing planning process and output.

The overall marketing planning format is described in Figure 14.2. (Note that, for the sake of simplicity, it has been assumed that the organization's year runs from January to December.) The following sections explain how each of the steps in the planning process should be completed.

THE MARKETING AUDIT

(For completion between February and May each year.)

Note: the marketing audit is not for inclusion in the plan or its presentation.

For the purpose of a marketing planning system, it is usual to provide users with an agreed list so that all SBUs using the system use similar nomenclature for products and markets. In this case, we provide an example of such a list in Table 14.1. Please note, more detailed criteria for market segmentation should also be used, where appropriate. For example: geographic location; company organization (centralized or decentralized); purchasing patterns (e.g. price sensitivity, fixed annual budget, local autonomy, etc.); integration level; sales channel preference; support requirements; and so on.

Key industrial market segments	Explanatory notes
Primary metal manufacture	
Transportation equipment manufacture General mechanical engineering/fabricated metal products	
Glass and ceramics	Glass, glassware, refractory and ceramic goods
Road passenger and freight transportation (specialists)	
Truck and construction equipment distributors	
Building and construction	
Forestry and timber	
Mining and quarrying	
Food, beverage, tobacco processing and manufacture	
Oil and gas	Extraction and processing of mineral oil and natural gas, excluding off-shore, which is covered in marine
Electricity: power generation and transmission	
Bricks and cement	Manufacture of non-metallic mineral products, excluding glass and ceramics
Textiles	Textile industry and the production of man-made fibres
Leather	
Pulp and paper	
National defence	
Central and local government	Excludes national defence
Aviation	Excludes military aviation and aerospace manufacturing industries
Industrial distributors	Wholesale distribution of industrial machinery, industrial spare parts and tools, etc.
Rubber, chemicals, plastics	Excludes rubber plantations, cosmetics and pharmaceuticals

Key marine market segments		
International vessels greater than 4,000 GRT	Coastal/international vessels less than 4,000 GRT	Fishing
<ul style="list-style-type: none">• Oil tankers• LPG and chemical tankers• Containers• General cargo vessels• Bulk carriers• Ferries and roll-on/roll-off vessels• Miscellaneous vessels	<ul style="list-style-type: none">• Oil tankers• LPG and chemical tankers• Containers• General cargo vessels• Bulk carriers• Ferries and roll-on/roll-off vessels• Miscellaneous vessels	<i>Offshore industry</i> <ul style="list-style-type: none">• Drilling rigs• Submersibles• Work units, etc. <i>Miscellaneous</i> <ul style="list-style-type: none">• Harbour craft• Inland waterways• Dredgers• Military, etc.
Industrial product groups		
Automotive products Engine oils Transmission fluids and gear oils Brake fluids Antifreeze/coolants Greases Miscellaneous 'others'	Aviation lubricants Engine oils Transmission oils Hydraulic oils Grease Other	
Metalworking products Cutting oils (soluble) Cutting oils (neat) Rolling oils Heat treatment	Other products White oils Electrical oils Process oils Textile oils Leather chemicals Laundry and dry cleaning chemicals	
Surface treatment products Corrosion preventives (including DWFs) Non-destructive testing materials Industrial cleaning chemicals	Mould releasants Petroleum jelly Defoamers	
General industrial lubricants Hydraulic <ul style="list-style-type: none">• fire resistant• other		
Gear oils Turbine oils Heat transfer oils Compressor oils (including refrigerator) Grease Circulating oils Other (e.g. wire rope lubricants, Ss)		

Table 14.1: Example of industrial and marine market segments and industrial product groups.

All managers carrying out their audit should use internal sales data and the SBU marketing information system to complete their audit. It is helpful at this stage if the various SBU managers can issue to any subordinates involved in the audit a market overview covering major industry and market trends. The audit will inevitably require considerably more data preparation than is required to be reproduced in the marketing plan itself. Therefore, all managers should start a *running reference file* for their area of responsibility during the year, which can also be used as a continual reference source and for verbal presentation of proposals.

It is essential to stress that the audit, which will be based on the running reference file, *is not a marketing plan and under no circumstances should voluminous documents relating to the audit appear in any business plans.*

THE CONTENTS OF A STRATEGIC MARKETING PLAN

The following sections describe what should be presented in strategic marketing plans. These should be completed by the end of May each year.

The actual documentation for the strategic marketing plan is also provided in this section.

STRATEGIC MARKETING PLAN DOCUMENTATION

Form 1 (for details of how to complete this, please refer to Chapter 2, Step 1 Mission Statement).

Form 1

Unit mission statement

This is the first item to appear in the marketing plan.

The purpose of the mission statement is to ensure that the raison d'être of the unit is clearly stated. Brief statements should be made which cover the following points:

1. Role or contribution of the unit
e.g. profit generator service department opportunity seeker.
2. Definition of the business
e.g. the needs you satisfy or the benefits you provide. Don't be too specific (e.g. 'we sell milking machinery') or too general (e.g. 'we're in the engineering business').
3. Distinctive competence
This should be a brief statement that applies only to your specific unit. A statement that could equally apply to any competitor is unsatisfactory.
4. Indications for future direction
A brief statement of the principal things you would give serious consideration to (e.g. move into a new segment). It helps if these are under the headings:

Things we WILL do

Things we MIGHT do

Things we will NEVER do

Form 2

Summary of SBU's performance

This opening section is designed to give a bird's eye view of the SBU's total marketing activities.

In addition to a quantitative summary of performance, as follows, SBU managers should give a summary of reasons for good or bad performance.

Use constant revenue in order that comparisons are meaningful.

Make sure you use the same base year values for any projections provided in later sections of this system.

	3 years ago	2 years ago	Last year
Volume/turnover			
Gross profit (%)			
Gross margin (000 ecu)			

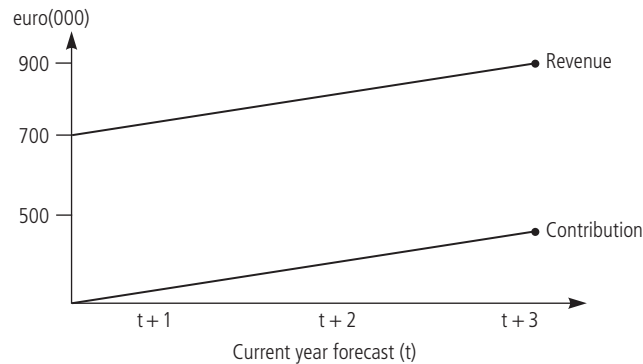
Summary of reasons for good or bad performance

Form 3

Summary of financial projections

This is the third item to appear in the marketing plan.

Its purpose is to summarize for the person reading the plan the financial results over the full three-year planning period. It should be presented as a simple diagram along the following lines:



Key (revenue and profit growth)

1. from productivity by product for market for existing products from existing markets
2. from new products in existing markets
3. from existing products in new markets
4. from new products in new markets

This should be accompanied by a brief commentary. For example:

‘This three-year business plan shows an increase in revenue from 700,000 euros to 900,000 euros and an increase in contribution from 100,000 euros to 400,000 euros. The purpose of this strategic plan is to show how these increases will be achieved.’

Form 4

Market overview (with 'market map', if appropriate, together with implications for the organization). (Details of how to complete this section are provided in Chapter 3, Stage 1 Your Market and How It Works.)

It is also helpful if the principal segments can be described here (see Chapter 3, Stage 3 Segmenting the Market).

- market definition
- market map showing vol/rev flows from supplier through to end user, with major decision
- points highlighted
- where appropriate, provide a future market map
- include commentary/conclusions/implications for the company
- at major decision points, include key segments.

Form 5

Detailed guidelines for completing SWOT analyses on each market segment are given in Chapter 4 on pages 143 to 149. Include pictorial representations of the SWOTs, such as bar charts. Highlight the major conclusions/issues to be addressed

Strategic planning exercise (SWOT analysis)

(Note: This form should be completed for each product/market segment under consideration)

- 1 SBU description
Here, describe the market for which the SWOT is being done
- 2 Critical success factors
What are the few key things, from the customer's point of view, that any competitor has to do right to succeed?
- 3 Weighting
How important is each of these CSFs? Score out of 100
- 4 Strengths/weaknesses analysis
Score yourself and each of your main competitors out of 10 on each of the CSFs. Then multiply the score by the weight

1	
2	
3	
4	
5	
Total	100

Total	100

Comp CSF	You	Competitor A	Competitor B	Competitor C	Competitor D
1					
2					
3					
4					
5					
Total (score x weight)					

5 Opportunities/threats

What are the few key things outside your direct control that have had, and will continue to have, an impact on your business?

1		
2		
3		
4		
5		

Opportunities

Threats

6 Key issues that need to be addressed

- 7 Key assumptions for the planning period
- 8 Key objectives
- 9 Key strategies
- Financial consequences

1	
2	
3	
4	
5	
6	
7	

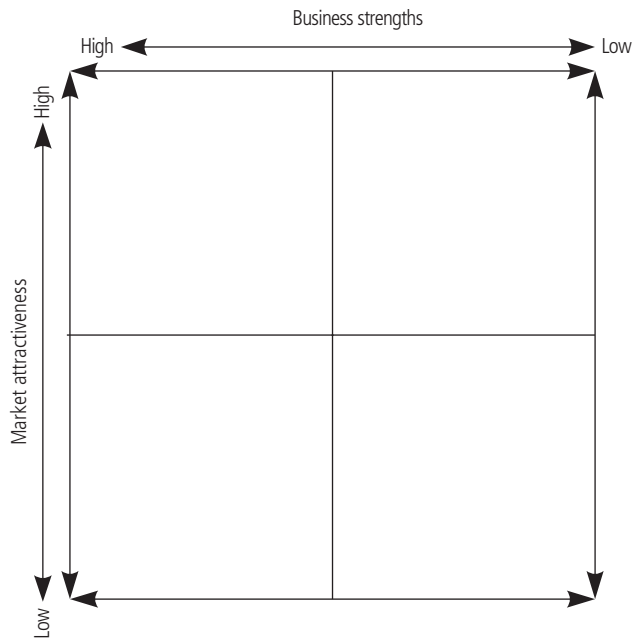
Form 6

Note: This form should be completed for each product market segment under consideration (guidelines for completing this section are given in Chapter 6, Exercises 6.6 and 6.7).

<i>Main competitor</i>	<i>Products/markets</i>	<i>Business direction and current objectives and strategies</i>	<i>Strengths</i>	<i>Weaknesses</i>	<i>Competitive position</i>
------------------------	-------------------------	---	------------------	-------------------	-----------------------------

Form 7**Portfolio summary of the SWOTs**

Detailed instructions for how to complete this are given in Chapter 5, in the section 'A detailed, step-by-step approach to creating a portfolio'.



Show pictorially:

- the attractiveness of the segments over the next three to five years
- the current competitive position of your organization in each segment
- the planned competitive position of each segment over the next three to five years.

Form 8

Assumptions

Overall, assumptions should be few in number. If the plan can happen irrespective of the assumption, it should not be included.

Form 9

Marketing objectives and strategies for the next three to five years

- Include objectives (volume, value, market share, profit, as appropriate) for the next three to five years for each segment as represented by the planned position of each circle on the DPM.
- Include strategies (the 4 x Ps) with costs for each objective.

Summary of marketing objectives and strategies

Key market segments (list). Summarize remaining market segments as 'OTHER'	Last year (t -1)	Current year (t0)	Planning period (t+3)	Principal marketing strategies (describe)	Cost of marketing strategies
	Vol/market gross val % share % margin	Vol/market gross val % share % margin	Vol/market gross val % share % margin		

Form 10

Summary of marketing objectives and strategies					
Principal product groups, Summarize remaining product groups as 'OTHER'	Last year (t -1) Vol/market gross val % share % margin	Current year (t0) Vol/market gross val % share % margin	Planning period (t+3) Vol/market gross val % share % margin	Principal marketing strategies (describe)	Cost of marketing strategies

Form 11

Summary (in words and numbers) of main marketing objectives and strategies

Form 12

Consolidated budget for the next three to five years

This will be a consolidation of all the revenues, costs and profits for the next three to five years and should accord with the financial summary provided earlier.

Financial projections for three years

(Financial projections for the full planning period should be provided under all the principal standard revenue and cost headings as specified by your organization.)

SECTION B

The one-year marketing plan.

(This should be kept separate from the three-year strategic marketing plan and should not be completed until the planning team has approved the strategic plan in May each year.)

Specific sub-objectives for products and segments, supported by more detailed strategy and action statements, should now be developed. Here, include *budgets* and *forecasts* and a *consolidated budget*. These must reflect the marketing objectives and strategies, and in turn the objectives, strategies and programmes must reflect the agreed budgets and sales forecasts. Their main purpose is to delineate the major steps required in implementation, to assign accountability, to focus on the major decision points, and to specify the required allocation of resources and their timing.

If the procedures in this system are followed, a hierarchy of *objectives* will be built up in such a way that every item of budgeted expenditure can be related directly back to the initial financial objectives (this is known as task-related budgeting). Thus, when, say, advertising has been identified as a means of achieving an objective in a particular market (i.e. advertising is a strategy to be used), all advertising expenditure against items appearing in the budget can be related back specifically to a major objective. The essential feature of this is that budgets are set against both the overall marketing objectives and the sub-objectives for each element of the marketing mix. The principal advantage is that this method allows operating units to build up and demonstrate an increasingly clear picture of their markets. This method of budgeting also allows every item of expenditure to be fully accounted for as part of an objective approach. It also ensures that when changes have to be made during the period to which the plan relates, such changes can be made in a way that causes the least damage to the SBU's long-term objectives.

CONTINGENCY PLAN

It is important to include a *contingency plan* in the one-year marketing plan. Notes on this are included below.

GUIDELINES FOR COMPLETION OF A ONE-YEAR MARKETING PLAN

Because of the varying nature of strategic business units, it is impossible to provide a standard format for all SBUs. There is, however, a minimum amount of information which should be provided to accompany the financial documentation between September and October. There is no need to supply market background information, as this should have been completed in the three-year strategic marketing plan.

Suggested Format for a One-Year Marketing Plan

1. (a) *Overall objectives (see Forms 1 and 2 in the one-year marketing plan documentation)* – these should cover the following:

Volume or value	Value last year	Current year estimate	Budget next year
Gross margin	Last year	Current year estimate	Budget next year

Against each there should be a few words of commentary/explanation.

- (b) *Overall strategies* – e.g. new customers, new products, advertising, sales promotion, selling, customer service, pricing. For a list of marketing strategies, see Chapter 6.
- 2. (a) *Sub-objectives* (see Form 3 in the one-year marketing plan documentation)
 - more detailed objectives should be provided for products, or markets, or segments, or major customers, as appropriate.
 - (b) *Strategies* – the means by which sub-objectives will be achieved should be stated.
 - (c) *Action/tactics* – the details, timing, responsibility and cost should also be stated.
- 3. *Summary of marketing activities and costs* (see Form 4 in the one-year marketing plan documentation).
- 4. *Contingency plan* (see Form 5 in the one-year marketing plan documentation)
 - it is important to include a contingency plan, which should address the following questions:
 - (a) What are the critical assumptions on which the one-year plan is based?
 - (b) What would the financial consequences be (i.e. the effect on the operating income) if these assumptions did not come true? For example, if a forecast of revenue is based on the assumption that a decision will be made to buy new plant by a major customer, what would the effect be if that customer did not go ahead?
 - (c) How will these assumptions be measured?
 - (d) What action will you take to ensure that the adverse financial effects of an unfulfilled assumption are mitigated, so that you end up with the same forecast profit at the end of the year?

To measure the risk, assess the negative or downside, asking what can go wrong with each assumption that would change the outcome. For example, if a market growth rate of 5 per cent is a key assumption, what lower growth rate would have to occur before a substantially different management decision would be taken? For a capital project, this would be the point at which the project would cease to be economical.

- 5. *Operating result and financial ratios* (see Form 6 in the one-year marketing plan documentation).

Note: This form is provided only as an example, for, clearly, all organizations will have their own formats – this should include:

- net revenue
 - gross margin
 - adjustments
 - marketing costs
 - administration costs
 - interest
 - operating result
 - ROS
 - ROI.
- 6. *Key activity planner* (see Form 7 in the one-year marketing plan documentation) – finally, you should summarize the key activities and indicate the start and finish. This should help you considerably with monitoring the progress of your annual plan.
 - 7. *Other* – there may be other information you wish to provide, such as sales call plans.

Form 1

Overall objectives				
Product/market/ segment/application/ customer	Volume $(t - 1) (t0) (t + 1)$	Value $(t - 1) (t0) (t + 1)$	Gross margin $(t - 1) (t0) (t + 1)$	Commentary

Form 2

Overall strategies	
Strategies	Cost
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	
Comments	

Form 3

Sub-objectives, strategies, actions, responsibilities, timing, cost						
Product/market/ segment/application/ customer	Objective	Strategies	Action	Responsibility	Timing	Cost

Total

Form 4

	<i>t – 1</i>	<i>t0</i>	<i>t + 1</i>	<i>Comments</i>
Depreciation				
Salaries				
Postage/telephone/ stationery				
Legal and professional				
Training				
Data processing				
Advertising				
Sales promotion				
Travelling and entertainment				
Exhibitions				
Printing				
Meetings/conferences				
Market research				
Internal costs				
Other (specify)				
Total				

Form 5

Suggested downside risk assessment format						
Key assumption	Basis of assumption	What event would have to happen to make this strategy unattractive?	Risk of such an event occurring	Impact if event occurs	Trigger point for action	Actual contingency action proposed

Form 6

	$(t - 1)$	$(t0)$	$(t + 1)$
Net revenue			
Gross margin			
Adjustments			
Marketing costs			
Administration costs			
Interest			
Operating result			
Other interest and financial costs			
Result after financial costs			
Net result			

SECTION C

Headquarters consolidation of several SBU strategic marketing plans.

The authors are frequently asked how several SBU strategic marketing plans should be consolidated by senior headquarters marketing personnel. A suggested format for this task is provided below.

DIRECTIONAL STATEMENT

1. *Role/contribution.* This should be a brief statement about the company's role or contribution. Usually, it will specify a minimum growth rate in turnover and profit, but it could also encapsulate roles such as opportunity seeking service, and so on.
2. *Definition of the business.* This statement should describe the needs that the company is fulfilling, or the benefits that it is providing for its markets. For example, 'the provision of information to business to facilitate credit decision-making'. Usually, at the corporate level, there will be a number of definitions for its strategic business units. It is important that these statements are not too broad so as to be meaningless (e.g. 'communications' – which could mean satellites or pens) or too narrow (e.g. 'drills' – which could become obsolete if a better method of fulfilling the need for holes is found).
3. *Distinctive competence.* All companies should have a distinctive competence. It does not have to be unique, but it must be substantial and sustainable. Distinctive competence can reside in integrity, specialist skills, technology, distribution strength, international coverage, reputation, and so on.
4. *Indications for future direction.* This section should indicate guidelines for future growth. For example, does the company wish to expand internationally, or to acquire new skills and resources?

The purpose of this section is to indicate the boundaries of future business activities.

SUMMARY OF THE MAIN FEATURES OF THE PLAN

1. Here, draw a portfolio matrix indicating the current and proposed relative position of each of the strategic business units. Alternatively, this can appear later in the plan.
2. Include a few words summarizing growth in turnover, profit, margins, etc.
3. Draw a graph indicating simply the total long-term plan. At least two lines are necessary – turnover and profit.

FINANCIAL HISTORY (PAST FIVE YEARS)

Include a bar chart showing the relevant financial history, but, at the very least, include turnover and profit for the past five years.

MAJOR CHANGES AND EVENTS SINCE THE PREVIOUS PLAN

Here, describe briefly major changes and events (such as divesting a subsidiary) which occurred during the previous year.

MAJOR ISSUES BY STRATEGIC BUSINESS UNIT

Market Characteristics

Here, it might be considered useful to provide a table listing SBUs, alongside relevant market characteristics. For example:

	SBU1	SBU2	SBU3	SBU4
Market size				
Market growth				
Competitive intensity				
Relative market share				
Etc.				

Competitive Characteristics

Here, it might be considered useful to list the critical success factors by SBU and rate each unit against major competitors. For example:

Critical success factors/ competitors	Our company	Competitor 1	Competitor 2
CSF1			
CSF2			
CSF3			
CSF4			
CSF5			

Key Strategic Issues

This is an extremely important section, as its purpose is to list (possibly by SBU), what the key issues are that face the company. In essence, this really consists of stating the major strengths, weaknesses, opportunities and threats and indicating how they will be either built on, or dealt with.

Key strategic issues might consist of technology, regulation, competitive moves, institutional changes, and so on.

Strategic Objectives by SBU and Key Statistics

This is a summary of the objectives of each SBU. It should obviously be tailored to the specific circumstances of each company. However, an example of what might be appropriate follows:

<div>Objectives</div> <div>Strategic business unit</div>	Market share		Relative market share		Real growth		Key statistics				
							Sales per employee		Contribution per employee		Etc.
	Now	+5 years	Now	+5 years	+5 years	p.a.	Now	+5 years	Now	+5 years	
SBU1											
SBU2											
SBU3											
SBU4											
SBU5											

Alternatively, or additionally, put a portfolio matrix indicating the current and proposed relative position of each of the SBUs.

Financial Goals (next three to five years)

Here, draw a bar chart (or a number of bar charts) showing the relevant financial goals. At the very least, show turnover and profit by SBU for the next five years.

APPENDICES

Include whatever detailed appendices are appropriate. Try not to rob the total plan of focus by including too much detail.

TIMETABLE

The major steps and timing for the annual round of strategic and operational planning is described in the following pages. The planning process is in two separate stages, which are interrelated to provide a review point prior to the detailed quantification of plans. ‘Stage One’ involves the statement of key and critical objectives for the full three-year planning period, to be reviewed prior to the more detailed quantification of the tactical one-year plan in ‘Stage Two’ by 30 November, for subsequent consolidation into the company plans.

Planning Team’s ‘Kick-Off’ Meetings (to be completed by 31 March)

At these meetings, the planning team will outline their expectations for the following planning cycle. The purpose of the meetings is to give the planning team the opportunity to explain corporate policy, report progress during the previous planning cycle, and to give a broad indication of what is expected from each SBU during the forthcoming cycle. The planning team’s review will include an overall appraisal of performance against plan, as well as a variance analysis. The briefing will give guidance under some of the following headings (as appropriate).

1. Financial
- gross margins
 - operating profits
 - debtors
 - creditors
 - cash flow.

2. *Manpower and organization*

- organization
- succession
- training
- remuneration.

3. *Export strategy.*

4. *Marketing*

- product development
- target markets
- market segments
- volumes
- market shares
- pricing
- promotion
- market research
- quality control
- customer service.

This is an essential meeting prior to the mainstream planning activity which SBUs will subsequently engage in. It is the principal means by which it can be ensured that plans do not become stale and repetitive due to over-bureaucratization. Marketing creativity will be the keynote of this meeting.

Top-Down and Bottom-Up Planning

A cornerstone of the marketing planning philosophy is that there should be widespread understanding at all levels in the organization of the key objectives that have to be achieved, and of the key means of achieving them. This way, the actions and decisions that are taken by managers will be disciplined by clear objectives that hang logically together as part of a rational, overall purpose. The only way this will happen is if the planning system is firmly based on market-centred analysis which emanates from the SBUs themselves. Therefore, after the planning team's 'kick-off' meetings, audits should be carried out by all managers in the SBUs down to a level which will be determined by SBU managers. Each manager will also do SWOT analyses and set tentative three-year objectives and strategies, together with proposed budgets for initial consideration by their superior manager. In this way, each superior will be responsible for synthesizing the work of those managers reporting to them.

The major steps in the annual planning cycle are listed below and depicted schematically in Figure 14.3.

<i>Activity</i>	<i>Deadline</i>
• Planning team's 'kick-off' meetings with SBU managers to discuss overall guidelines for the three-year planning period	31 March
• Prepare marketing audits, SWOT analyses, proposed marketing objectives, strategies and budgets (cover the full three-year planning horizon)	31 May
• 'Stage One' meetings: presentation to the planning team for review	31 May
• Prepare short-term (one-year) operational plans and budgets, and final three-year SBU managers' consolidated marketing plans	31 October
• 'Stage Two' meetings: presentation to the planning team	30 November
• Final consolidation of the marketing plans	31 December



Figure 14.3: Strategic and operational planning cycle.

AND FINALLY, A TEST TO CHECK THE QUALITY OF YOUR STRATEGIC MARKETING PLAN

This test has been developed by Dr Brian Smith, Chief Executive of Pragmedic. It is the result of much in-depth research into the output of the process of strategic marketing planning. It consists of 12 tests. Please answer them honestly, otherwise there is no point in doing them.

If you get a high score, congratulations. If you get a low score, you have much work to do, but nothing that cannot be accomplished by implementing what has been written in this book.

Test 1

- Our marketing strategy makes it clear what markets or parts of the market we will concentrate our efforts on
 - If your strategy attacks all of your market sector (e.g. retail groceries, superconducting magnets) equally = 0
 - If your strategy is focused by 'descriptor group' (e.g. ABC1s, large firms, SMEs etc.) = 1
 - If your strategy attacks needs-based segments (e.g. efficacy focused customers with high ego needs) = 2
 - If you don't know = -1

Test 2

- Our marketing strategy makes clear what actions fit with the marketing strategy and what does not
 - If your strategy allows complete freedom of action = 0
 - If your strategy allows a high degree of freedom of action = 1
 - If your strategy makes most of your action plan decisions for you = 2
 - If you don't know = -1

Test 3

- Our marketing strategy clearly defines our intended competitive advantage in the target market segments
 - If there is no strong and supported reason why the customer should choose you = 0
 - If there is a reason the customer should buy from you but no strong proof = 1
 - If you can state clearly the reason the customer should buy from you and not the competitor and substantiate that reason = 2
 - If you don't know = - 1

Test 4

- Our marketing strategy allows synergy between the activities of the different parts of the organization
 - If the strategy is a compromise of what each department is capable of = 0
 - If the strategy uses the strengths of only one or two departments = 1
 - If the strategy uses the best strengths of all departments = 2
 - If you don't know = - 1

Test 5

- Our marketing strategy is significantly different from that of our competitors in our key market segments
 - If you attack the same customers with the same value proposition = 0
 - If you attack the same customers OR use the same value proposition = 1
 - If you attack different customers with a different value proposition = 2
 - If you don't know = - 1

Test 6

- Our marketing strategy recognizes and makes full allowance for the needs and wants of our target customers
 - If you only meet the basic functional needs (safety, regulation, efficacy) = 0
 - If you also meet the higher functional needs (efficiency, service, price) = 1
 - If you also meet the emotional and ego needs (brand, confidence) = 2
 - If you don't know = - 1

Test 7

- Our marketing strategy recognizes and makes full allowance for the strategies of our competitors
 - If you are ignoring the competitors' strategy = 0
 - If you are allowing for some of the competitors' strategy = 1
 - If you are allowing for all of the competitors' strategy = 2
 - If you don't know = - 1

Test 8

- Our marketing strategy recognizes and makes full allowance for changes in the business environment that are beyond our control, such as technological, legislation or social change
 - If your strategy is designed for today's conditions = 0
 - If your strategy allows for one or two changes (e.g. technology or demographics) = 1
 - If your strategy considers the combined effects of all the external factors = 2
 - If you don't know = - 1

Test 9

- Our marketing strategy either avoids or compensates for those areas where we are relatively weak compared to the competition
 - If you have taken little or no account of your relative weaknesses = 0
 - If you are trying to fix your relative weaknesses = 1
 - If your strategy means that your relative weaknesses don't matter = 2
 - If you don't know = – 1

Test 10

- Our marketing strategy makes full use of those areas where we are relatively strong compared to the competition
 - If you have taken little or no account of your relative strengths = 0
 - If you are trying to use your relative strengths = 1
 - If your strategy means that your relative strengths become more important = 2
 - If you don't know = – 1

Test 11

- Our marketing strategy, if successfully implemented, will meet all the objectives of the organization
 - If your strategy, fully and successfully implemented, does not deliver your financial or non-financial objectives = 0
 - If your strategy, fully and successfully implemented, delivers only your financial objectives = 1
 - If your strategy, fully and successfully implemented, delivers your financial and non-financial objectives = 2
 - If you don't know = – 1

Test 12

- The resources available to the organization are sufficient to implement the marketing strategy successfully
 - If you have neither the tangible nor the intangible resources to implement the strategy = 0
 - If you have only the tangible or the intangible resources, but not both = 1
 - If you have both the tangible and the intangible resources needed to implement the strategy = 2
 - If you don't know = – 1

How Did You Score?

- 18–24 – Well done! (are you sure?)
 - Can I buy some shares?
- 12–17 – You will succeed
 - If your competition is weak!
- 6–11 – You will survive
 - If your competition is weak!
- Less than 6
 - Oh dear, it was nice knowing you.

EXERCISE

Exercise 14.1 Simulation practice

In your game:

- a) Undertake Dr Brian Smith's Quality Test for your company. What does it show about your marketing planning process? Agree the key actions to improve the process.
- b) Follow the step-by-step approach in this chapter to develop a much better Marketing Plan for your company.
- c) Keep the Marketing Plan and repeat for a real business in the future!