

Chapter 2: Strategic Marketing Planning

Chapter Outline

- I. Introduction
 - A. *Beyond the Pages* 2.1 discusses the history and phenomenal success of Redbox.
 - B. Although the process of strategic marketing planning can be complex (a large multinational corporation) or relatively straightforward (a small single proprietor business), the planning process is the same in many ways.
 - C. Large or small, all marketers strive to meet the needs of their customers while meeting their own business and marketing objectives.
- II. The Strategic Planning Process
 - A. Whether at the corporate, business unit, or functional level, the planning process begins with an in-depth analysis of the organization's internal and external environments—sometimes referred to as a *situation analysis*.
 - B. Planning efforts within each functional area will result in the creation of a strategic plan for that area. [Exhibit 2.1]
 - C. A *marketing plan* is a written document that provides the blueprint or outline of the organization's marketing activities, including the implementation, evaluation, and control of those activities. The marketing plan serves a number of purposes:
 - 1. It clearly explains how the organization will achieve its goals and objectives.
 - 2. It serves as the "road map" for implementing the marketing strategy.
 - 3. It instructs employees as to their roles and functions in fulfilling the plan.
 - 4. It provides specifics regarding the allocation of resources and includes the specific marketing tasks, responsibilities of individuals, and the timing of all marketing activities.
 - D. Marketing decisions must be made within the boundaries of the organization's overall mission, goals, and objectives.
 - E. Organizational Mission versus Organizational Vision
 - 1. A *mission*, or *mission statement*, seeks to answer the question "What business are we in?" It is a clear and concise statement (a paragraph or two at most) that explains the organization's reason for existence.
 - 2. A *vision*, or *vision statement*, seeks to answer the question "What do we want to become?" An organization's vision tends to be future oriented, in that it represents where the organization is headed and where it wants to go.
 - 3. Elements of the Mission Statement
 - a) A well-devised mission statement for any organization, unit within an organization, or single-owner business should answer the same five basic questions:
 - 1) Who are we?
 - 2) Who are our customers?

- 3) What is our operating philosophy (basic beliefs, values, ethics, and so on)?
 - 4) What are our core competencies or competitive advantages?
 - 5) What are our responsibilities with respect to being a good steward of our human, financial, and environmental resources?
 - b) A mission statement that delivers a clear answer to each of these questions installs the cornerstone for the development of the marketing plan. [Exhibit 2.2]
 - c) The mission statement should be included in annual reports and major press releases, framed on the wall in every office, and personally owned by every employee of the organization.
4. Mission Width and Stability
 - a) In crafting a mission statement, management should be concerned about the statement's width.
 - b) Overly broad missions can lead companies to establish plans and strategies in areas where their strengths are limited.
 - c) Overly narrow mission statements that constrain the vision of the organization can prove just as costly.
 - d) Mission stability refers to the frequency of modifications in an organization's mission statement. Of all the components of the strategic plan, the mission should change the least frequently.
5. Customer-Focused Mission Statements
 - a) In recent years, mission statements have become much more customer oriented. People's lives and businesses should be enriched because they have dealt with the organization.
 - b) A focus on profit in the mission statement means that something positive happens for the owners and managers of the organization, not necessarily for the customers or other stakeholders.
- F. Corporate or Business-Unit Strategy
 1. All organizations need a *corporate strategy*, the central scheme or means for utilizing and integrating resources in the areas of production, finance, research and development, human resources, and marketing, to carry out the organization's mission and achieve the desired goals and objectives.
 2. Larger firms often find it beneficial to devise separate strategies for each strategic business unit (SBU), subsidiary, division, product line, or other profit center within the parent firm.
 3. Business-unit strategy determines the nature and future direction of each business unit, including its competitive advantages, the allocation of its resources, and the coordination of the functional business areas.
 4. In small businesses, corporate strategy and business-unit strategy are essentially the same.
 5. When a firm possesses capabilities that allow it to serve customers' needs better than the competition, it is said to have a *competitive*, or *differential*, *advantage*.

6. Competitive advantages cannot be fully realized unless customers see them as valuable. The key issue is the organization's ability to convince customers that its advantages are superior to those of the competition.
- G. Functional Goals and Objectives
1. Marketing and all other business functions must support the organization's mission and goals, translating these into objectives with specific quantitative measurements.
 2. All functional objectives should be expressed in clear, simple terms so that all personnel understand what type and level of performance the organization desires. In other words, objectives should be written so that their accomplishment can be measured accurately.
 3. It is also important for all functional objectives to be reconsidered for each planning period.
- H. Functional Strategy
1. Organizations design functional strategies to provide a total integration of efforts that focus on achieving the area's stated objectives.
 2. In marketing strategy, the process focuses on selecting one or more target markets and developing a marketing program that satisfies the needs and wants of members of that target market.
 3. Functional strategy decisions must:
 - a) fit the needs and purposes of the functional area with respect to meeting its goals and objectives.
 - b) be realistic given the organization's available resources and environment.
 - c) be consistent with the organization's mission, goals, and objectives.
- I. Implementation
1. Implementation involves activities that actually execute the functional area strategy.
 2. All functional plans have at least two target markets: an external market (customers, suppliers, investors, potential employees, the society at large) and an internal market (employees, managers, executives).
 3. Even seemingly disconnected events in finance or human resources can have an effect on the firm's ultimate customers—the individuals and businesses that buy the firm's products.
 4. In order for a functional strategy to be implemented successfully, the organization must rely on the commitment and knowledge of its employees—its internal target market.
- J. Evaluation and Control
1. Organizations design the evaluation and control phase of strategic planning to keep planned activities on target with goals and objectives. The critical issue in this phase is coordination among functional areas.
 2. The key to coordination is to ensure that functional areas maintain open lines of communication at all times.
 3. In some ways, the evaluation and control phase of the planning process is an ending and a beginning. On one hand, evaluation and control occur after a strategy has been implemented. On the other hand, evaluation and

control serves as the beginning point for the planning process in the next planning cycle.

III. The Marketing Plan

- A. The marketing plan provides a detailed formulation of the actions necessary to carry out the marketing program. Think of the marketing plan as the handbook for marketing implementation, evaluation, and control.
 - 1. A marketing plan is not the same as a business plan.
 - 2. A good marketing plan requires a great deal of information from many different sources. This requires looking at the marketing plan holistically rather than as a collection of related elements.
- B. Marketing Plan Structure [note also the Appendix]
 - 1. There are many ways to structure a marketing plan. [Exhibit 2.3]
 - 2. A good marketing plan outline is:
 - a) *comprehensive*: to ensure that there are no omissions of important information.
 - b) *flexible*: to ensure the plan will fit the unique needs of your situation.
 - c) *consistent*: to ensure that the marketing plan and the planning process will be understood by executives and employees outside of marketing.
 - d) *logical*: to ensure that the plan can be sold to top managers.
 - 3. Executive Summary
 - a) The *executive summary* is a synopsis of the overall marketing plan, with an outline that conveys the main thrust of the marketing strategy and its execution.
 - b) Individuals both within and outside of the organization may read the executive summary for reasons other than marketing planning or implementation.
 - c) The executive summary should always be the last element to be written because it is easier (and more meaningful) to write after the entire marketing plan has been developed.
 - 4. Situation Analysis
 - a) The situation analysis summarizes all pertinent information obtained about three key environments: the internal environment, the customer environment, and the firm's external environment.
 - b) A clear and comprehensive situation analysis is one of the most difficult parts of developing a marketing plan.
 - 5. SWOT (Strengths, Weaknesses, Opportunities, and Threats) Analysis
 - a) SWOT analysis focuses on the internal factors (strengths and weaknesses) and external factors (opportunities and threats)—derived from the situation analysis in the preceding section—that give the firm certain advantages and disadvantages in satisfying the needs of its target market(s).
 - b) Strengths and weaknesses are internal issues unique to the firm conducting the analysis.

- c) Opportunities and threats are external issues that exist independently of the firm conducting the analysis. A common mistake is to list the firm's strategic alternatives as opportunities.
- d) *Beyond the Pages 2.2* discusses selling products at a loss to gain market share.
- 6. Marketing Goals and Objectives
 - a) Marketing goals and objectives are formal statements of the desired and expected outcomes resulting from the marketing plan.
 - b) This section of the marketing plan sets the performance targets that the firm seeks to achieve and it defines the parameters by which the firm will measure actual performance in the evaluation and control phase.
- 7. Marketing Strategy
 - a) The strategy section of the marketing plan outlines how the firm will achieve its marketing objectives.
 - b) In its broadest sense, marketing strategy refers to how the firm will manage its relationships with customers in a manner that gives it an advantage over the competition.
- 8. Marketing Implementation
 - a) The implementation section of the marketing plan describes how the marketing program will be executed. This section also answers several questions:
 - 1) What specific marketing activities will be undertaken?
 - 2) How will these activities be performed?
 - 3) When will these activities be performed?
 - 4) Who is responsible for the completion of these activities?
 - 5) How will the completion of planned activities be monitored?
 - 6) How much will these activities cost?
 - b) Without a good plan for implementation, the success of the marketing strategy is seriously jeopardized. For this reason, the implementation phase of the marketing plan is just as important as the marketing strategy phase.
- 9. Evaluation and Control
 - a) This section of the marketing plan details how the results of the marketing program will be evaluated and controlled.
 - b) *Marketing control* involves establishing performance standards, assessing actual performance by comparing it with these standards, and taking corrective action if necessary to reduce discrepancies between desired and actual performance.
 - c) The financial assessment of the marketing plan is also an important component of evaluation and control. Estimates of costs, sales, and revenues determine financial projections.
 - d) A marketing audit—a systematic examination of the firm's marketing objectives, strategy, and performance—can be used to pinpoint potential causes for discrepancies.

- C. Using the Marketing Plan Structure
1. *Plan ahead:* Writing a comprehensive marketing plan is very time consuming, especially if the plan is under development for the first time.
 2. *Revise, then revise again:* After the situation analysis, you will spend most of your time revising the remaining elements of the marketing plan to ensure that they mesh with each other.
 3. *Be creative:* A marketing plan is only as good as the information it contains and the effort and creativity that go into its creation.
 4. *Use common sense and judgment:* Writing a marketing plan is an art. Common sense and judgment are necessary to sort through all of the information, weed out poor strategies, and develop a sound plan.
 5. *Think ahead to implementation:* As you develop the plan, you should always be mindful of how the plan will be implemented.
 6. *Update regularly:* Once the marketing plan has been developed and implemented, it should be updated regularly with the collection of new data and information.
 7. *Communicate to others:* One critical aspect of the marketing plan is its ability to communicate to colleagues, particularly top managers who look to the marketing plan for an explanation of the marketing strategy, as well as for a justification of needed resources, like the marketing budget.
- D. Purposes and Significance of the Marketing Plan
1. A good marketing plan will fulfill five purposes in detail:
 - a) It explains both the present and future situations of the organization. This includes the situation and SWOT analyses and the firm's past performance.
 - b) It specifies the expected outcomes (goals and objectives) so that the organization can anticipate its situation at the end of the planning period.
 - c) It describes the specific actions that are to take place so that the responsibility for each action can be assigned and implemented.
 - d) It identifies the resources that will be needed to carry out the planned actions.
 - e) It permits the monitoring of each action and its results so that controls may be implemented. Feedback from monitoring and control provides information to start the planning cycle again in the next time frame.
 2. These five purposes are very important to various persons in the firm. The most pressing concern for success, however, may lie in the fourth purpose.
- E. Organizational Aspects of the Marketing Plan
1. In many organizations, the marketing manager, brand manager, or product manager writes the marketing plan.
 2. The authority to approve the marketing plan is typically vested in upper-level executives. These top managers ask:
 - a) Will the proposed marketing plan achieve the desired marketing, business unit, and corporate goals and objectives?

- b) Are there alternative uses of resources that would better meet corporate or business unit objectives than the submitted marketing plan?
- 3. In most cases, *final* approval of the marketing plan lies with the president, chairman, or CEO of the organization.
- 4. Once a marketing plan has been approved, it still faces many obstacles before its marketing programs can come to fruition. [Exhibit 2.4]

IV. Maintaining Customer Focus and Balance in Strategic Planning

- A. Many firms have changed the focus and content of their marketing plans. Of these changes, two stand out: (1) renewed emphasis on the customer, and (2) the advent of balanced strategic planning.
- B. These changes have required shifting focus from the company's products to the unique requirements of specific target market segments, as well as tighter integration with other functional areas.
- C. Customer-Focused Planning
 - 1. Focusing on the customer has not been the hallmark of strategic planning throughout history. The emphasis in marketing planning has shifted from production (efficiency and quality), to selling, to the marketing concept.
 - 2. The marketers of today focus on long-term, value-added relationships with customers, employees, suppliers, and other partners. The focus has shifted from customer transactions to customer relationships, and from competition to collaboration.
 - 3. Market-oriented firms successfully generate, disseminate, and respond to market information. These firms focus on customer analysis, competitor analysis, and integrating the firm's resources to provide customer value and satisfaction, as well as long-term profits.
 - 4. For an organization to be truly market oriented, it must instill a corporate culture that puts customers first. [Exhibit 2.5]
 - 5. In today's business environment, an orientation towards customers also requires that the organization's suppliers and even competitors be customer-oriented as well.
 - 6. *Beyond the Pages 2.3* discusses how Amazon created the ecosystem necessary to support its highly popular Kindle Fire tablet.
- D. Balanced Strategic Planning
 - 1. As firms approached the twenty-first century, they realized that traditional planning and measurement approaches could not capture value created by the organization's intangible assets (customer relationships, processes, human resources, innovation, and information).
 - 2. These assets are increasingly important to business success, but are not reported through traditional financial measures.
 - 3. The balanced scorecard approach aligns strategic efforts by approaching strategy from four complementary perspectives: financial, customer, internal process, and learning and growth. [Exhibit 2.6]

4. The balanced scorecard has been used successfully by many organizations. These firms tend to adhere to five common principles:
 - a) Translate the strategy into operational terms
 - b) Align the organization to strategy
 - c) Make strategy everyone's everyday job
 - d) Make strategy a continual process
 - e) Mobilize change through executive leadership
5. The balanced scorecard doesn't refute the traditional approach to strategic planning. It does, however, caution business leaders to look at strategy and performance as a multidimensional issue. Financial measures, though important, simply cannot tell the whole story.
6. The balanced scorecard forces organizations to explicitly consider *during strategy formulation* those factors that are critical to strategy execution. Issues within the balanced scorecard such as employee training, corporate culture, organizational learning, and executive leadership are critical to the implementation of any strategy.

Questions for Discussion

1. In many organizations, marketing does not have a place of importance in the organizational hierarchy. Why do you think this happens? What are the consequences for a firm that gives little importance to marketing relative to other business functions?

Student answers to this question will vary based on their professional experiences. One key issue deals with the background and training of the senior management team. Those that rise through the ranks from marketing have a stronger appreciation for marketing activities. Others tend to see the marketing function as an expense rather than an investment. Another reason is that some firms place more emphasis on shareholders than on customers. In these cases, financial issues, rather than marketing, rise to the top. The consequences of shirking marketing activities should be obvious. Firms without customers tend to have limited life spans.

2. Defend or contradict this statement: Developing marketing strategy is more important than implementing marketing strategy because, if the strategy is flawed, its implementation doesn't matter.

Students should recall from Chapter 1 that there are very few universal rules in marketing. Hence, it is difficult to determine if a strategy is flawed prior to its execution. Likewise, even perfect strategies can be poorly implemented. In the end, it is impossible to separate strategy from implementation—both are vitally important to business success.

3. What are some of the potential difficulties in approaching strategic planning from a balanced perspective? Isn't financial performance still the most important perspective to take in planning? Explain.

Some students will argue for the importance of the financial perspective arguing that firms are in business to make money for shareholders. These students will favor stock price and market capitalization as the key indicators of success. However, in firms dominated by intangible assets, the financial perspective becomes less able to measure performance accurately. The use of less tangible, even somewhat subjective, measures of performance is the key difficulty in using the balanced approach. Many of today's business leaders have a difficult time with the balanced approach because they are not trained in using it and their compensation packages are not tied to balanced measures. Hence, the dominance of financial measures is somewhat self-fulfilling.

Exercises

1. Review each of the mission statements listed in Exhibit 2.2. Do they follow the guidelines discussed in this chapter? How well does each answer the five basic questions? What do you make of the changes or lack thereof in these mission statements over time?

Most students will remark that these (and many other) mission statements do not fully adhere to the guidelines. This promotes an interesting discussion question: Are some firms successful in spite of their mission statements? The lack of changes in many of these mission statements is to be expected as infrequency of modification is a key issue in creating a mission statement.

2. Talk with a small-business owner about the strategic planning process he or she uses. Do they have a mission statement? Marketing goals and objectives? A marketing plan? What are the major issues the owner faces in implementing his or her marketing program?

Students will be surprised to learn that many (most) small businesses do very little formal planning. Even fewer will have formal marketing plans. Most of these businesses are family-owned; hence, their focus is often on making a living rather than growing a company. The major issues faced by these companies are typically competition and customer retention.

3. Palo Alto Software maintains a website devoted to business and marketing plans. Log on to www.mplans.com/sample_marketing_plans.php and take a look at a few of the sample marketing plans available. Do these plans use the same framework discussed in this chapter?

Students will note that many of these sample plans follow the same basic structure outlined in the chapter. The Palo Alto site provides examples for students to use in addition to those found on our website.