

MARKET ORIENTED STRATEGIC PLANNING



You know that this is the era of extreme competition. In order to compete and sustain, companies try to create solid customer base by providing satisfaction to them. Moreover, there are lots of changes taking place in the marketplace, and, smart and successful marketers continuously adapt to these changes. How they adapt to the changes? The answer lies in developing and putting in place the market oriented strategic planning.

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Lesson 1: Strategic Planning – Introductory Discussion

Objectives of this lesson

After reading this lesson, you will be able to:

- Define market oriented strategic planning
- Know when and under what circumstances this concept has emerged
- Identify areas where actions are taken in strategic planning, and,
- Draw conclusion on the strategic planning, implementation, and control process .

Introduction

A marketer must seek ways of maintaining balance between his objectives, skills and resources and the dynamic environment. Strategic planning helps him to achieve this. Knowledge of strategic planning, implementation and control is therefore necessary for a marketer to survive in the changing environment.



What is Market-Oriented Strategic Planning?

It is “the managerial process of developing and maintaining a viable fit between the organization’s objectives, skills, and resources and its changing market opportunities”.¹

Strategic planning aims at shaping and reshaping the company’s businesses and products so that they yield target profits and growth.

Strategic planning can also be described as a sequence of activities that leads to a grand design for business success. It basically sets corporate missions and objectives; analyzes performance of business units and identifies future opportunities; establishes a target “product” portfolio; and, develops strategies for each unit of business. The focus of this definition is on plan that integrates the activities of all departments within a firm. The idea is to rationalize the overall growth of business organizations rather than to rely on the proposals of individual departments and accidents of nature. Strategic planning is a formalized review process that can and should lead to higher profits and sales for the whole business organization.

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When and Under What Circumstance this Concept has Eemerged?

It emerged originally in the US in the 1970s. The reasons for the emergence of the concept are, among others, the energy crisis, double-digit

¹ . Philip Kotler, *Marketing Management: Analysis, Planning, Implementation, and Control, Ninth Edition, Prentice-Hall Inc, New Jersey, USA, 1997*

inflation, economic stagnation, Japanese competitive victories, and deregulation of key industries. All of the above had hit the US industry badly which gave impetus for the development of this concept. Companies realized during that period that they can rely no more on conventional planning to schedule production, and project sales and profit, rather it should be replaced by strategic planning to ensure the organization's existence in the face of odds.

Areas Where Actions are Taken in Strategic Planning

Three key areas receive attention in strategic planning.

Three key areas receive attention in strategic planning; i.e. actions are taken in these areas. They are discussed below.

In the beginning, it is acknowledged that, each of the business of the company is different, and as a result their profit potentials are different as well. Keeping this in mind management allocates resources to different business differently, based on the profit potential of the business in question.

Second, each business is assessed accurately by considering the market's growth rate and company's position and fit in that particular market by using both current and anticipated sales and profits.

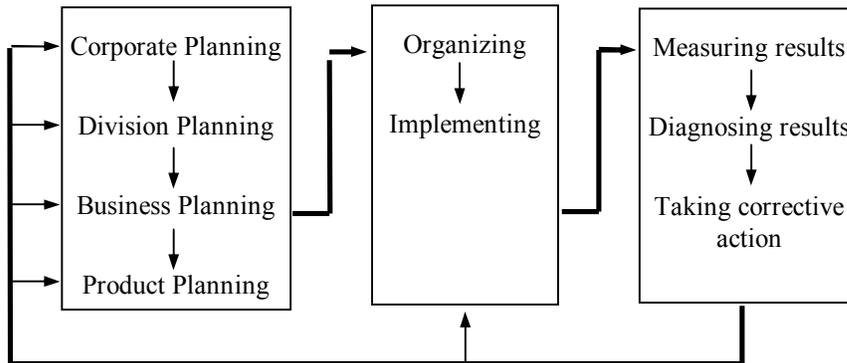
The final area receiving attention is formulation of strategy. If a company has more than one business, it must develop individual game plan for each of the businesses. The purpose of developing such a plan is to achieve the long-run objectives of the company. The game plans are prepared based on the company's position in the industry, its objectives, opportunities, skills, and resources. It implies that companies doing the same business may have separate game plans depending on the company's position, objectives, opportunities, skills, and resources.

In the strategic planning process, marketing plays the most vital role. If you want to understand marketing management in its true perspective, you must have clear comprehension on strategic planning. You should know that the top management at the headquarters basically prepares the corporate strategic plan. It takes into account the whole organizations, we mean all of the businesses are considered. The corporate strategic plan is prepared showing guidelines for each of the businesses so that the company as a whole can ensure a profitable future.

Again, if a company has number of divisions, each division prepares divisional strategic plan by showing resource allocation to the units of business under the division. Each business unit also prepares business unit strategic plan to make the unit a profitable one. At the last, marketing plan for each product level is prepared showing how sales will be achieved and profit will be made from each product class.

The strategic planning, implementation and control process can be shown in the following figure :

Figure - 2.1 : Strategic Planning, Implementation and Control Process



Source: Philip Kotler, Marketing Management: Analysis, Planning, Implementation, and Control, Ninth Edition, Prentice-Hall Inc, New Jersey, USA, 1997, p. 64

In this unit we will mainly interested to know:

1. About the ways of carrying out strategic planning both at corporate and division levels,
2. About the ways of carrying out strategic planning at the business unit level,
3. About the steps involved in the marketing process,
4. About the ways of carrying out strategic planning at the product level, and, finally,
5. About the nature and contents of a marketing plan.

Questions for Review

1. Strategic Planning sets –
 - a. Corporate Mission and Objectives
 - b. Establishes a target product portfolio
 - c. Develops strategies for each unit of business
 - d. All of the above.

2. Strategic Planning leads to higher profits and sales for –
 - a. A particular business of the organization
 - b. A particular product line
 - c. The whole business organization
 - d. None of the above.

3. Where the concept of Strategic Planning has been used first?
 - a. In the Western Europe
 - b. In the US
 - c. In the then West Germany
 - d. In Australia.

4. When the concept of Strategic Planning has emerged?
 - a. In early 20th century
 - b. In 1950s
 - c. After the First World War
 - d. In 1970s.

5. How many areas receive attention in Strategic Planning?
 - a. Three
 - b. Five
 - c. Seven
 - d. Six.

6. The Game Plan for each of the business is prepared based on –
 - a. Competitive action
 - b. Political and legal environmental forces
 - c. Technological developments
 - d. Company's position in the industry, its objectives, opportunities, skills, and resources.

7. Why market-oriented strategic planning is required? Discuss in detail the key areas that receive attention in strategic planning.

Answers



1. d, 2. c, 3. b, 4. d, 5. a, 6. d.

Lesson 2: Corporate and Division Strategic Planning

Objectives of this lesson

After reading this lesson, you will be able to:

- Understand the nature of Corporate and Division Strategic Planning
- Identify, define, and explain the planning activities undertaken by the corporate headquarters
- Know the elements that shape a company's mission
- Know the characteristics of a good mission statement
- Know the different competitive scopes within which companies operate
- Know how Strategic Business Units (SBUs) are established
- Know how resources are assigned to each SBUs
- Know how new businesses are planned.

Introduction

Companies may have to prepare both corporate and division strategic plans. Activities involved in preparing strategic plans are carried at both headquarters as well as in different departments. Mission of a company may influence the nature of its strategic plan. There are elements that shape the mission of a company. A company may have number of competitive scope. It has to decide which one or ones it will exploit. It should also establish the strategic business units and resources should be allocated properly to each of the strategic business units. A company may need to plan new businesses in the face of changing circumstances.



Corporate and Division Strategic Planning

By this time you know that the top management at the corporate headquarters is responsible for preparing the corporate strategic planning. So, the strategic planning process is being initiated by the corporate headquarters. The headquarter establishes the framework within which the divisions and business units prepare their plans. The framework is established by statements of mission, policy, strategy, and goals so prepared by the headquarters. Variations are found among organizations in latitude of action enjoyed by the business units with regards to preparing plans by them. In some organizations, profit goals and strategies are set by the units independently, i.e. they enjoy lot of freedom in these regards, where in other organizations, the corporate headquarters set goals and let the units develop their strategies to achieve goals. In other situation corporate headquarters set the goals for the business units and units' strategies are also prepared under close supervision of the

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headquarters.

Planning Activities Undertaken by the Corporate Headquarters:

To prepare corporate and divisional strategic planning, following activities are usually undertaken by the headquarters:

- Defining the corporate mission
- Establishing strategic business units or SBUs
- Assigning resources to each strategic business unit
- Planning new businesses, downsizing older businesses.

- **Defining the Corporate Mission**

The first step in the strategic process is to establish a comprehensive mission or purpose for the firm.

The first step in the strategic process is to establish a comprehensive mission or purpose for the firm. Top executives carry out this phase of planning where marketing personnel play the advisory role. Every firm, we know, operates to achieve goal (s). When a firm is just starting out, management's mission is often simply to produce and market a single product or service. As it grows larger and broadens its product line, however, the original image of the firm can become lost and diffused. Moreover, market conditions may change and introduction of new competitive products can make the initial purpose obsolete. When it happens, it is time to renew the search for a mission. Most organizations start with a limited purpose and expand it as they grow.

Elements that Shape a Company's Mission

There are five elements that shape a company's mission. They are:

- **History:** Mission, first of all is determined based on company's history or past records of aims, policies, and achievements, and companies usually do not deviate from their history to preserve images.
- **Current Preferences of the Owners and Management:** The intention and attitudes of management also shape a company's mission. If intention of management changes, it will have an impact on its(company) mission statement.
- **The Mmarket Environment:** Changes in the company's market environment will also influence its mission statement. Mission changes as the environment changes. If a company does not adapt itself with the changes it will run out of the market.
- **Resources:** To attain mission, a company needs resources such as man, money, machine etc. While stating mission, management takes into account the resources it has. For example, a tiny local company should not have a mission of becoming Asia's largest company in its field.
- **Distinctive Competences:** A company may be excellent in one or few

Stating mission, management should consider its resources.

areas of business, not in everything. It means that it can do certain things efficiently than others. Areas where the company does excellent job are its distinctive competences. A company's mission should be based on such competences, not on areas where it lacks such excellence. If mission is based on the above, it increases motivation of employees and thus increases efficiency and productivity.

Activity :

Find a hypothetical company and define its mission considering the five elements that shape a company's mission. Assume that a change has occurred in the market (customers' tastes have changed, for example). Modify the initial mission based on this change.



Characteristics of a Good Mission Statement

There are three major characteristics of a good mission statement. They are mentioned below:

- I. A limited number of goals are considered in good mission statements. For example, a good mission will not state “the company wants to produce lowest cost items, provide state-of-the-art service, distribute globally, and produce very high quality products.” Because, quite a number of goals are focused here which are very difficult, not impossible to attain. A good mission will rather focus on one or two i.e. a limited number of attainable goals.
- II. They emphasize on the major policies and values of the company. A company may follow different policies with regards to different aspects. It may have policies dealing with the creditors, debtors, shareholders, and so on. Policies help management to save lot of its valuable time in deciding on different issues by providing standard decisions.
- III. Companies operate within different competitive scopes, and good mission statements highlight on those. We shall now turn our attention on major competitive scopes :

A limited number of goals are considered in good mission statements.

Types of Major Competitive Scopes

- **Industry Scope** : A company may decide to operate in only one industry or in a number of industries. Yet there are other companies that may be willing to operate in any industry.
- **Products and Applications Scope** : It tells us about the range of products and applications that may be supplied by a company. For example, an optical items manufacturing company may decide to produce entire range of optical product and supply them worldwide.
- **Competence Scope** : It tells us basically the strengths of the company. A company may have strengths(competences) in areas using which it may produce couple of items efficiently. Microsoft

company of the US could be taken as an example producing computer software of entire range.

- **Market-Segment Scope** : A company may decide to operate in a selected customer type or market segment. The market-segment scope gives an idea about the segment/s a company is willing to serve. For example, Kohinoor Chemical Company Limited aims its cosmetics products at lower and lower middle class segments.
- **Vertical Scope** : It tells us about the number of channel levels in which a company participates regarding procurement of raw materials in distributing final products. This scope varies from company to company. In some instances, companies may have large vertical scope, i.e. integration of different levels of operation, and in other instances there may have no vertical integration.
- **Geographical Scope**: Shall a company operate within its national boundary or extend operation beyond the national boundary? The answer may be known by its geographic scope.

Mission statements, therefore, cannot be changed

A company's mission statement should take a long-term perspective. It should provide long-term direction to company's operation. Mission statements, therefore, cannot be changed frequently. Companies should be very much careful in defining missions, and should redefine them if required.

- **Establishing Strategic Business Units (SBUs)**

One of the important organizational expressions of the growing importance of strategy is the Strategic Business Unit (SBU). This term, first used at General Electric, refers to the organizational unit that is responsible for preparing the business plan. The SBU may or may not correspond to the divisions, groups, or other organizational units in the company. The criterion for the definition of an SBU is that it be a group of products and technologies that serves an identified market and competes with identified competitors - in other words, a business.

In some companies, SBUs are not part of the formal structure of the company but, rather, represent a process or system overlay for the purpose of developing a business strategy. The implementation of the strategy may be carried out by divisions or groups that are organized along more functional lines.

One of the problems with the SBU structure is that it does not, in itself, encourage cooperation between SBUs in addressing customers and countries.

Characteristics of an SBU

There are three characteristics of an SBU. They are:

- i. SBU is either a single business or collection of related business. The unit is such that it may be differentiated from the rest of the company and may be planned separately from other business of the company.

SBU is either a single business or collection of related

- ii. The SBU's competitors are not in competition with other business of the company i.e. it has a set of own competitors.
- iii. An SBU is taken care of by a manager. It is his responsibility to plan and operate the unit and to make it a profitable one.

- **Assigning Resources to Each SBU**

Companies identify SBUs so that appropriate strategies may be formulated and funds may be allocated appropriately. This can ensure generating sufficient revenues to the company thus guarantees its long-term existence. Now the question is how companies identify SBUs? Is it by just intuition? Or what? Usually management utilizes different analytical tools to identify SBUs. There are two business portfolio evaluation models worthy to name. They are Boston Consulting Group (BCG) Model and General Electric Model. Here in this text we shall discuss the BCG Model.

Figure 2.2 : Boston Consulting Group's Growth-Share Matrix Model

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Market share relative to largest competitor (log scale)

Business units can be evaluated by positioning them on a diagram that compares relative market shares with market growth rates. Figure above shows a portfolio matrix developed by Boston Consulting Group that illustrates this concept. The analysis is based on research indicating that profitability of a business unit is directly related to its market share. Also, sales growth has been known to allow firms to gain manufacturing

experience that leads to reduced costs and greater business unit profits.

Each circle in the figure represents a business unit in a firm's product portfolio. The size of the circle shows the sales being generated by each unit. The horizontal position of the circles shows their market share in relation to their competitors. A logarithmic scale is used for market share that goes from 1/10th the size of the competition to 10 times that of the largest competitor. Thus, business units located to the right of the value 1.0 are smaller than competition and those to the left are larger. The location of the circles on the vertical axis is linear, and the annual growth rate in the diagram varies from 0 to 22 percent. Higher growth rates are, of course, possible.

Portfolio matrices are usually divided into four separate quadrants for analysis purposes. The positions of the lines separating the sectors are arbitrary. In the figure, high growth rates would include all businesses expanding in excess of 10 percent a year. The line separating high market share from low market positions is set at 1.0. *BUSINESS UNITS IN EACH CORNER OF THE PORTFOLIO MATRIX HAVE SHARPLY DIFFERENT FINANCIAL REQUIREMENTS AND MARKETING NEEDS.*

We are now going to give you some idea about different types of business shown in the above growth-share matrix.

Products that fall into the star category have strong market positions and high rates of market growth.

- **Stars:** Products that fall into the star category have strong market positions and high rates of market growth. The primary objective with stars is to maintain their market positions and to increase their sales volume. Stars are the keys to the future at many firms because they provide growth, technological leadership, and enhanced respect in the business community. Although stars throw off a lot of cash, they tend to use more money than they generate from earnings and depreciation. To maintain their rates of growth, stars require extra cash for expanded plant and equipment, inventories, accounts receivable, and marketing programs. Thus stars are both blessing and curse because of the strain they put on the firm to constantly expand working capital.

One of the problems with stars is that their high growth rates attract competition. The entry of other firms can help expand a market, but eventually the market will become saturated and growth rates will decline.

Business units described as cash cows are low-growth, high-market share operations.

- **Cash Cows:** Business units described as cash cows are low-growth, high-market share operations. These products are apt to be in the mature stage of their life cycles and do not require extensive funds for production facilities or inventory buildup. Cash cows also have established market positions and do not need large advertising expenditures to maintain their market shares. As a result their high earnings and depreciation allowances generate cash surpluses that can be used to invest in other growing products, to support research and development, or to buy into new lines of trade. Cash cows thus provide basic foundation on which portfolio management of business

units depends.

- **Question Marks:** Businesses with low market shares in fast-growing markets are called *question mark* or *problem children*. These products have the potential to become the stars of the future or to fade into oblivion. Question marks have such small market shares that they usually absorb more cash than they generate. Thus, in the short run, question marks just eat money and when market growth slows down they become dogs.

Businesses with low market shares in fast-growing markets are called *question mark*.

The preferred approach with question marks is to increase their market shares and move them into the star category. However, this often takes a pile of cash, sophisticated marketing plans, and a good measure of luck. If the prospects for improving the market position of a business unit are not attractive, the firm must consider phasing the business out. One popular approach is to simply sell the business to a competitor. Another technique is to withdraw all promotional support and try to make a few amount of money as the product withers away.

- **Dogs:** Businesses that fall into the low-growth, low-market share quadrant are called dogs. These products are often in the decline phase of their life cycle and show little prospect for gaining market position or generating much cash. Even worse, dogs can become cash traps and absorb more money than they generate as firms try to revive a lost cause. The usual approach with dogs is to sell them when the opportunity presents itself or to de-emphasize marketing activities.

Strategic Considerations

The portfolio matrix gives the company an idea about the health of its businesses. If there are too many dogs or question marks or too few cash cows and stars, the company's portfolio can be called an imbalanced one. After getting the picture of the portfolio, the company should then decide on each SBU's objective, strategy, and budget, and with regards to this it can pursue one of the following strategies:

- **Building :** The building strategy is designed to improve market positions in spite of possible short-run damage to profitability. Building strategies are most appropriate when a firm wants to move question marks into the star category. A building approach can also be used to convert small stars into bigger stars. To ensure success, both of these building strategies require significant commitments of company resources.
- **Holding :** A holding strategy, on the otherhand, is a defensive strategy designed to preserve market positions. Holding is most commonly used to keep cash cows productive. Cash cows are often vulnerable to newer competitors, and marketing programs need to promote new versions and applications to maintain customer interest.
- **Harvesting :** Harvesting strategies are aimed at making as much money off a product as possible. The idea is to cut promotion and

A holding strategy is a defensive strategy designed to preserve market positions.

production costs to the bone and mine the product for its cash flow. This approach focuses on extracting cash from a project at the expense of the long-run survival of the business. Harvesting is a ruthless strategy that is best suited to weakening cash cows, dogs, and some question marks.

- **Divestment** : A strategy of divestment attempts to sell or liquidate businesses to generate cash so it can be better used in other areas. Divestment is employed on question marks and dogs that the firm cannot finance into better growth positions. Candidates for divestment include businesses that have little room for cost savings and those that just break-even or operate at a loss. Sometimes divestment can work to the advantage of both the seller and the buyer.

The market share/growth matrix implies a preference for high market growth and the need to maintain a cash balance within the firm. Neither the theoretical, nor the empirical work exists to conclusively support such a preference. Moreover, the feasibility of a strategy is dependent on more factors than simply share and market growth. You should appreciate that SBUs change their positions in the growth-share matrix with the elapse of time. Like a product, SBUs have life cycle starting with question marks, becoming stars, turning to cash cows and end up as dogs. That is why companies should examine future positions of their businesses side by side the current position analysis.

The feasibility of a strategy is dependent on more factors than simply share and market growth.

- **Planning New Business**

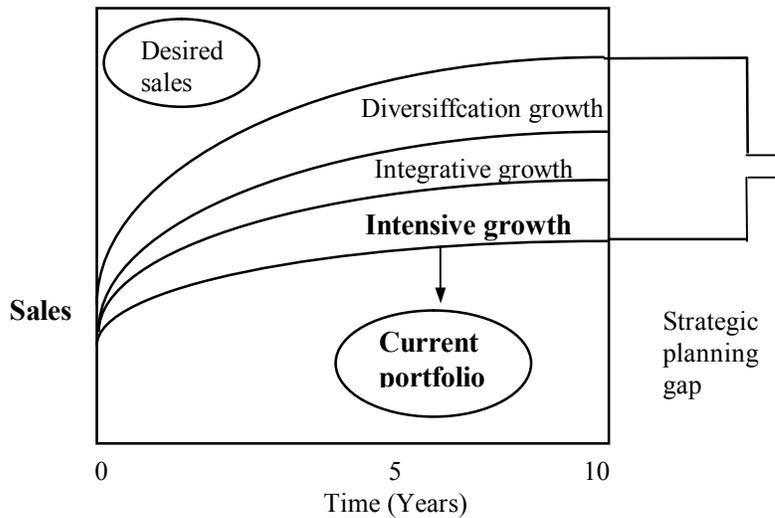
A company can project total sales and profits through plans for existing businesses. The projected sales sometimes are less than what management desires. Management usually develops or acquires new businesses to fill up such gap. This gap is usually arise out of the strategic planning gap between future desired sales and projected sales. We shall now concentrate on how companies fill the strategic planning gap.

How can a Company Fill the Strategic Planning Gap?

Strategic planning gap can be minimized by exploiting one of the three growth opportunities. They are:

- Intensive Growth Opportunities*** - Identifying opportunities to achieve further growth within the companies current businesses.
- Integrative Growth Opportunities*** - Identifying opportunities to build or acquire businesses that are related to the company's current businesses, and
- Diversification Growth Opportunities*** - Identifying opportunities to add attractive businesses that are unrelated to the companies current businesses.

Figure - 2.3 : Strategic Planning Gap



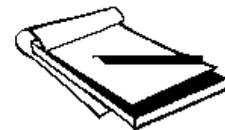
We shall now turn our attention on each of the growth opportunities mentioned above :

• **Intensive Growth Opportunities**

Intensive growth opportunities are those present in the current product market. Management should first try to identify whether there are any opportunities exist in the current product market activities of the company. That is it should find out whether the existing products can be improved to provide more satisfaction to the existing customers. Three opportunities can exist in the current product market. They are: market penetration; market development; and, product development.

Activity :

Find a local company and show how it may utilize intensive growth opportunities.



- **Market Penetration :** In a market penetration strategy, a company attempts to fill the needs of an existing market with its present products. This type of strategy may use a number of approaches. For example, marketing manager may wish to increase the number of users in the present markets. The manager may believe that there is a number of potential users in the market who still are not using the company's products. The manager may also wish to increase the rate of use of the product by both present and potential users. In addition, the manager also wants to prevent competitors from taking away present customers. With a market penetration strategy, the manager attempts to better serve a greater portion of a present market with existing products or services.
- **Market Development:** A market development strategy occurs when the marketing manager attempts to find new markets for the company's existing products or services. The manager hopes to find

new uses and/or new customers in new markets for products that have already been developed and marketed elsewhere. It is, of course, possible for any manager to employ a market penetration and a market development strategy at the same time since they involve the same products - only the markets are different. Johnson and Johnson has successfully adopted the market development strategy by offering its baby products to adult market.

A number of approaches may be used in product development.

- **Product Development :** A product development strategy exists when the manager attempts to develop new or improved products for customers in the company's present markets. A number of approaches may be used here also. For example, a product improvement may be used where a new product actually replaces an existing company product that is slipping in the market. The new product may be cheaper or better serve the customer or both. For example, a company may develop mini packs or family sized packs of its products in addition to regular sizes. At the other times, the manager may simply modify an existing product to make it more marketable. In still other instances, the product line may be expanded to offer more choice or a wider variety to existing customers. With this type of strategy, the manager wants to make a better impression in a present market through product changes and/or additions.

- **Integrative Growth Opportunities**

Integrative growth opportunities are those present in the other parts of the core marketing system. It makes sense for a company if the basic industry has a strong growth future and/or the company can increase its profitability, efficiency, or control by moving backward, forward, or horizontally within the industry. There could be three types of integration. They are backward, forward, and horizontal integration. Let us now have a look at each of them :

If a company seeks ownership or increased control of its supply system it is called backward integration.

- **Backward Integration :** If a company seeks ownership or increased control of its supply system it is called backward integration. A garment manufacturing company, for example, may exercise control over the suppliers of fabrics or own fabric manufacturing plants.
- **Forward Integration :** If a company seeks ownership or increased control of its distribution system, it can be termed as forward integration. The same company may own transport facilities to distribute its product or exert control over the physical distribution firms to integrate forward.
- **Horizontal Integration :** If a company seeks to own or exert control over some of its competitors, it can be called horizontal integration. The above mentioned garment manufacturer may buy few of its competitors thus integrate horizontally.

• **Diversification Growth**

Diversification growth opportunities are those present completely outside the core marketing system of the company. This type of growth opportunities makes sense for a company under the following situations:

- *If the core marketing system does not show much additional opportunity for growth or profit;*
- *If the opportunities outside of the present core marketing system are superior.*

A diversification strategy occurs when the marketing manager attempts to attract new groups of customers by moving into totally new markets with new products. This might involve taking a new product, which was developed for present markets to totally new markets. Or, it might involve developing new products for markets that the company did not previously serve. With this approach, the manager hopes to move into markets heretofore not served with new products.

There could be three broad types of diversification moves. They are:

- **Concentric Diversification** : If a company seeks to add new products in its product line (s) that have technological and/or marketing synergies with the existing product line/s it is named as concentric diversification. New classes of customers are usually attracted by these products.
- **Horizontal Diversification** : If a company seeks to add new products to its existing product line(s) that could appeal to its present customers it is termed as horizontal diversification. The added products are technologically unrelated to its present product line.
- **Conglomerate Diversification** : If a company plans to add new products into the existing product line (s) for new classes of customers it is called conglomerate diversification. The company takes such decision because this promises to offset some deficiency or represents a great environmental opportunity. The added products have no relationship to the company's current market, products, or technology.

Table - 2.1 : Major Classes of Growth Opportunities

Intensive growth	Integrative growth	Diversification growth
a. Market penetration	a. Backward integration	a. Concentric diversification
b. Market development	b. Forward integration	b. Horizontal diversification
c. Product development	b. Horizontal integration	c. Conglomerate diversification

Questions for Review

1. Strategic Planning process is initiated by –
 - a. Corporate headquarters
 - b. The concerned business units
 - c. Research and development department
 - d. None of the above.

2. Which of the following activities are undertaken by the headquarters in preparing corporate and divisional strategic planning?
 - a. Defining the corporate mission
 - b. Establishing strategic business units
 - c. Assigning resources to each strategic business units
 - d. All of the above.

3. How many elements shape a company's mission?
 - a. Seven
 - b. Five
 - c. Numerous
 - d. Three.

4. Which of the following is a characteristic of a good mission statement?
 - a. Considering a large number of goals
 - b. Emphasizing on minor policies and values
 - c. Considering a limited number of goals
 - d. Considering other companies' experiences.

5. Where or by whom the term SBU first used?
 - a. At General Electric
 - b. By the Boston Consulting Group
 - c. By Japanese entrepreneurs
 - d. At General Motors.

6. Which of the following is a characteristic of an SBU?
 - a. SBU is either a single business or collection of related business
 - b. The SBU's competitors are not in competition with other business of the company
 - c. An SBU is taken care of by a manager
 - d. All of the above.

7. Which of the following portfolio evaluation model is used to identify SBUs?
 - a. The Boston Consulting Group Model
 - b. General Electric Model
 - c. Both a & b
 - d. AIDA model.

8. Cash Cows –
 - a. Do not need extensive fund for production facilities
 - b. Do not need large advertising expenditures
 - c. Do not have established market positions
 - d. Both a & b.

9. Taking question marks to star category requires –
 - a. Minimum cash
 - b. Sophisticated marketing plan
 - c. Both a & b are correct
 - d. None is correct.

10. Intensive growth opportunity means –
 - a. Identifying opportunities in the current businesses
 - b. Identifying opportunities in the related businesses
 - c. Identifying opportunities in the unrelated businesses
 - d. Identifying opportunities in the competitors' businesses

11. If a company seeks to own some of its competitors, it is called –
 - a. Backward integration
 - b. Forward integration
 - c. Horizontal integration
 - d. Downward integration.

12. How would you define the corporate mission? Summarize the elements that shape a company's mission. What are the features of a sound mission statement?

13. How would you establish an SBU? Discuss the policies that you will have to pursue with regards to stars, cash cows, question marks, and dogs.

14. Explain the strategies you should follow in planning new businesses.

Answers

1. a, 2. d, 3. b, 4. c, 5. a, 6. d, 7. c, 8. d, 9. b, 10. a, 11. c



Lesson 3: Business Strategic Planning

Objectives of this lesson

After reading this lesson, you will be able to:

- Identify the steps involved in the Business Strategic Planning:
- Understand the nature of marketing opportunities and threats
- Analyze strengths and weaknesses of a company, and,
- Understand the nature of Management By Objectives (MBO)

Introduction



Strategic business planning involves few sequential stages, knowledge of that is required for a marketer. Organizations face opportunities as well as threats. Identifying and analyzing both threats and opportunities may help marketers in deciding in advance what it should do in future. A marketer also requires the knowledge of management by objectives. After the objectives are set, business units manage their operations by objectives which is commonly known as MBO (Management By Objectives).

Business Strategic Planning

After the corporate management strategic planning is done, management turns attention to individual business strategic planning. Business strategic planning is a process involving eight sequential steps :

There are eight sequential steps in business strategic planning.

- Business mission
- Opportunity and threat analysis
- Strengths and weaknesses analysis
- Goal formulation
- Strategy formulation
- Program formulation
- Implementation
- Feedback and control
- **Business Mission**

A company usually has a corporate or broader mission. In addition, each of the businesses of the company must set their specific mission. These must be set keeping in mind the corporate mission of the company.

- **Opportunity and threat analysis**

The next step in the business strategic planning process is opportunity and threat analysis. To achieve the goals of the business, manager must monitor environment. He needs to watch the growth rate of the market, his

own financial condition, existing and potential competitors, developments in technology, changes in the legal environment that may affect his business, and trends of distribution networks. That is, he is to monitor external micro and macro environmental actors and forces that may have potential impact on his business. This monitoring will help him to identify the opportunities for his business and threats there to. Let us now have some idea about the opportunities and threats :

- **The Concept of Marketing Opportunity:** It is important to distinguish between environmental opportunities and company opportunities. There are countless environmental opportunities available in any economy as long as there are unsatisfied needs. Currently there are great opportunities to develop new sources of energy, new food products, improved agricultural methods and so on. But, none of these necessarily represent opportunities for any specific company.
- **What is a Company Marketing Opportunity?** A company marketing opportunity can be defined as an arena of relevant marketing action in which a particular company is likely to enjoy different advantages. The key to a company marketing opportunity lies in the question of whether the specific company can bring more than its potential competitors to the said environmental opportunity. To get the answer to this question, following assumptions can be made :
 - *There are certain success requirements of each environmental opportunity.*
 - *Any company can do certain things better than its competitors which can be called its distinctive competences, and*
 - *If its distinctive competences match the success requirements of the environmental opportunity better than its potential competitors only than it enjoys a differential advantage.*

The Success Requirements are: To have good relations with suppliers; to have skill at mass production; to have a distribution capacity to store, show, and deliver to public; and, to have the confidence of buyers that the company is able to manufacture and serve a desirable product.

- **The Concept of Threat:** Changes in the environment can create threat same as they create opportunity. Philip Kotler defines an environmental threat as a challenge posed by an unfavorable trend or development that would lead, in the absence of defensive marketing action, to deterioration in sales or profit. As the environment changes, it calls for a creative adaptation or response on the part of the business. A company should continuously analyze threats in order to measure their seriousness and to adopt strategies to cope up with them.

Changes in the environment can create threat same as they create opportunity.

The Program of Threat Analysis Consists of Three Steps. They are:

- I. Identifying threats,
 - II. Appraising threats, and
 - III. Reacting to threats.
- i. Threat identification involves two steps viz. establishing a well designed program of general intelligence, and setting up mechanisms and incentives to encourage the upward flow of information.
 - ii. Appraising threats again involves two steps. They are:
 - Forecasting the character of threat, and
 - Estimating the rate of progress of the expected trend of development in technological, political, and cultural arena.
 - iii. Reacting to threats: There are quite a number of ways in which a company can react to threats. They could be:
 - If the company finds that the threat is fake or temporary, it should do nothing.
 - The company may decide not to react immediately, but watch carefully the environment.
 - Efforts may be taken to lower the costs or improve the product.
 - Through the legal and public relations actions the company may fight, restrain, or reverse the development taken in the environment.
 - Through contingency planning, shortened commitments, and increased liquidity, it may increase its flexibility.
 - Efforts may be taken to diversify the product or market, and
 - Measures may be taken to convert the threats into opportunities.

Strengths and Weaknesses Analysis

A company may identify quite a number of opportunities that exist in the environment. Identifying opportunities does not make sense for the company that lacks the power to exploit those. By periodic analysis of its strengths and weaknesses, a business can come to conclusion whether it can exploit the opportunities exist in the environment. By using a checklist for performing (shown on next page) strengths and weaknesses analysis, a business can evaluate its internal strengths and weaknesses. This evaluation is usually done in four dimensions. They are: marketing, finance, manufacturing, and organization. Based on the analysis using the checklist, a business identifies its major strengths and weaknesses alongwith strengths and weaknesses of other degrees. It then decides, which strengths may be utilized and which weaknesses to be corrected.

Checklist for performing strengths/weaknesses analysis								
	Performance					Importance		
	Major strength	Minor strength	Neutral	Minor weakness	Major weakness	High	Medium	Low
MARKETING								
1. Company reputation	—	—	—	—	—	—	—	—
2. Market share	—	—	—	—	—	—	—	—
3. Product quality	—	—	—	—	—	—	—	—
4. Service quality	—	—	—	—	—	—	—	—
5. Pricing effectiveness	—	—	—	—	—	—	—	—
6. Distribution effectiveness	—	—	—	—	—	—	—	—
7. Promotion effectiveness	—	—	—	—	—	—	—	—
8. Sales force effectiveness	—	—	—	—	—	—	—	—
9. Innovation effectiveness	—	—	—	—	—	—	—	—
10. Geographical coverage	—	—	—	—	—	—	—	—
FINANCE								
11. Cost/ availability of capital	—	—	—	—	—	—	—	—
12. Cash flow	—	—	—	—	—	—	—	—
13. Financial stability	—	—	—	—	—	—	—	—
MANUFACTURING								
14. Facilities	—	—	—	—	—	—	—	—
15. Economies of scale	—	—	—	—	—	—	—	—
16. Capacity	—	—	—	—	—	—	—	—
17. Able dedicated work force	—	—	—	—	—	—	—	—
18. Ability to produce on time	—	—	—	—	—	—	—	—
19. Technical manufacturing skill	—	—	—	—	—	—	—	—
ORGANIZATION								
20. Visionary capable leadership	—	—	—	—	—	—	—	—
21. Dedicated employees	—	—	—	—	—	—	—	—
22. Entrepreneurial orientation	—	—	—	—	—	—	—	—
23. Flexible/ responsive	—	—	—	—	—	—	—	—

Source : Philip Kotler, Marketing Management: Analysis, Planning, Implementation, and Control, Ninth Edition, 1997, Prentice-Hall Inc. New Jersey, U.S.A.

Goal Formulation

SWOT analysis is the basis of goal formulation. SWOT analysis consists of strengths, weaknesses, opportunities, and threats analysis. Developing specific goals of the business unit for the planning period is called goal formulation. While formulating goals, management must be specific with respect to time of achieving the objectives and their magnitude. You will find that most businesses pursue more than one objective simultaneously. After the objectives are set, business units manage their operation by objectives which is commonly known as MBO (Management By Objectives).

Criteria that Must be Met by the Various Objectives for an MBO System to Work

Business unit's various objectives must meet four criteria for an MBO system to work smoothly. They are:

Objective must be arranged hierarchically, from the most of the least important

- Where there are more than one objective (usually there are always more than one) they should be arranged in order of their importance. The most important one should be at the top of the list followed by the next important one and so on.

Objective should be stated quantitatively whenever possible.

- Quantitative statement of the objectives is the second criterion for an MBO system to work. For example, the objective "capture more market" can be expressed quantitative as "Cover 70% of the market share by this financial year".

Goals should be demanding but must be attainable.

- Goals should be demanding but must be attainable. For example, a real estate company may set a goal to build houses on moon. This goal is not realistic at this moment though it may become feasible in the years to come.

The company objectives must be consistent.

- There should have consistency between the goals of the company. For example, goals of maximizing both sales and profits simultaneously are not possible, and hence they are inconsistent.

Formulation

Strategy therefore is a game plan to reach the goal.

After the goals are set there must be ways to be find out to achieve them. By formulating strategies, management shows ways of achieving goals. Strategy therefore is a game plan to reach the goal. Though there are quite a **number of strategies** that management may pursue, they can be grouped as three broad types as identified by Michael Porter. They are:

- overall cost leadership
- differentiation, and
- focus.

Let us now have our attention turn on to them :

- **Overall Cost Leadership** : The purpose of this strategy is to win competition by lowering production and distribution costs. If these costs can be reduced, the firm can lower the sales price of its products

and thus capture a portion of the market being occupied by its competitors. To ensure cost reduction, a firm must have certain strengths. That is it must be very good in purchasing, manufacturing, and physical distribution.

- **Differentiation** : Customers of a particular product may look for a number of benefits in the product. But not all benefits are equally important to them. Out of the benefits, they may look for a particular one eagerly. If a business wants to pursue differentiation strategy, it must find out the important benefit first and then try to provide that in a superior way than its competitors. If it is successful in this, we can call this business pursuing the differentiation strategy. That is the business ensures that most of the customers identify its product as different than its competitors products and act accordingly.

Customers may eagerly look for a particular benefits.

Activity :

In the light of Bangladesh, show how a toothpaste manufacturer may exploit the differentiation strategy.



- **Focus** : You know that the total market of a particular product is heterogeneous and hence market is divided into different parts or segments. A firm pursuing focus strategy identifies one or few segments and undertakes activities to satisfy the needs of these segments in a way better than its competitors do. That is, it focuses all its attention to a small part of the market instead of the large market.

Program Formulation

After the strategies are formulated, management seeks to find ways to apply them. By formulating supporting programs and use of those the strategies may be applied. For example, if a business decides to attain cost leadership, it must plan programs to reduce procurement, production, distribution, and promotion costs. When formulating programs, management must keep in mind the costs involved in implementing the programs. The costs of the programs must be compared with the results that may be achieved after the programs are implemented.

Implementation

Implementation of strategies and programs are very important in the sense that strategy and program can not provide any result unless they are implemented in their proper perspective. For such an implementation, few things are required. **First**, company's employees should share a common style with regards to thinking and behavior. **Second**, able people must be hired, given appropriate training, and be assigned the right jobs. **Third**, to carry out the strategy, company people must possess the required skills. And, **finally**, everybody in the company should hold the same values. If these four things are present, a business may expect its strategies to be implemented to their proper perspectives.

Feedback and Control

The final step in the business strategic planning is feedback and control. It is necessary for a business to track the results and monitor developments in the environments as soon as it implements the strategy. Environments vary in their nature. Some change very frequently, other remain fairly stable, while another may change slowly leaving room for the business to cope up. To survive in the face of present day extreme competition a firm must monitor continuously the changes taking place in the environment and should take measures to adapt with them. As the environment changes, the firm must make change in its objectives, strategies, programs, and implementation. Making such changes is a continuous affair as the environment changes continuously. A business can be called successful if it can monitor changes and adapt its strategies to respond to a changed environment. This can be ensured through continuous feedback and exerting control.

Questions for Review

1. Business Strategic Planning involves –
 - a. Eight steps
 - b. Five steps
 - c. One step
 - d. None of the above.
2. The success requirements are –
 - a. To have good relations with suppliers
 - b. To have skill at mass production
 - c. To have a great distribution capacity
 - d. All of the above.
3. An environmental threat is a challenge posed by –
 - a. Internal public
 - b. Higher management
 - c. An unfavorable trend or development in the environment
 - d. Both a & b.
4. The program of threat analysis consists of –
 - a. Identifying threat
 - b. Appraising threats
 - c. Reacting to threats
 - d. All of the above.
5. Internal strengths and weaknesses can be evaluated in –
 - a. Two dimensions
 - b. Four dimensions
 - c. In seven dimensions
 - d. Both a & c.
6. SWOT stands for –
 - a. Specific weaknesses of trade
 - b. Strategic weapon of technology
 - c. South west organization for trade
 - d. Strengths, weaknesses, opportunities, and threats.
7. MBO stands for –
 - a. Management by objective
 - b. Master of ophthalmology
 - c. Management by order
 - b. None of the above.
8. Discuss in detail the steps involved in business strategic planning.

Answers

1. a, 2. d, 3. c, 4. d, 5. b, 6. d, 7. a,



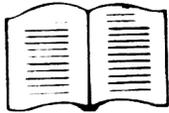
Lesson 4: The Marketing Process

Objectives of this lesson

After reading this lesson, you will be able to:

- Understand the relationship between the marketing process and business
- Understand the two views of the value delivery process
- Define the marketing process
- Know in detail about the steps of the marketing process, and,
- Understand the concept and elements of the marketing mix.

Introduction



To understand the marketing process you should first understand business. The marketing process involves planning at three levels, viz. corporate, division, and business. Business can be defined as the tasks of delivering value to the market. The delivery is done in such a way that ensures profit for the organization.

Two Views of the Value Delivery Process

- The traditional view
- The modern or new view

The Traditional View

This view regarding the delivery of value to the market may be compared to the product concept. It assumes that company is in a better position to decide what market needs and can sell enough to warrant reasonable profits for the company. The role of marketing here is considered secondary. This view may be applicable to economies where there are shortages of products. In an economy of abundance where there are plenty of choices available to customers, this view cannot be applied at all. This necessitated the emergence of the modern view of the value delivery process.

The Modern View

This view may be compared with the marketing concept. Here marketing is placed at the beginning of the planning process. Companies following this view consider themselves involved in the process of value creation and delivery. They do not emphasize on making and selling of products. This process of creation and delivery of value consists of three parts. They are: choosing the value; providing the value; and, communicating the value and can be discussed in the following sections :

- **Choosing the Value:** This part relates to the groundwork. This part is done before the actual product is developed. Here the marketer basically does the works of segmenting the total heterogeneous market into different homogenous parts, targets one or few of these parts/segments, and, finally position the value of its offer.
- **Providing the Value:** After the value has been chosen, the business unit must prepare itself to provide that value. Here a marketer must undertake a number of activities. They are: development of the specification of the tangible product, specifying services to be provided with the product, setting target prices, making the product, and distributing it. These activities are parts of tactical marketing, where activities undertaken at the first step are parts of strategic marketing.
- **Communicating the Value:** The final part of the modern view of value delivery process is communicating it to the target market. A company may communicate to the target market through a number of ways. *First*, it can use sales force to convey the message to the market. *Seconds* it may undertake different sales promotional activities to get its message through. *Third*, it may advertise through different media to reach the market. In most of the cases, companies rely on these three tools simultaneously.

Marketing managers at any level follow a marketing process to carry out their responsibilities. Let us now define this process first, and thereafter discuss the steps involved in this process.

The Marketing Process

The marketing process consists of analyzing marketing opportunities, developing marketing strategies, planning marketing programs, and managing the marketing effort. If we analyze this definition, we get few elements of this process. They are: analyzing marketing opportunities; developing marketing strategies; planning marketing programs; and, managing the marketing effort.

Steps of the Marketing Process

Analyzing Market Opportunities

To start the process, the first task that the marketing manager needs to perform is analyzing the long-run opportunities in the current market. Such opportunities are found to improve the unit's performance in the current market. Analyzing marketing opportunities requires consideration of number of things. Let us now have a look at them. To begin with, the firm must operate a reliable Marketing Information System or MIS. Marketing Information System can nicely use marketing research as an effective tool. It may provide the company with the information regarding needs, wants, desires, buying habits, sizes, and locations of the market, based on which it may identify its opportunities. The company may also use its internal accounting system providing information on current sales.

Marketing managers at any level follow a marketing process to carry out their responsibilities.

Marketing Information System can nicely use marketing research as an effective tool.

To substantiate, executives in the sales department may also gather information on different types of customers, competitors, and channel members. Information thus gathered, now may be evaluated using different statistical tools to gain idea on forces affecting sales.

The forces that may affect sales and profits of a company could be suppliers, marketing intermediaries, customers, competitors, demographic characteristics, economic environment, physical environment, technological environment, political/legal environment, and socio-cultural environmental conditions. A company must have up-to-date information on the above while analyzing its marketing opportunities. In addition, it may need to know the nature and characteristics of consumer and business markets. Information on how many household are planning to buy the kind of product the company is marketing?, who buy and why do they buy?, what are they looking for in terms of features and prices? from where they buy? how do they rate different brands?, who influence in the decision making?, and the whole buying decision process. To analyze opportunities, a company simultaneously monitors its competitors' actions. It should also decide how to react to the competitors' moves. It should also anticipate how its competitors might react if it takes any move. A company can select its target market after it completes analyzing its marketing opportunities.

- **Developing Marketing Strategies**

After deciding on the target market, the next step in the marketing process is to develop strategy to reach the target market. The company may develop a strategy of service the up market with a superior product of high price available on in selected stores and advertised through cable television. Or, the company may decide to offer a low-quality, low-price item, available in most stores, advertised through radio aimed at mass market. Once decision on the strategy is taken, the company then moves to the activities of product development, testing, and finally launching the product. As a product moves through different stages of its life cycle, the company needs to bring changes in its strategy in order to be successful. Changes in the strategy also are dependent on the position of the company in the marketplace as well as the changes take place in the total environment creating challenges and opportunities.

- **Planning Marketing Programs**

Strategies must be converted into programs in order to bring result for the company. In planning programs, decisions on marketing expenditures, marketing mix, and marketing allocation are must. Decision on expenditure is taken on the basis of fund required to achieve the marketing objectives. The decision on expenditure may be based on percentage of past or anticipated sales, or it may also be based on competitors expenditure or the ability of the company.

Decision on expenditure is taken on the basis of fund required to achieve the marketing objectives.

After the decision on expenditure is taken, the marketing manager needs to allocate the total budget on different marketing mix elements. The marketing mix is the specific collection of actions employed by an

organization to stimulate acceptance of its ideas, products or services. The basic functions included in the mix are product development, packaging, pricing, promotion, advertising, selection of channels of distribution, physical handling, and personal selling. These functions may be grouped under four Ps: product, price, place, and promotion. To make the fund allocation on different elements of the mix, marketing managers take into account the Sales-Response Function, i.e. they try to find how sales are affected as the allocation changes.

Organizations must not only select an appropriate marketing mix for their goods and services, but they must coordinate the various elements of the mix so that they function as an effective marketing program. Let us have a short discussion on each of the elements :

- **Product:** Product development involves detecting and responding to the wants and needs of customers and is essential to the survival of any organization. Systems must be organized that will efficiently develop, screen, and evaluate new ideas. Services to be provided with the product such as after sales service, installation etc. must also be decided.
- **Price:** Decisions also have to be made on what to charge for goods and services to generate desired level of sales. Prices to be charged from different market intermediaries must also be fixed. In addition, decision on discounts, allowances, and credit terms must also be taken.

Prices to be charged from different market intermediaries must also be fixed.

Figure 2.4 : The Four Ps of the Marketing Mix



Source: Philip Kotler, Marketing Management: Analysis, Planning, Implementation, and Control, Prentice-Hall Inc. New Jersey, USA, 1997.

- **Promotion:** Promotions are basic competitive tools, and organizations have to decide how much to spend on each activity and where to spend it. They are activities through which organizations communicate their target markets. Marketing executives not only must choose among newspaper, radio, television, and magazine media, but they must determine budgets for displays, contests, and other promotional activities. Personal selling is required for many products, and marketing managers have the job of hiring, training, and deploying the right number of salespeople to meet the needs of potential buyers.
- **Place:** It includes the various activities the firm undertakes to make the product accessible and available to target customers. Managers have the tasks of organizing brokers, wholesalers, and retailers into channels of distribution so that merchandise and services will be available at the point of final consumption. In addition, the optimum number and location of distribution facilities must be determined so that products and services can be moved quickly to customers at the lowest possible cost.

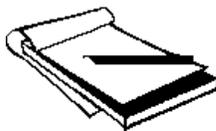
Managing the marketing effort

The last step of the marketing process is arranging resources necessary to carry out the marketing plan and putting the plan in action as well as exerting control if necessary.

For implementation of the marketing plan, the firm needs to build a marketing organization. This type of organization consists of number of specialists responsible for carrying out activities as marketing research, advertising, product development, customer service and so on.

Such an organization calls for setting up a department called marketing department headed up by a Vice-President/Director/GM or so. He usually performs three types of tasks. **First**, he coordinates activities performed by different personnel in the marketing department. **Second**, he must closely work with other key personnel charged with other responsibilities, such as personnel, finance etc. **Third**, he must perform number of operative and technical functions as selecting, training, directing, motivating, and evaluating personnel of his department for better performance by each of them.

When the plan is implemented, management must make sure that everything is going fine. He can ensure this by way of receiving feedback and taking corrective action if necessary, i.e. controlling.



Activity :

Take a convenience good and show how would you blend the marketing mix elements for optimal result.

Questions for Review

1. The traditional view of the value delivery process may be compared with –
 - a. The production concept
 - b. The product concept
 - c. Ecological concept
 - d. Selling concept.

2. In the modern view of the value delivery process, emphasis is placed on –
 - a. Choosing, providing, and communicating the value
 - b. Making and selling of products
 - c. Production precision
 - d. Both b & c.

3. Which of the following is a part of the marketing process?
 - a. Analyzing marketing opportunities
 - b. Developing marketing strategies
 - c. Planning marketing programs
 - d. All of the above.

4. Marketing process starts with –
 - a. Identifying and appraising threats
 - b. Conducting marketing research
 - c. Analyzing the long-run opportunities in the current market
 - d. Both a & c.

5. Which decisions are to be taken in planning marketing programs?
 - a. Decision on marketing expenditures,
 - b. Decision on marketing expenditures, mix, and allocation
 - c. Decision on marketing expenditures and margins
 - d. Both a & c.

6. Decision on place make the product –
 - a. Accessible and available to target customers
 - b. Accessible to target customers
 - c. Available to target customers
 - d. Facilitates distribution.

7. What is the difference between the two views of value delivery process? Which process would you follow for the effectiveness of marketing management of a firm?

Answers

1. b, 2. a, 3. d, 4. c, 5. b, 6. a.



Lesson 5: Product Planning : The Nature and Contents of a Marketing Plan.

Objectives of this lesson

After reading this lesson, you will be able to:

- Understand why a marketing plan is needed for a company
- Define a marketing plan
- Define the marketing process
- Know the contents of a marketing plan, and,
- Understand how a marketing plan is prepared

Introduction

Undertaking actions based on marketing plan can place a company better than its competitors. Preparing the plan requires few sequential steps, which should be followed for a better plan to follow. Marketing plan should contain among others, an executive summary, statement of the current marketing situation, analysis of the opportunities and issues, objectives of the firm, marketing strategy to be pursued, action programs to be taken, projected Profit-and-loss statement and the control measures to be taken.

Marketing Planning and Marketing Plan Contrasted

One of the most important outputs of the marketing process is marketing plan, and, each business unit must develop a marketing plan. Development of such plan is necessary for the achievement of goals. But what we mean by marketing planning and marketing plan? Marketing planning involves the selection of a marketing strategy and the tactics to implement it in order to reach a defined set of goals². It focuses upon shorter-term, often one year. In addition, it tends to detail line by line expense budgets and tactical approaches. It also involves an assessment of where the company stands in the marketplace; a determination of where the company wants to be in the future; the creation of marketing actions designed to achieve that future desired position; and, a provision of determining how the effectiveness of those actions will be evaluated at the end of the operating period. The marketing plan is the end result of the planning process.

² Robert E. Witt and Mark I. Alpert, *Marketing Management: Concepts, Practice and Cases*, Business Publications, Inc., Plano, Texas, USA, 1983

Contents of a Marketing Plan : A marketing plan contains eight parts. The parts may be seen in the following table :

Table (2. 2) Contents of a Marketing Plan

I. Executive summary and table of contents	Presents a brief overview of the proposed plan
II. Current marketing situation	Presents relevant background data on the market product, competition, distribution, and macro environment
III. Opportunity and issue analysis	Identifies the main opportunities/threats, strengths/weaknesses, and issues facing the product line
IV. Objectives	Defines the plan's financial and marketing goals in terms of sales volume, market share and profit
V. Marketing strategy	Presents the broad marketing approach that will be used to achieve the plan's objectives
VI. Action programs	Presents the special programs designed to achieve the business objectives
VII. Projected profit-and-loss statement	Forecasts the plan's expected financial outcomes
VIII. Controls	Indicates how the plan will be monitored

Source: Philip Kotler, Marketing Management: Analysis, Planning, Implementation, and Control, Prentice-Hall Inc. New Jersey, USA, 1997.

Activity :

Select a product line of a toiletry manufacturer and prepare the marketing plan for the said product line.



Let us now look at each of them in brief in the following sections :

- **Executive Summary and Table of Contents:** Executive summary is prepared based on the total plan. It is aimed at presenting all of the important aspects of the plan in nutshell. The marketing plan usually starts with such a summary of a couple of pages highlighting the major goals as well as recommendations. Such a summary saves valuable time of the top management. They can have a brief idea of the plan at a glance.
- **Current Marketing Situation:** This part basically deals with market, product, competition, distribution, and macro environmental forces. In the market situation analysis, different aspects of market are considered. The size of the existing market, potential growth rate,

distribution of market according to different areas, and needs, wants, and behavioral patterns of the market are highlighted in this section. In the product situation part, sales, margin, prices etc. of products of different lines are narrated. In competitive situation analysis, actions of different competitors, their offers, market sizes, product qualities, and strategies are discussed. The distribution situation analysis part deals with different aspects of available distribution channels such as their sizes, importance etc. The macro environment situation part deals with the trends of major forces of the macro environment such as demographic, economic, socio-cultural, political/legal, and technological forces.

- **Opportunity and Issue Analysis:** When the market situation analysis is completed, the planner moves to opportunity and issue analysis. Here, he identifies major opportunities/threats, strengths/weaknesses, and the issues that are related to the product of the company.
- **Objectives:** After the opportunities/threats, strengths/weaknesses, and the issues that are identified, the product manager has to decide on the objective/s he wants to achieve. He needs to set both financial and marketing objectives. For example, the financial objective of a company could be to produce a cash flow of Tk. 5 crore in the year 2000. The marketing objective on the otherhand could be gaining 30% market coverage. While setting the marketing objective the manager must keep in mind the financial objective. That is it should be consistent with the financial objective.
- **Marketing Strategy:** To achieve the objectives set before, the product manager must develop strategies because objectives can be achieved pursuing certain strategies. Marketing strategies may be presented in a list form consisting of target market, positioning, product line, price, distribution outlets, sales force, service, advertising, sales promotion, research and development, and marketing research. Decisions on each of the above should be taken to come up with sound marketing strategy.
- **Action Programs:** The objectives may be attained through undertaking number of action programs. Action programs tell in detail how parts of the marketing strategy be implemented, when, how, and by whom.
- **Projected Profit-and-Loss Statement:** On the basis of the action plans, product manager may prepare budget to support his activities. This type of budget has both revenue and expenditure sides. The revenue side shows the anticipated sales, and, the expenditure side shows different expenses. The projected profit may be ascertained by finding the difference between revenue and expense sides. If the revenue exceeds expenses, the firm anticipates profit, and, if expense side exceeds revenue side, the firm anticipates a loss. Higher management may decide to modify the plan looking at the projected profit-and-loss statement.

- **Controls:** Control is a pre-requisite for any plan to be successful. Management must monitor continuously the progress of the plan to make sure that everything is going in order. Periodical monitoring helps management identify loopholes of the plan and take corrective measures so that the goals are achieved. Moreover, control section in a marketing plan sometimes includes contingency plan. Such a plan outlines what management should do if any adverse situation arises.

Questions for Review

1. Marketing planning involves –
 - a. Focusing upon short-term goals
 - b. Determination of company's competitive position
 - c. The selection of a marketing strategy and the tactics
 - d. Both a & b.
2. Which of the following is not a part of the marketing plan?
 - a. Current marketing situation
 - b. Action programs
 - c. Projected profit and loss statement
 - d. None of the above.
3. Opportunity and issue analysis identifies –
 - a. Main opportunities/threats, strengths/weaknesses, and issues facing the product line
 - b. Opportunities and issues
 - c. Threats and issues
 - d. Both b & c.
4. The size of the existing market is described in which part of the marketing plan ?
 - a. Objectives
 - b. Current marketing situation
 - c. Action programs
 - d. Opportunity and issue analysis.
5. Which of the following is considered in formulating a marketing strategy?
 - a. Target market
 - b. Distribution outlets
 - c. Marketing research.
 - d. All of the above.
6. Distinguish between the marketing planning and the marketing plan.
How would you proceed preparing a marketing plan?



Answers

1. c, 2. d, 3. a, 4. b, 5. d.