28 Marketing planning

Components of a marketing plan

A MARKETING PLAN is a set of proposed marketing actions to be undertaken over a period of time which, if carried out, should enable the business to achieve its marketing objectives. The marketing plan is likely to contain the following, which have been outlined in the previous units.

- **Marketing objectives.** An objective could be to increase market share by 5 per cent over the next year. To accompany this a set of actions may be detailed, such as 'extend local advertising to the North West region' or 'ensure product is competitively priced'. In addition, responsibilities may be allocated between departments, sections and individuals.
- **A marketing budget.** A budget will be set which details how the marketing department will spend its funds.
- **Sales forecasts.** For example, based upon the forecasting techniques employed a business may forecast that sales will increase by 20 per cent over a two year period.
- Marketing strategies. Many of these will centre around the marketing mix. Price, product, promotion and place will be at the core of the actions detailed in the marketing plan.

In a large business, the marketing plan is likely to be developed in outline as part of the overall strategic or corporate plan. A small group of senior marketing managers are likely to be responsible for drawing up the plan. Once this has been agreed, detailed plans will be made within the marketing department. Managers at all levels may be involved in drawing up these more detailed plans.

In a small business, the owner/manager may have drawn up a written marketing plan. This is usually necessary if the business approaches a bank for extra loans or a larger overdraft facility. The marketing plan would be a part of the overall business plan. Often, though, the marketing plan is not written down. The entrepreneur has the plan in his or her head. Equally, the owner may have no marketing plan but may simply react to events as they arise. Using 'hunches' for decision making can be effective if the entrepreneur has a good intuitive understanding of the business environment.

Targets within the marketing plan

Targets should be set within the marketing plan. These should be measurable and understood by those operating the plan. These targets can then form part of the evaluation of the marketing plan. A business could use a number of different criteria.

Sales Sales targets can be set in many forms. For example, sales targets might be set by value (i.e. total sales x average selling price) or by volume (i.e. the number of sales made). Sales targets could be given for different areas of a country or different countries or continents. A multinational company might have sales targets for North America, Europe, Asia and the rest of the world for example. Sales targets are also likely to be set by product. For example, one product might have a sales growth target of 10 per cent per annum, while another might have one of 2 per cent.

Market share Market share can be an important target indicator of competitiveness. A business which aims to increase market share in its marketing plan is attempting to become more competitive relative to other businesses over time. A business which aims to limit loss of market share is likely to take into account that other businesses are going to become more competitive. As with sales targets, market share targets can be split down into market share by product and by region.

Marketing spending and market profitability analysis One criticism of marketing spending is that it is impossible to work out whether it has had an effect on sales, sales revenues and profits. For example, a business might spend £1 million on an advertising campaign and sales values might rise by 2 per cent. It could be that the £1 million spending caused the 2 per cent sales rise. But if at the same time the overall economy had grown by 3 per cent, it could be that the rise in sales was simply due to greater customer spending power. Or the 2 per cent rise in sales values could have been caused by new products entering the product range.

Market profitability analysis is concerned with the relationship between profits and costs. In the context of marketing planning, profitability analysis is calculated by subtracting the marketing costs of a product from the revenue gained from the product:

MARKETING PROFIT = sales revenue of a product (quantity sold x price) - marketing costs marketing research, advertising, distribution, promotion etc.)

Thus a product with high revenue and relatively low marketing costs will be highly profitable. In contrast, a product with low sales revenue and relatively high marketing costs will be less profitable.

The main benefit of calculating marketing profitability is that it can highlight some of the most and least profitable markets. Take the example of a business seeking to increase sales of a particular product by moving into two new markets, A and B. In market A, an increase in sales of 10 per cent can be achieved with additional marketing costs of 5 per cent. In market B, an increase in sales of 45 per cent can be achieved with additional marketing costs of 5 per cent. This business may wish to focus

Question 1.

According to the 2001 census, ethnic minorities make up 9 per cent of England's population. Consumers with an ethnic minority background are typically younger and more likely to own a business than other people. They also tend to live in large urban centres, such as London or the West Midlands conurbation, creating opportunities for cost-effective local marketing. Yet British businesses are only beginning to think seriously about the needs of ethnic minority consumers.

One business area which is taking its ethnic minority customers seriously is financial institutions such as banks and building societies. Banks and building societies with branches in the West Midlands conurbation serve large numbers of customers from ethnic minority backgrounds. Some have developed policies of providing help to such customers. For example, some produce leaflets about saving and mortgage products in a number of different languages including Punjabi. Some also employ people from ethnic minorities who are able to talk to customers in their own language. This means, for example, that a Punjabi speaker can arrange a mortgage by talking to a customer adviser who will conduct the interview in Punjabi.

The financial institutions involved have benefited from this approach. Many ethnic groups have a close-knit character that makes word of mouth a powerful force to be reckoned with. Alexandria Hough, a customer services adviser at the Smethwick branch of the West Bromwich Building Society, says 'recommendation is hugely important. A lot of mortgages we sell to Sikh customers come about through parents telling their children about us.'

Source: adapted from the *Financial Times*, 28.3.2003.

(a) The decision to market to ethnic minorities will have been contained in the marketing plan of a building society. Explain three possible features that might be contained in this marketing plan.

(b) Suggest how a building society in the West Midlands could evaluate the part of its marketing plan relating to ethnic minorities.

upon the more profitable market B.

The problem with calculating marketing profitability is that it is often difficult to calculate the marketing costs of particular products. For example, many promotional activities, such as trade fairs and corporate advertising, cannot be easily apportioned to individual products in businesses with a range of products.

Satisfaction surveys Many businesses undertake analysis of their customer satisfaction surveys. These are detailed surveys designed to identify the reactions of customers to their products. They use this data to assess the extent to which marketing plans are leading to increases or decreases in customer satisfaction.

Number of enquiries generated Many businesses pay very careful attention to the numbers of enquiries generated in particular aspects of their business. For example, financial service businesses monitor and evaluate the enquiries generated by direct mailshots as a means of evaluating the success of such promotions.

It is possible to produce clear data in some areas. For example, a bank which sends out half a million direct mail letters offering loans can measure the proportion of customers who respond. In turn, the proportion of customers finally given a loan can be calculated. So the cost per loan given or the cost per £1 loaned as a result of the direct mailing can be calculated. Equally, a business which is advertising on the Internet can measure the number of 'clicks' on an advert which take a potential customer from the advert to a website. Or the number of 'hits' on a website can be measured and the proportion which leads to a sale on the Internet can be calculated.

But the number of areas where there is such a clear link between marketing spending and sales is limited. Some businesses attempt to get around this problem by using sophisticated mathematical techniques which use correlation techniques to strip out the effect of changes in other variables. Targets for the effect on sales and profits of marketing spending can then be set. However, most businesses would not set such targets in their marketing plan because of the difficulty of getting accurate and reliable data.

Evaluating a marketing plan

A marketing plan should be evaluated at different stages.

At the start While it is being written, managers need to consider whether:

- it meets the objectives set in the marketing strategy and fits in with the corporate strategy of the business;
- the actions described in the marketing plan and their outcomes are realistic;
- the marketing department will be given a sufficiently large budget to carry out its plan.

In operation While the plan is operational, it should be monitored. A number of factors might lead to the plan failing.

- The external environment might become much harsher. For example, it may be difficult to increase sales in a recession.

- Other parts of the overall corporate plan might fail. For example, if the production department planned to increase output by 6 per cent a year, but only managed 2 per cent, then a planned 6 per cent increase in sales is unlikely to come about.
- There might be unforeseen cuts in the marketing budget.
- The original plan may have been too optimistic about the relation between changes to the marketing budget and changes in sales. For example, an expensive advertising campaign may not lead to the increase in sales hoped for. Equally, the marketing plan may have been too pessimistic. For example, the external environment may prove far more favourable than anticipated or an advertising campaign may work far more successfully than predicted.

When a marketing plan clearly is not on target while it is operational, managers should adjust the plan to take account of the new realities facing them. If they don't, they risk the plan becoming useless for operational purposes, as the predictions of the plan become more and more out of line with what is actually happening.

At the end The marketing plan should also be evaluated at the end of the plan. This evaluation should help those drawing up the next plan to see what has been successful and what has gone wrong with the existing plan. They can then build these insights into the new plan.

Co-ordinating the marketing plan with the other business functions

Marketing plans should not be written in isolation from the plans of other departments. In a large business, co-ordination is essential if plans are not to conflict with each other. For example, the marketing department might plan to set up an Internet site and require extra staff to run and develop the operation over the next three years. But the human resources department could be planning to reduce overall staff numbers in the business to achieve greater efficiency. These two plans may conflict. Therefore it is important that both departments agree on a plan which has the same effects.

Co-ordination in a large business is often difficult to achieve. Different departments have different and often conflicting agendas. It may need strong and charismatic leadership from the top of the organisation to get a whole business moving in the same direction. Planning can help achieve this unity of direction, but it is unlikely to be a business solution for problems of poor co-ordination.

Internal influences on marketing plans

There is a number of possible factors that may influence a marketing plan. These include both **internal** and **external** factors. Internal factors are those factors within the business that affect its marketing plans.

The marketing mix Of great importance will be an examination of the effectiveness of the marketing mix. This will include an analysis of each element of the marketing mix. For example, projections regarding the life span and future profitability of each of the firm's products may be carried out. It should also include an analysis of how well the elements of the marketing mix fit together, for example, the extent to which distribution channels are compatible with the promotions may be considered.

Finance Firms can set themselves ambitious marketing goals. However, unless finance is available to fund plans, such goals are unlikely to be achieved. Consequently, the availability of finance can act as an important constraint upon a business' capacity to realise its marketing plan. For example, the so-called 'credit crunch' experienced by many businesses in 2007-08 meant that for some businesses, most particularly those operating in the property market, the necessary finance to realise marketing plans was not available.

Operational issues There is a number of operational issues internal to a business that can impact upon marketing plans. Two important operational issues in this respect include a business' production processes and the people it employs. Any marketing plan must take into account whether the firm can produce the product. There is little point in planning to increase market share unless enough of the product can be produced to achieve this. A firm cannot plan to launch a new product if it cannot manufacture it. Similarly, a huge range of people will be involved in devising and implementing marketing plans. The objectives of these people will determine the targets set in the plan. Also, the skills and abilities of those people working for a firm will determine whether targets can be met.

External influences on marketing plans

There is also a range of external factors that can influence marketing plans. These are factors outside the business that affect its marketing plans. A major factor can be **competitor's actions**. The behaviour of rival businesses can be an important influence upon a business' marketing plan. For example, the entry into a market of an aggressive new competitor might mean that an existing business within that same market scales down its forecasts for sales growth. On the other hand a rival business exiting a market as a result, for example, of bankruptcy, might open up new opportunities for an existing business.

It is possible to analyse external influences using the PESTLE ANALYSIS. This includes the political, economic, social, technological and environmental factors which affect a business's performance.

- **Political.** This can include the effect of pressure groups or other political organisations. For example, ASH is a pressure group which aims to 'eliminate the harm caused by tobacco'. It might provides information on its website about the effects of smoking and lobbies government to introduce legislation to limit the effects of smoking.

- **Economic.** A wide range of economic factors may affect a business's marketing plans. A buoyant economy, for example, may lead to increased demand for products, higher incomes and the possibility of price increases. Growing unemployment may lead to a fall in future levels of demand. Marketing plans should also take into account the pricing, promotion, distribution and product policies of rival businesses.
- **Social.** Changes in society can have consequences for marketing planning. The decline of the so-called nuclear family and the changing role of women may influence how a business promotes its product. The ageing of the population may influence the types of products which are developed and the channels of distribution used to deliver products to customers.
- **Technological.** Changes in technology can affect marketing plans in a variety of ways. It may make it possible for businesses to manufacture products that were previously thought to be too costly. It may also lead to greater obsolescence and shorter product life cycles. New technological developments, such as interactive television and the Internet, may change the promotional methods that a business uses.
- **Legal factors.** There is an increasing amount of legislation and regulation that may affect the marketing plans of a business. It can vary from controls on the ingredients of products to restrictions on price changes of public utilities, such as water and gas. Much of the legislation affecting the UK comes from the European Union.
- **Environmental factors.** Environmental factors are playing an increasing role in the operation of businesses. Legislation on pollution and emissions might influence production. The expectations of consumers about packaging and ingredients might affect marketing. Pressure groups can affect decisions. Taking into account the effects of operations on the environment can increase business costs, but may also increase sales.

Marketing audits and SWOT analysis

Examining the external and the internal and external factors that affect the marketing of a business is part of a marketing audit as explained in the unit 'Understanding marketing objectives'. The marketing audit should identify the internal strengths (S) and weaknesses (W) of the business. It should also identify the external opportunities (O) and threats (T). SWOT ANALYSIS outlines these factors. Table 1 gives an example of a SWOT analysis for a soft drinks manufacturer.

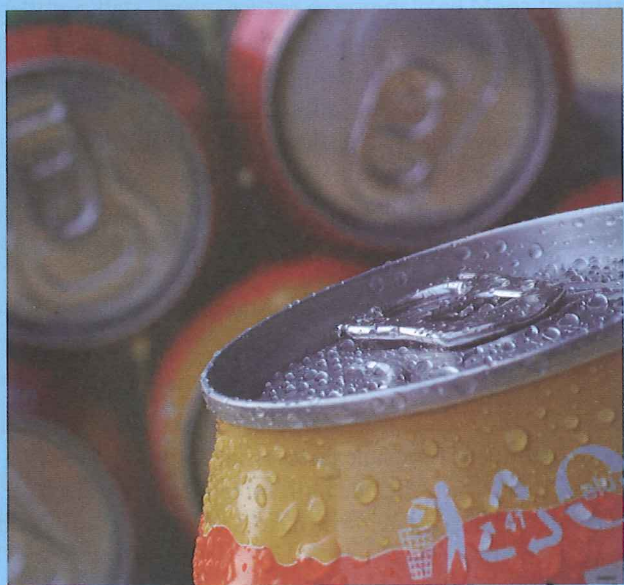
The advantages of marketing planning

There are advantages to a business of planning its marketing effectively.

- The process of drawing up a marketing plan forces a business to think about how it will act in the future. It can therefore be proactive in its marketing and not just

Table 1: SWOT analysis of a soft drinks manufacturer

STRENGTHS (the strong points of the business)
• Current products are market leaders in some countries in terms of sales and market share.
• Brand loyalty to products and to the corporate identity.
• Effective promotion.
• Flexibility in production methods.
• Excellent distribution network.
• Constant R&D leading to new ideas.
WEAKNESSES (the problems it has at present)
• Age of the life cycle of certain products.
• Restricted product range could cause problems if sales suddenly fall.
OPPORTUNITIES (that may arise in future)
• Expansion into newer markets such as sports drinks, low calorie drinks and drinks with new flavours.
• Expansion into new geographical areas such as Eastern Europe.
• Development of a global brand and possible global marketing.
• Possible growing demand for soft beverages.
• Legislation on drink driving may encourage growth of soft drink sales.
THREATS (that may arise and should be avoided/prevented if possible)
• Growing competition from supermarket own brands.
• Increasing competition from competitors bringing out new products.
• Competition from producers of alcoholic beverages and non-alcoholic beers and lagers.
• Legislation on ingredients could force changes in production.



reactive. The larger the business, the more likely it is that successful marketing will only come about through careful planning.

- Because a wide range of employees should be involved in drawing up the marketing plan in a large company, there is more chance that workers will be committed to ensuring that the goals of the company are achieved. It is a way of motivating and informing staff.
- A thorough planning process will mean that the marketing plan is co-ordinated with other plans in the business. Therefore all departments will be pulling in the same direction.
- Marketing plans are drawn up in the light of the objectives of a business. There is therefore more chance that these objectives will be achieved than if there were no plans.

Question 2.

Paul Rossington had just been appointed Marketing Manager of SBC plc, a firm which had forty years' experience of supplying a range of instrumentation and components to the aircraft industry. Paul had decided that his first act would be to involve a range of managers in drawing up a marketing plan. To this end, he called a meeting requesting the presence of all senior managers within the firm. At the meeting, he began with a short presentation outlining the advantages to SBC plc of marketing planning. He then invited comments from all those assembled. The sales manager chipped in with the first comment; 'It's about time we started advertising more heavily in trade journals and stopped turning out products with the wrong specifications'. The production manager came next; 'I don't know why you dragged me up here to this meeting. You concentrate on the marketing and I'll get on with the production side. So long as you keep me informed of developments we'll be happy down in production.'

Paul was beginning to feel uncomfortable, but it wasn't until the senior accountant's remark that he really felt worried about having accepted this new post. 'I suggest you go away and write this plan and then call another meeting when you're in a position to discuss it with us', she had said.

(a) What advantages of marketing planning would you have advised Paul to mention in his brief presentation?

(b) From the comments made at the meeting, explain any problems which you think SBC plc will have with marketing planning.

The problems of marketing planning

However, marketing planning can also have certain problems.

- Scarce resources, for examples in terms of management and employee time, are used up in creating a marketing plan. Those resources could have been used elsewhere. There is therefore an opportunity cost in drawing up a marketing plan.
- Too many marketing plans are poorly drawn up. They may fail to take account of the objectives of the business. They may be created by a few individuals who see them as 'paper-pushing' exercises. The marketing plan may be filed away and never used. Those creating the plan may include actions which the business could never do, or may be far too cautious in their approach. The marketing plan may not be co-ordinated with other plans in the business.

KEYTERMS

Marketing planning – the process by which marketing activities are identified and decided upon.

Marketing plan – a set of proposed marketing actions to be undertaken over a period of time which, if carried out, should enable the business to achieve its marketing objectives.

PESTLE analysis – an analysis of the external political, economic, social, technological, legal and environmental factors affecting a business.

SWOT analysis – analysis of the internal strengths and weaknesses of a business and its external opportunities and threats.

KNOWLEDGE

1. State four aspects of the marketing plan.
2. In a large company, who might be involved in writing a marketing plan?
3. What targets might be set within a marketing plan?
4. State three internal and three external factors that may affect a marketing plan.
5. State three benefits of marketing planning.
6. State three problems of marketing planning.