

## Learning Objectives

By the end of this chapter, you should be able to:

- Give a brief definition of a marketing plan.
- Describe why marketing planning is important, and list at least five specific benefits of doing a formal marketing plan.
- Describe the obstacles to be overcome in carrying out the planning process.
- Explain the differences between top-down and bottom-up planning.

It is probably an over statement to say that all businesses need formal marketing plans. Historically, our economy has been spurred along by the entrepreneur who sees a market need and marshals the resources to meet it. As long as the new business's product offering is unique and delivers its promised benefits, the entrepreneur can often arrive at a workable marketing mix by trial and error.

However, most businesses are not as fortunate as our hypothetical entrepreneur. The majority not only face aggressive competitors, but they also must deal with a marketplace that is continually changing with regard to such factors as consumer wants, government regulations, and raw material prices. Thus, for the vast majority of business and nonbusiness organizations, the preparation of a formal marketing plan can be of substantial value.

## OVERVIEW OF THIS COURSE

In this course, we provide the student with a comprehensive reference for developing marketing plans. As General Eisenhower once said: "Planning is everything, plans are nothing." The implication is that once the very difficult

process of planning has been completed, writing up the plans into a final document becomes a much less formidable task. The focus of this book, therefore, is on the elements of the planning process: What key factors should marketing planners consider, and what should they know about analyzing the information once it is collected?

Chapter 2 examines the crucial linkages between the marketing plan and the corporation's overall business strategy. Several of the most widely known strategic planning frameworks are presented. Chapter 3 provides an overview of the marketing planning process. Issues such as the timing and organization of the planning process are covered.

In Chapter 4, we take an in-depth look at environmental analysis. Specifically, the chapter provides guidelines by which planners can take into account key trends in the social, political, technological, and competitive environment. Chapter 5 focuses on the process of market analysis. Issues such as forecasting and conducting consumer research are examined.

Chapter 6 covers the development of an overall marketing strategy and discusses the topics of market segmentation, targeting, and positioning. Chapters 7 through 10 present the four P's of the marketing mix: product strategy (Chapter 7), pricing strategy and techniques (Chapter 5), managing the promotion mix (Chapter 9), and developing a sales force and distribution program-the "place" variable (Chapter 10). Chapter 11 analyzes the crucial process of marketing implementation -what do you do after the plan is written? Finally, Chapter 12 develops a blueprint for the actual writing of the marketing plan and suggests ways of overcoming "writer's block." The chapter ends by reiterating some of the common barriers to pushing ahead with completing a solid marketing plan.

## **THE MARKETING PLAN DEFINED**

The marketing plan is a written document that details a product's marketing and financial objectives and recommends programs and strategies for achieving these objectives.

At its most basic level, the marketing plan sets forth the product's marketing mix, or the four P's-product, price, promotion, place (distribution)-for the coming year. Supporting a description of specific programs in each area is a budgetary breakdown of how much will be spent for each program. Preceding the discussion of specific plans for the coming year may be a full situation analysis of the brand, the customer, and competitors.

In addition, other sections of the marketing plan contain a discussion of key issues facing the product; an outline of broad, long-run objectives; and a discussion of market research studies that are recommended for the coming year. Marketing plans may be written for a single product or line of products, for specific customer markets or geographic areas, or for an entire business unit. Although an annual planning cycle is the most common, some

companies may require that plans be revised over shorter or longer time frames.

### **Model of Demand**

In writing a marketing plan, the manager essentially is constructing a *model of demand* for a particular product. In simple terms, the model of demand is the manager's view of

- What are the key factors that affect sales of the product?
- Within available resources, how can these factors be managed to produce acceptable sales results?
- What marketing programs should be put in place to maximize customer satisfaction and product sales performance?

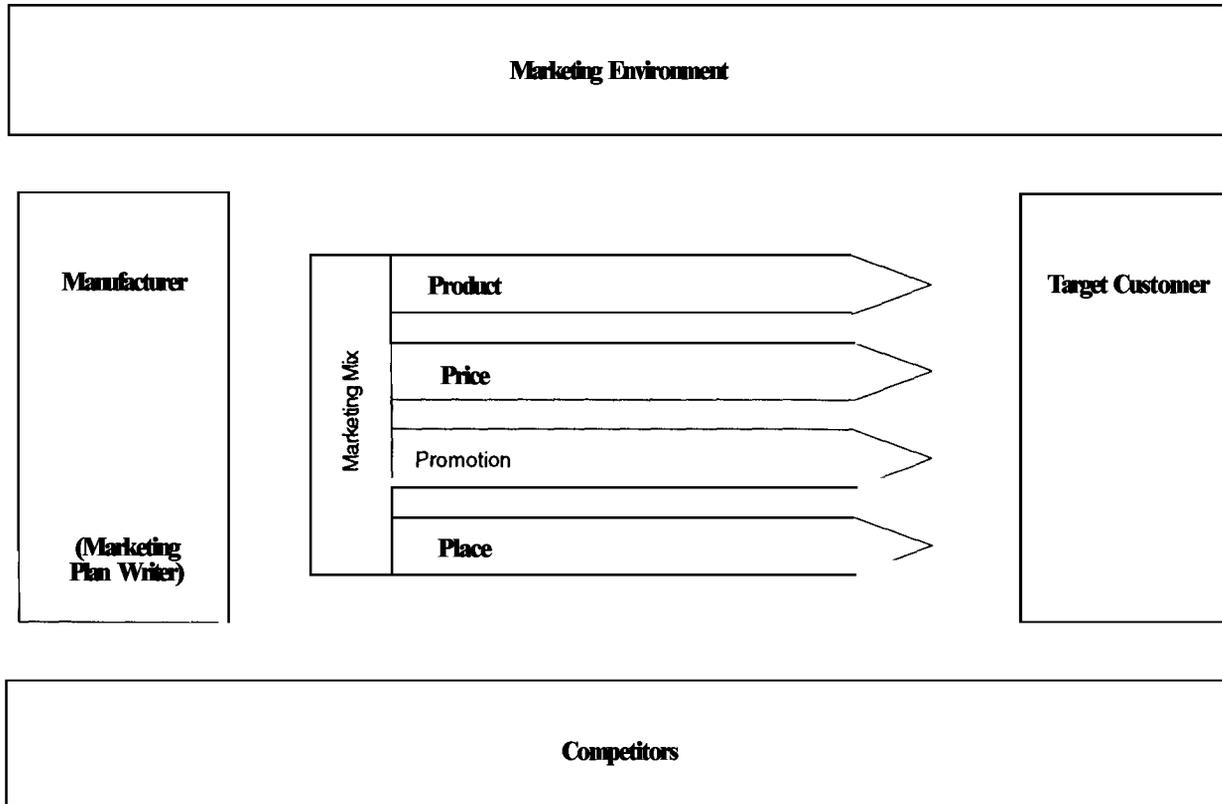
What factors affect sales? They are customers, competitors, the marketing environment, and the four P's (product, price, promotion, and place). Exhibit 1-1 combines these factors to create a general model of demand. It is the marketing manager's challenge to determine how these factors impact a particular product. The process of gathering market information, analyzing it, and formulating plans and strategies is what marketing planning is all about.

Ideally, marketing programs—for example, expanding the sales force should be justified on a quantitative basis. That is, one should say that hiring "X" salespeople will produce "Y" additional sales at "Z" costs. Typically, however, companies do not have the resources to conduct the types of research—test markets, consumer surveys, advertising tests—required to show the effect of each marketing mix component. In this common situation, managerial judgment plays an important role in the formulation of marketing plans. Nonetheless, even when the decision is a judgment call, a thorough discussion of assumptions, marketing rationale, expected results, and contingencies is an essential part of the marketing plan.

### **Marketing Plans Versus Business Plans**

The term *marketing plan* may easily be confused with the term *business plan*. By strict definition, a business plan is a larger and more comprehensive planning document. Business plans typically spend more time addressing topics that are, strictly defined, nonmarketing in nature—for example, manufacturing, sources of supply, and financial issues. In plain fact, when so-called nonmarketing issues are crucial to marketing programs, such issues should be discussed in the marketing plan, although they may be treated in less depth than would be the case in the business plan.

According to the Conference Board (Sutton, 1990), a marketing plan is almost always based on, linked to, or part of an overall business plan. The marketing plan always discusses the overall market, the segments of customers

**E****Exhibit 1-1**  
**A General Model of Demand**

within the overall market, and the programs comprising the four P's of the marketing mix-product, price, promotion, and place. If this discussion occurs within the covers of a document with another title, then what you have is most probably a "marketing plan plus" (additional material). Marketing plans do not always link well to the strategic plan or action plans for implementation, although ideally they should. (For a further discussion of business plans, see American Management Association, *How to Write a Business Plan*, Fourth Edition, 1995.)

**THE NEED FOR BUSINESSES TO PLAN**

It has been said that "If you don't know where you are going, any road will take you there." The implication here is that a business organization first needs to decide what it wants to accomplish. Next, it must consider carefully which path-in terms of strategies and programs-it should follow to

achieve its desired ends. Thus, the marketing plan and the planning process that accompanies it provide a road map for meeting marketing goals.

Clearly, pulling together a marketing plan requires a great deal of time and effort. And by issuing a formal blueprint for the business, the marketing manager is exposing himself or herself to some substantial personal risks -that is, the marketing plan provides top management with a yardstick against which the plan's originators may be judged. Why, then, should managers bother with planning? There are ten key benefits that businesses can expect to achieve as an outgrowth of marketing planning. Marketing planning:

1. *Provides a clear marketing action plan for the coming year.* The marketing plan sets out programs and their costs and timing to guide the marketing department's activities. A well-conceived marketing plan should be the marketing manager's key reference book throughout the coming year. (To be truly useful, the marketing plan should specify the dates and deadlines for implementing marketing programs.) As new marketing personnel are hired, the marketing plan may be employed during the break-in period to bring the new people up-to-date on the product's marketing situation.
2. *Establishes priorities.* Each year the marketing manager and the line departments, such as sales, that are charged with executing marketing plans are faced with what seems like an endless array of options. For example, should marketing funds be allocated to trade promotions, consumer coupons, a sales force contest, or more advertising? If a key marketing objective is to obtain increased distribution in retail stores, then trade promotions and sales force contests should be funded. If, on the other hand, the marketing priority is to gain product trial among nonusers, advertising and coupons are more appropriate. The point is that the marketing plan should be consulted as the final authority in directing and prioritizing marketing actions.
3. *Sounds a call to action to other departments that must support marketing programs.* Managers in areas such as manufacturing, R&D, and legal can look to the marketing plan to set their own priorities for the coming year. For example, packaging changes send up a red flag to manufacturing, purchasing, distribution, and the sales force. If the marketing plan reveals that several brands are considering reformulations or improvements, the R&D director must be aware of this in order to plan for staffing and budgets. Key outside suppliers, such as the advertising agency, may also look to the client's marketing plan to guide their own planning activities.
4. *Sets forth measurable goals against which marketing performance may be judged.* Goals such as sales, profit, and market share are stated clearly in the marketing plan. These provide a benchmark for assessing overall performance. Management by objective (MBO) programs and bonus programs for marketing and sales personnel can be tied into the marketing

plan. Because sales force compensation is often linked to the sales budget in the marketing plan, top sales managers should be consulted for their input on the product's sales projections. (See the discussion of bottom-up planning later in this chapter.)

5. *Establishes a base for follow-up planning.* Well-written marketing plans serve as a history of a product's marketing program and the thinking that went into them. Such a one-stop source of past actions and results can be a valuable reference tool if it is consulted by planners as they design future programs.
6. *Enables top management to examine the assumptions behind the profit and loss statement.* The marketing plan should set forth the marketing department's assumptions on factors such as market growth rates and competitive activity. The rationale underlying each assumption should also be presented. The marketing plan enables such assumptions to be tested against top management's wisdom and experience. For example, consider a situation in which a large share brand, Maxwell House coffee, is facing declining sales in the total market. The marketing plan's assumption that the unfavorable trend will continue may lead top management to suggest new programs for building primary category demand.
7. *Provides a vehicle for selling new and innovative programs to top management.* For obvious reasons, upper-level managers are typically cautious about approving costly new marketing programs, such as new product launches and larger advertising budgets. Because of its completeness and its accepted format, the marketing plan provides an excellent vehicle for new program proposals. For example, the marketing plan for an industrial product typically contains complete data on sales by customer segment. With such data as background, the marketing manager may seize this as an ideal opportunity to recommend a new product or product modification aimed at better satisfying the needs of a potentially profitable market segment.
8. *Provides for marketing continuity during personnel changes.* Should the marketing manager leave the business in midstream, the marketing plan contains the vital information to enable marketing programs to be carried out during the transition period. At the same time, the present marketing manager need not refuse a job transfer or promotion for fear that the product's marketing plans will fall through the cracks.
9. *Ford a discussion of contingencies and unknowns.* A well-prepared marketing plan contains a discussion of what-if issues related to events in the business environment. Also, the situation analysis may point to key questions deserving further research. For example, a food company contemplating a change to a new, less costly formulation for one of its products may need to schedule consumer taste-testing research.
10. *Enables corporate planners to test the marketing plan for consistency with corporate strategy.* Because the marketing plan is an explicit statement of one brand's marketing strategy, strategic planners at the corporate level can check to ensure that the brand's goals are in sync with corporate objectives. More is said about this issue in Chapter 2.

## **A RENEWED EMPHASIS ON MARKETING PLANS**

A report by the Conference Board (Sutton, 1990) - "The Marketing Plan in the 1990s"-an update of a report done in the early 1980s, signals that companies are placing a renewed emphasis on marketing planning. The idea that marketing planning is somehow subordinate to the overall strategic plan has lost favor among managers; more and more companies are returning to the meat-and-potatoes issues of marketing plans that describe how to satisfy customers in the product markets in which the company has chosen to compete. The following are some of the highlights of the Conference Board's findings:

- From a content perspective, the most frequently cited changes in marketing plans call for "more customer/market focus" and "more competitive analysis." These topics should have been the heart of any marketing plan all along, and it is encouraging to see that companies are getting back to the basics.
- From a procedural point of view, the most important changes in preparing marketing plans are "more input from other groups" and "more integration with company strategy." These are significant changes and signal the more integrated nature of business management in the 1990s.

Peter Drucker said long ago that the entire company's operation had to be directed toward marketing, and it appears that companies are taking this idea to heart. Clearly, Michael Porter's value chain concept (see Chapter 2) supports this view by demonstrating that all functions of an enterprise contribute to the creation of customer value. In this light, it is appropriate that marketing plans receive input from the disparate business functions across the company and be integrated more closely with strategic plans. As further evidence of this "integrative trend," many MBA programs around the country have announced that MBA education is placing much less emphasis on functional distinctions. Of course, obtaining broader input into marketing plans takes time and effort, which places a higher premium than ever on the planning process itself.

Overall business strategy is responsible for creating the base of assets and skills that enable the company to create a sustainable competitive advantage in its marketing mix over the long run. Quite simply, companies have discovered that market advantages that are easily copied by competitors usually mean that success will be short-lived (see Chapter 2).

## **OBSTACLES TO MARKETING PLANNING**

Marketing planning is time consuming, is fraught with risks and uncertainty, and requires buy-in from virtually all company functions and departments outside of "marketing." Given this set of circumstances, it is not surprising that managers report problems in preparing marketing plans. Exhibit 1-2

**E****xhibit 1-2****Most Critical Problems in Preparing Marketing Plans**

	<b>MANUFACTURERS OF</b>		
	<i>Industrial Products</i> (%)	<i>Consumer Products</i> (%)	<i>Service Firms</i> (%)
Hard to get consensus/cooperation	18	5	21
Not enough time to prepare properly	16	18	7
Hard to make forecasts	10	8	0
Not enough useful information available	8	8	3
Top management unrealistic about goals	5	5	3
Plans not taken seriously enough	5	0	10
Not enough strategic thinking/direction	4	3	7
Market changes too fast	4	3	3
Not enough top-management commitment	3	3	3
Have to plan too far ahead	3	2	0
Company isn't market-oriented	2	3	14
Too much focus on short term	2	7	0
Inertia/resistance to change	1	5	3
Other	23	32	28
Number of respondents	98	60	29

Source: Howard Sutton, "The Marketing Plan in the 1990s," The Conference Board, Report no. 951, 1990, p. 61. Reprinted with permission of the Conference Board, Inc.

provides the results of a survey that shows how marketing managers of industrial products, consumer products, and service firms perceive problems in preparing their plans. The next section summarizes these problems and addresses common obstacles to producing sound marketing plans.

Five major obstacles are:

- Lack of needed information
- Forecasting problems
- Lack of consensus within the organization
- Lack of top-management commitment
- Time pressure

### **Lack of Needed Information**

Marketing plans and strategies are not worth very much unless they are supported by facts and figures. Unfortunately, good data concerning markets, customers, and competitors are not easy to come by. Even more important, many types of marketing research data, such as consumer surveys and product-use

tests, may take many months to collect and analyze. Therefore, concurrent with the increased emphasis on marketing planning, these same organizations have developed management information systems (MIS) to support planning efforts. Although small businesses have historically been at a disadvantage in their efforts to obtain solid market data, the advent of the personal computer combined with the availability of shared databases has narrowed this gap.

### **Forecasting Problems**

Even when solid data about past and present market activities are available, predicting the future is a difficult challenge. For one thing, forecasting methods that simply extrapolate current trends are likely to be wrong. As an example, personal computer makers targeting the home market have had to adjust to more modest growth rates than were originally forecast. (For a more detailed discussion of forecasting techniques, see American Management Association, *Sales Forecasting, 1988*.)

Although developing sound forecasts poses many problems, some organizations have created even larger problems by refusing to accept objectively derived forecasts. Viewing the world through rose-colored glasses may make management appear aggressive and optimistic in the short run, but unfortunately, such buoyant feelings quickly disappear when performance fails to meet objectives. Thus, in some companies the problem of accepting unfavorable forecasts can be as much of an issue as developing accurate forecasts in the first place.

### **Lack of Consensus Within the Organization**

As shown in Exhibit 1-2, "hard to get consensus" is viewed as one of the most pressing planning obstacles. Planning requires input and commitment from several areas of the organization. Obtaining this commitment is often easier said than done. In the Conference Board study, respondents complained about a lack of commitment by line managers, poor communication, and the need for better definition of strategic goals by top-level management. Marketing managers should ensure that the lines of communication are wide open to the various departments that must play a role in carrying out the marketing plan. Communication and buy-in can be improved by including representatives from support functions in planning meetings and circulating the appropriate sections of the plan, in early-draft form, for comment and feedback.

### **Lack of Top-Management Commitment**

In order for marketing plans to work, top management must adopt a broader, longer-run view of the business. While no one would deny that the day-to-day needs of the business must be attended to, the marketing planning process will not succeed if top management's sole focus is on fighting today's fires. Though such problems do exist, marketing planners have found that top management can be sold on the planning concept as the positive results of planning take hold over a period of years.

## Time Pressure

Managers complain that there is almost never enough time to prepare marketing plans. As we've mentioned, it is very easy for the manager to get caught up in the business's day-to-day problems. Plans are roughly 25 pages in length (*medium page length: industrial products = 30, consumer products = 25, services = 21*). Whereas some companies have addressed the problem by adding personnel, a better approach is to turn the marketing planning process into a year-round project. Marketing plans typically run for a one-year period, although periods of three to five years are not unheard of. Leaving preparation of the plan until the last minute builds time pressure, often leading to superficial plans.

## Other Obstacles

Note that the survey results point out two additional problems—"plans not taken seriously enough" and "company isn't market-oriented"—that receive very high percentages for *service firms*. These responses indicate that marketing planning is probably at an early stage of development in the service industry. Nonetheless, these findings should serve as a red flag to anyone operating in the services arena.

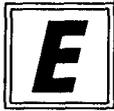
A scholarly study by Piercy and Morgan, both of the University of Wales (UK), sheds further light on barriers to marketing plan effectiveness. In their study, the authors relate two sets of driver variables: *marketing plan elements* (analytical techniques, market analysis, plan components) and *behavioral problems* (planning recalcitrance, politics and myopia, alienation and uncertainty, planning avoidance, squirm factor). Perhaps the most useful part of this study is the rich definition of the factors that impact on successful plans (see Exhibit 1-3). Clearly, the *marketing plan elements* should be emphasized and *behavioral problems* avoided. Of the latter, the two most troublesome are *planning recalcitrance* and *alienation and uncertainty*, which negatively influence plan credibility.

## A Balanced View

The discussion of barriers and problems is not meant to be discouraging, but as the adage goes, "Forewarned is forearmed." As John Fox, a senior vice president with ADI Research maintains, "Marketing planning is simply a learning and organization process" (Fox, 1989). As such, the process can be substantially impeded by the problems outlined in Exhibit 1-3. The bottom line is that a company must commit to (1) being market-oriented, (2) establishing open communication across functions, and (3) adopting a reasonable and balanced approach to dealing with risk. Without these elements as a basis, any type of "quick fix" to patch up the planning process will probably fail. We expand this issue in Chapter 12.

## RESPONSIBILITY FOR MARKETING PLANNING

Marketing planning may be conducted in a top-down or a bottom-up manner. The top-down approach views top-level managers as the planners and the middle and lower levels of the organization as the implementers of the plan. The



## Exhibit 1-3

### Measures Driving Marketing Plan Effectiveness

<b>Marketing Plan Elements</b>	<b>Examples of Variables</b>
Analytical techniques	<ul style="list-style-type: none"> <li>• Experience curve analysis</li> <li>• Computer models</li> <li>• Formal marketing audits</li> </ul>
Market analysis	<ul style="list-style-type: none"> <li>• Market share analysis</li> <li>• Market segmentation</li> <li>• Business environment</li> <li>• Study competitors</li> <li>• SWOT</li> </ul>
Plan components	<ul style="list-style-type: none"> <li>• Marketing tactics</li> <li>• Statement of objectives and strategies</li> <li>• Implementation plan</li> <li>• Test marketing</li> <li>• Mission statement</li> </ul>
<b>Behavioral Problems</b>	<b>Examples of Variables</b>
Planning recalcitrance	<ul style="list-style-type: none"> <li>• Bored with planning</li> <li>• Lack of discipline</li> <li>• Withhold information</li> <li>• Maintain status quo</li> </ul>
Politics and myopia	<ul style="list-style-type: none"> <li>• Discouraged from voicing dissent</li> <li>• Fail to share information</li> <li>• Resist innovative ideas</li> <li>• Rely on "rational" techniques when intuitive thinking is called for</li> </ul>
Alienation and uncertainty	<ul style="list-style-type: none"> <li>• Fear making mistakes</li> <li>• Do not want to learn about marketing planning</li> <li>• Feel uncomfortable with uncertainty</li> </ul>
Planning avoidance	<ul style="list-style-type: none"> <li>• Comply with rather than being committed to goals</li> <li>• Don't question plan assumptions</li> </ul>
Squirm factor	<ul style="list-style-type: none"> <li>• Can "get off the hook" for poor plan</li> <li>• Propose outlandish ideas to establish their own creativity</li> </ul>

*Source:* Adapted from Nigel F. Piercy and Neil A. Morgan, "The Marketing Planning Process: Behavioral Problems Compared to Analytical Techniques in Explaining Marketing Plan Credibility," *Journal of Business Research* 29 (1994), pp. 167-178.

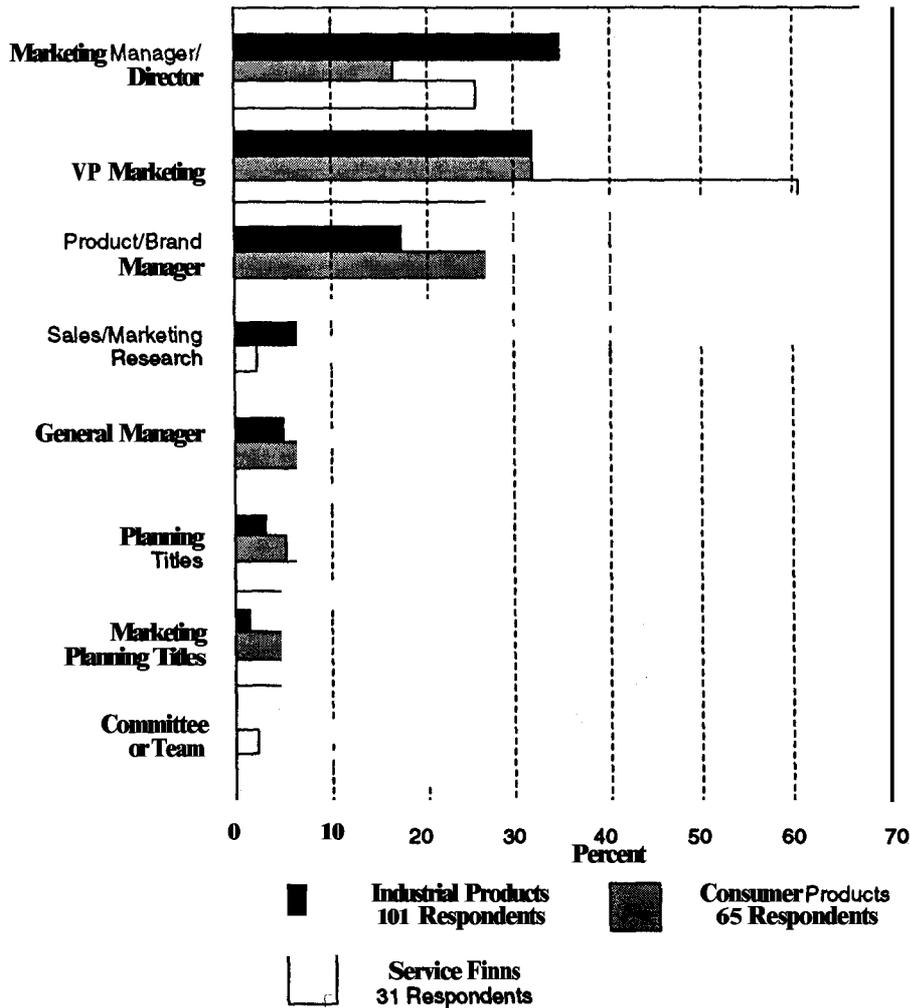
bottom-up technique, on the other hand, has the marketing plan percolating upward from the bottom of the management hierarchy. In strict bottom-up planning, each department—for example, sales, advertising, manufacturing, or distribution—writes the portion of the marketing plan that deals with its own activities. In this approach, top management serves as an integrating function by pulling together the individual department plans into a unified whole.

Responsibility for preparing marketing plans rests with managers who go by a wide variety of titles, with the most common being marketing manager or marketing director, product manager or brand manager, or vice president marketing (see Exhibit 1-4). Note that the product manager or brand manager title is not used in service firms, where plans are normally prepared by the VP marketing or the marketing manager/director. Responsibility for approving plans occurs at a number of top management levels as shown in Exhibit 1-5.



**xhibit 1-4**  
**Responsibility for Preparing Plans**

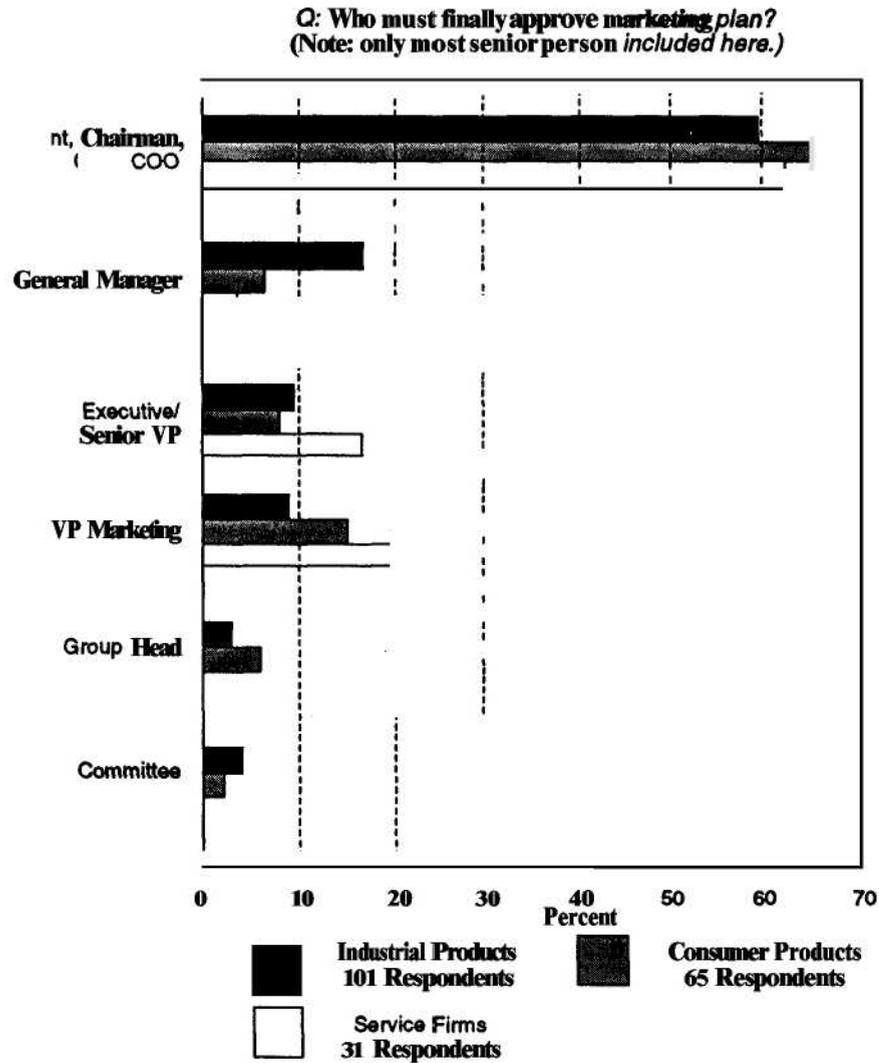
Q: Who—by title—assembles your marketing plan?  
(Note: only includes title of most junior person.)



Source: Howard Sutton, *The Marketing Plan in the 1990s*, The Conference Board, Report no. 951, 1990, p. 16. Reprinted with permission of the Conference Board, Inc.



## Exhibit 1-5 Responsibility for Approving Plans



Source: Howard Sutton, *The Marketing Plan in the 1990s*, The Conference Board, Report no. 951, 1990, p. 16. Reprinted with permission of the Conference Board, Inc.

### SUMMARY

Marketing plans describe the marketing mix (product, price, promotion, and method of distribution), its background and rationale, and the financial results expected. At its heart, a marketing plan outlines a model of demand for a product -that is, the plan identifies the key factors affecting sales and recommends specific programs designed to maximize the product's performance in the marketplace. Marketing plans are often confused with business plans.

In reality, the plans are similar although business plans tend to be more comprehensive in nature.

Over the past two decades the marketing environment has become more complex. Many companies have dealt with this complexity by placing more emphasis on formal planning. There are ten benefits that flow from formal marketing planning. The marketing plan (1) provides a clear action plan for the coming year; (2) establishes priorities; (3) sounds a call to action to other departments; (4) establishes measurable goals; (5) provides a base for follow-up planning; (6) enables top management to examine the assumptions behind the profit and loss statement; (7) provides a vehicle whereby the marketing department can present new programs; (8) provides for marketing continuity during personnel changes; (9) forces a discussion of contingencies and unknowns; and (10) allows for marketing programs to be judged for consistency with overall corporate strategy.

There are also several major obstacles to overcome in establishing a formal planning system:

1. Lack of needed information: It is difficult to obtain complete information needed for planning.
2. Forecasting problems: Predicting the future tends to be difficult and error prone.
3. Lack of consensus within the organization: It is often hard for marketing managers to gain a consensus of all of the business functions that must pull together to support the marketing plan.
4. Lack of top-management resolve: Commitment from the top ranks is key.
5. Time pressure: Managers complain that the day-to-day exigencies of managing the business leave them "not enough time" to devote to planning.

In service businesses, which in general have only instituted formal marketing planning recently, managers report that marketing plans are "not taken seriously enough," and that the "company isn't Market-oriented." Finally, scholarly research by Piercy and Morgan has uncovered a number of organizational behavior problems that impact negatively on the thoroughness and credibility of marketing plans.



## Review Questions

1. The most common planning cycle is: 1. (a)
  - (a) yearly.
  - (b) semiannually.
  - (c) quarterly.
  - (d) biannually.
  
2. In a service company, the responsibility for preparing the marketing plan most frequently rests with the: 2. (c)
  - (a) general manager.
  - (b) product manager.
  - (c) vice president of marketing.
  - (d) planning committee.
  
3. According to the 1990 Conference Board report, the most frequently cited changes in the content of recent marketing plans are more customer focus and: 3. (d)
  - (a) a closer link to the business plan.
  - (b) more participation by general management.
  - (c) a longer planning cycle.
  - (d) more competitive analysis.
  
4. The four P's that make up the marketing mix are product, price, promotion, and: 4. (b)
  - (a) planning.
  - (b) place.
  - (c) premiums.
  - (d) positioning.

5. One of the key obstacles to overcome in establishing a formal planning system is: 5. (a)
- (a) forecasting problems.
  - (b) credibility.
  - (c) other business pressures.
  - (d) changes in the environment.