

STEP 1

PLANNING THE DEVELOPMENT OF A MARKETING PLAN

A good marketing plan needs a great deal of information gathered from many sources. It is used to develop marketing strategy and tactics to reach a specific set of objectives and goals. The process is not necessarily difficult, but it does require organization. This is especially true if you are not developing this plan by yourself and are depending on others to assist you or to accomplish parts of the plan. This is frequently the case both in the classroom and in the business world. Therefore, it is important before you start to “plan for planning.” The time spent will pay dividends later. You will get back more than the time you invest up front.

To prepare for planning, you must look first at the total job you are going to do and then organize the work so that everything is done in an efficient manner and nothing is left out. If you do this correctly, every element of your plan will come together in a timely fashion. This means that you won’t be completing any task too early and then waiting for some other task to be finished before you can continue. It also means that no member of your planning team will be overworked or underworked. To accomplish this, you must consider the structure of the marketing plan and all of its elements. Next you must organize your major planning tasks by using a marketing plan action-development schedule. This will give an overview of the entire marketing planning process, including who is going to do what and when each task is scheduled for completion. Managing the process is also important. You’ll find some help with that in Appendix D, How to Lead a Team.

THE STRUCTURE OF THE MARKETING PLAN

Every marketing plan should have a planned structure or outline before you start. This ensures that no important information is left out and that everything is presented in a logical manner. One outline I recommend is shown in the marketing plan outline in Figure 1-1. However, there are other ways to organize a marketing plan that are at least as good. You may be required to use a specific outline. Or you may be able to use any outline you’d like. What outline you use is unimportant at this point. What is important is that your plan be presented in a logical way with nothing omitted. So, whether you are given a specific outline to follow or are allowed to develop your own, keep these two goals in mind.

Let’s examine each section of this marketing plan structure in Figure 1-1 in more detail. You will find many sections common to all marketing plans.

TABLE OF CONTENTS

Executive Summary (overview of entire plan, including a description of the product or service, the differential advantage, the required investment, and anticipated sales and profits).

- I. Introduction
 - What is the product or service? Describe it in detail and explain how it fits into the market.
- II. Situational Analysis
 - A. The Situational Environs
 - 1. Demand and demand trends. (What is the forecast demand for the product: Is it growing or declining? Who is the decision maker? The purchase agent? How, when, where, what, and why do they buy?)
 - 2. Social and cultural factors.
 - 3. Demographics.
 - 4. Economic and business conditions for this product at this time and in the geographical area selected.
 - 5. State of technology for this class of product. Is it high-tech state-of-the-art? Are newer products succeeding older ones frequently (short life cycle)? In short, how is technology affecting this product or service?
 - 6. Politics. Are politics (current or otherwise) in any way affecting the situation for marketing this product?
 - 7. Laws and regulations. (What laws or regulations are applicable here?)
 - B. The Neutral Environs
 - 1. Financial environment. (How does the availability or unavailability of funds affect the situation?)
 - 2. Government environment. (Is current legislative action in state, federal, or local government likely to affect marketing of this product or service?)
 - 3. Media environment. (What's happening in the media? Does current publicity favor this project?)
 - 4. Special interest environment. (Aside from direct competitors, are any influential groups likely to affect your plans?)
 - C. The Competitor Environs
 - 1. Describe your main competitors, their products, plans, experience, know-how, financial, human, and capital resources, suppliers, and strategy. Do they enjoy favor with their customers? If so, why? What marketing channels do the competitors use? What are their strengths and weaknesses?
 - D. The Company Environs
 - 1. Describe your products, experience, know-how, financial, human, and capital resources, and suppliers. Do you enjoy the favor of your customers? If so, why? What are your strengths and weaknesses?
- III. The Target Market
 - Describe your target market segment in detail by using demographics, psychographics, geography, lifestyle, or whatever segmentation is appropriate. Why is this your target market? How large is it?
- IV. Problems and Opportunities
 - State or restate each opportunity and indicate why it is, in fact, an opportunity.
 - State or restate every problem. Indicate what you intend to do about each of them. Clearly state the competitive differential advantage.
- V. Marketing Objectives and Goals
 - State precisely the marketing objectives and goals in terms of sales volume, market share, return on investment, or other objectives or goals for your marketing plan and the time needed to achieve each of them.
- VI. Marketing Strategy
 - Consider alternatives for the overall strategy; for example, for new market penetration a marketer can enter first, early, or late, penetrate vertically or horizontally, and exploit different niche strategies.
 - If the marketing strategy is at the grand strategy or strategic marketing management level, a market attractiveness/business capability matrix and product life cycle analysis should also be constructed.
- VII. Marketing Tactics*
 - State how you will implement the marketing strategy(s) chosen in terms of the product, price, promotion, distribution, and other tactical or environmental variables.
- VIII. Implementation and Control
 - Calculate the breakeven point and make a breakeven chart for your project. Compute sales projections and cash flows on a monthly basis for a three-year period. Determine start-up costs and a monthly budget, along with the required tasks.
- IX. Summary
 - Summarize advantages, costs, and profits and restate the differential advantage that your plan offers over the competition and why the plan will succeed.
- X. Appendices
 - Include all supporting information that you consider relevant.

* Note under the marketing strategy and tactics sections how your main competitors are likely to respond when you take the action planned and what you will then do to avoid the threats and take advantage of the opportunities.

FIGURE 1-1. Marketing Plan Outline

THE EXECUTIVE SUMMARY

The first part of the marketing plan structure or outline is the executive summary. It is a synopsis or abstract of the entire plan. It includes a description of the product or service, the differential advantage of your product or service over that of your competitors, the investment needed, and the results you anticipate. These can be expressed as a return on investment, sales, profits, market share, or in other ways.

The executive summary is especially important if your marketing plan is going to be used to help you to obtain the resources for implementation. Corporate executives are busy. There may well be more than just your marketing plan on which they must make funding decisions. Sometimes several competing marketing plans are submitted simultaneously, and only one is given the green light to proceed. If you submit your marketing plan to a venture capitalist, there will be many competing plans. A venture capitalist receives hundreds of plans every year, yet funds only a few. Therefore, it is hard to overestimate the importance of your executive overview.

The executive summary is a summary of the entire plan. It may be as long as a single paragraph to a few pages in length. From it a busy executive can get a quick idea whether to spend time on the project without reading the entire plan. Therefore, no matter how good the main body of your plan, your executive summary must be well thought out and succinct. It must demonstrate that you know what you're talking about and that your proposal has potential and a reasonable likelihood of success. If not, the executive judging your plan will probably read no further.

Usually the executive summary is one of the last elements to be prepared. This is because it is impossible to summarize accurately until you complete every other part. But even though you save it for last, remember that it will come at the beginning of the plan's documentation and must persuade the reader to read further.

THE TABLE OF CONTENTS

A table of contents sounds rather mundane and you may feel that it is unnecessary. You might be especially inclined to discard the idea if your marketing plan is short. But, let me tell you, a table of contents is absolutely necessary. It makes no difference whether your marketing plan is only a few pages or a hundred pages in length. It is required, never optional, because of a psychological factor that affects those who will evaluate your marketing plan for approval or disapproval.

If you are using your plan to acquire money or other resources to implement your project, the table of contents is important because many individuals from many functional disciplines will be sitting on the review board. Some may be experts in the technical area; they will be interested primarily in the technical details of your product or service. Others will be financial experts; they will want to examine your breakeven analysis, the financial ratios you have calculated, and other financial information. In fact, every expert tends to look first at his or her own area. Now, if you submit a table of contents, this will be fairly easy to do. The reader will scan the list of subjects and turn in a few seconds to the correct page. But if you fail in this regard, the evaluator of your plan will have to search for the information. If you are lucky, he or she will be able to find it anyway. Unfortunately, you won't always be lucky. When many plans must be reviewed, the evaluator may spend only a few minutes or even a few seconds in the search. That's where the psychological factor comes in. If the information can't be found easily, the evaluator may assume it's not there. This not only raises questions of what you don't know, but it may also give the competitive edge to a marketing plan done by someone else who made the information easier to find.

The need for a table of contents is especially critical when your plan is being submitted to venture capitalists. Venture capitalists put up large sums of money to businesses that already have a track record and have a marketing plan for future growth.

By the way, you may have heard that venture capitalists look only at business plans. Marketing and business plans are identical, especially in smaller companies and with

start-ups and new products. When you are trying to obtain resources from a venture capitalist, or any investor, the two plans are synonymous. Either the business plan must have a heavy marketing emphasis or the marketing plan must include complete financial, manufacturing, and technical data.

Typically, funds are available for investment in less than 1 percent of the plans that are submitted. One venture capitalist I know said that he receives more than 1,000 marketing plans every month, each of which contains a minimum of thirty pages. Some exceed one hundred pages. Under the circumstances, do you think that anyone could actually go over all of these plans in great detail? Of course not. Accordingly, this venture capitalist looks first at the executive summary, and, if it appears to be interesting, spot-checks the plan using the table of contents for items of particular interest. If he can't find the information he wants after a few seconds' search, he discards the plan. With so many plans to look at, he just doesn't have the time. In this initial screening most of the plans are dropped, leaving only a few for a more detailed reading and a final decision. So don't forget this mundane tool, and be certain that the contents table is an accurate list of all the important topics in your marketing plan.

INTRODUCTION

The introduction is the explanation of the details of your project. Unlike the executive summary, it is not an overview of the project. Its purpose is to give the background of the project and to describe your product or service so that any reader will understand exactly what it is you are proposing. The introduction can be a fairly large section. After reading it the evaluator should understand what the product or service is and what you propose to do with it.

SITUATIONAL ANALYSIS

The situational analysis contains a vast amount of information and, as the term indicates, analyzes the situation that you are facing with the proposed product or service. The situational analysis comes from taking a good hard look at your environment. Many marketing experts refer to the process as *environmental scanning*.

I like to approach the situational analysis by dividing the analysis into four categories. I call them the *environs of the marketplace*. The four categories are situational environs, neutral environs, competitor environs, and company environs. Let's look at each in turn.

Situational Environs

Situational environs include demand and demand trends for your product or service. Is this demand growing, is it declining, or has it leveled off? Are there certain groups in which the demand is growing and others in which demand is declining? Who are the decision makers regarding purchase of the product, and who are the purchase agents? Sometimes the decision maker and purchase agent are the same, but often they are not. For example, one member of a family may be the decision maker with regard to purchasing a certain product, say a brand of beer. But the individual who actually makes the purchase may be another family member. Who influences this decision? How, when, where, what, and why do these potential customers purchase? What are the social and cultural factors? Are demographics of consumers important? Then, maybe you need to discuss educational backgrounds, income, age and similar factors. What are the economic conditions during the period covered by the marketing plan? Is business good or is it bad? High demand can occur in both a good or bad business climate depending on the product or service offered. What is the state of technology for this class of product? Is your product high-tech state of the art? Are newer products frequently succeeding older ones, thus indicating a shorter product life cycle? In sum, how does technology affect the product or service and the marketing for this product or service? Are politics, current or otherwise, in any way affecting the marketing of this product? What potential

dangers or threats do the politics in the situation portend? Or do the politics provide opportunities? What laws or regulations are relevant to the marketing of this product or service?

Neutral Environs

Neutral environs have to do with groups or organizations. Does government influence this project? Is legislation on the state, federal, or local level likely to affect the demand or marketing of the product or service? What's happening in the media? Does current publicity favor your project, or does it make any difference? Look at special interest groups. Might they have some impact? Are any influential groups (e.g., consumer organizations) likely to affect your plans for marketing this product or service?

Competitor Environs

Competitor environs are those competing against you. They are important because they are the only elements of the environment that will intentionally act against your interests. In this section of the situational analysis, describe in detail your main competitors, the products they offer, their plans, experience, know-how, financial, human and capital resources, and suppliers. Most important, discuss their current and future strategies. Note whether your competitors enjoy favor with their customers or not, and why. Describe and analyze your competitors' strengths and weaknesses, what marketing channels they use, and anything else that you feel is relevant to the marketing situation as it will exist when you implement your project.

Company Environs

Company environs describe your situation in your company or company-to-be and the resources that you have available. Describe your current products, experience, and know-how, financial, human, and capital resources, suppliers, and other factors as you did environs. Do you enjoy favor with your customers or potential customers and why? Summarize your strengths and weaknesses as they apply to your project. In many respects this section talks about the same items as the competitor environs section.

THE TARGET MARKET

The target market is the next major section in your plan. Describe exactly who your customers are and what, where, when, why, how, how much, and how frequently they buy.

You may think that everyone is a candidate for your product or your service. In a sense this may be true, but some segments of the total market are far more likely candidates than others. If you attempt to serve every single potential customer segment, you cannot satisfy those that are most likely to buy as well as you should. Furthermore, you will dissipate your resources by trying to reach them all. If you pick the most likely target market, or markets, you can devote the maximum amount of money to advertising your product or service in a message that your most likely customers can best understand.

Remember, the basic concept of strategy is to concentrate your scarce resources at the decisive points. Your target markets represent one application of this concept. You usually cannot be strong everywhere. You must be strong where it counts, in this case the markets you target.

You should also indicate why the target market you have selected is a better candidate for purchase than others. Of course, you will include the size of each market.

How will you define your target markets? First, in terms of (1) demographics (i.e., such vital statistics as age, income, and education); (2) geography (i.e., their location); (3) psychographics (i.e., how they think); and (4) lifestyle (i.e., their activities, interests, and opinions). There are of course other ways of describing, and perhaps segmenting your market.

Knowing your customers is as important as knowing yourself (the company environs), your competitors (the competitor environs), and the other environs that you have analyzed.

PROBLEMS AND OPPORTUNITIES

The problems and opportunities section is really a summary that emphasizes the main points you have already covered in preceding sections. As you put your plan together, developed your situational analysis, and described your target market, you probably implicitly covered many of the problems and opportunities inherent in your situation. Here you should restate them explicitly and list them one by one. Group them first by opportunities, then by problems. Indicate why each is an opportunity or a problem. Also indicate how you intend to take advantage of each opportunity and what you intend to do about each problem.

Many marketing planners do well in showing how they will take advantage of the opportunities, but they do not explain adequately what they will do about the problems. To get full benefit from your plan you must not only foresee the potential problems and opportunities, but also decide what actions you must take to overcome the problems.

This foresight will help you during implementation. It will also favorably impress those who will decide whether to allocate resources for your particular project. In most cases, those who evaluate your plans will know when you omit a problem. That instantly makes a bad impression. An evaluator will then get one of two perceptions: Maybe you are intentionally omitting a difficult problem because you didn't know what to do about it, or maybe you didn't even recognize that you had a problem! Stating your problems and how you will handle them will give you a decided edge over others who submitted plans but did not take the time or trouble to consider the solutions to potential problems they might face in implementation.

Note that in the strategy and tactics sections, you will find additional potential problems. For example, when you initiate a particular strategy, a competent competitor isn't going to sit there and let you take his or her market. Competitor counteractions constitute a potential problem. You'll discuss these counteractions in those sections. You do not have to add these new potential problems and/or opportunities to this section. This is a summary section for your initial scan of your environment.

MARKETING GOALS AND OBJECTIVES

Marketing goals and objectives are accomplishments you intend to achieve with the help of your marketing plan. You have already prepared your reader by your earlier analysis of the target market. In this section you must spell out in detail exactly what you intend to do.

What is the difference between a goal and an objective? An *objective* is an overall goal. It is more general and may not be quantified. "To establish a product in the marketplace" is an objective. So is "to become the market leader" or "to dominate the market." Goals are quantified. "To sell ten thousand units a year" is a goal. *Goals* are also quantified in terms of sales, profits, market share, return on investment, or other measurements. There is one major cautionary note here: Don't get trapped into setting objectives or goals that conflict. For example, your ability to capture a stated market share may require lower profits. Make sure that all your goals and objectives fit together. You can do this by adjusting and reconfirming your goals and objectives after you have completed the financial portions of your plan.

MARKETING STRATEGY

In this section you will describe what is to be done to reach your objectives and goals. Your strategy may be one of differentiating your product from that of its competitors, of segmenting your total market, of positioning it in relation to other products, of carving out and defending a certain niche, of timing in entering the market, and so forth. Marketing strategy is a what-to-do section.

One important part of the marketing strategy section that is frequently left out and that you shouldn't omit is what your main competitors are likely to do when you implement your planned strategy, and what you will do to take advantage of the opportunities created, solve potential problems, and avoid serious threats. Herein is another terrific opportunity for you to demonstrate what a terrific marketing strategist and planner you are.

MARKETING TACTICS

Just as strategy tells you what you must do to reach your objectives, tactics tell you how you will carry out your strategy. List every action required to implement each of the strategies described in the preceding section and the timing of these actions. These tactical actions are described in terms of what is called the "marketing mix," or the "4 Ps" of marketing: product, price, promotion, and place. Sometimes the 4 Ps are known as strategic variables. However, these variables are really tactical because they are actions taken to accomplish the strategy you developed in the preceding section.

IMPLEMENTATION AND CONTROL

In the implementation and control section you are going to calculate the breakeven point and forecast other important information to help control the project once it has been implemented. You are also going to compute sales projections and cash flow on a monthly basis for a three-year period and calculate start-up costs in a monthly budget. After implementation you can use this information to keep the project on track. Thus, if the budget is exceeded, you will know where to cut back or to reallocate resources. If sales aren't what they should be, you will know where to turn your attention to realize an improvement.

THE SUMMARY

In the summary you discuss advantages, costs, and profits and clearly state the differential advantage, once again, that your plan for this product or service offers the competition. The differential or competitive advantage is what you have that your competitors lack. Basically it says why your plan will succeed.

The summary completes your marketing plan outline. You now have a good idea of the information that you'll need for your marketing. As you go through this book, forms will be provided to assist in completing every section of the marketing plan that we've talked about. As you complete these forms, you will automatically be completing your marketing plan.

Figure 1-2 is a sample marketing plan action development schedule that will assist you in planning to plan. Your schedule should be adjusted to your particular situation. It lists the actions that must be taken and shows you where to start and how long each action should take to complete. The horizontal line begins when the action is to be initiated and continues until its scheduled completion. An adjusted date is provided by a dashed line; thus as you proceed, you can use the action schedule to adjust dates when a certain action was not completed on time and the schedule must be modified. In this way you can develop and coordinate a planning process that fits your situation and any deadlines you might have for completing your plan.

If you are completing the plan on a team, names can be written along within the spaces provided for the tasks to indicate who is responsible for every action. A blank development schedule (Figure 1-3) is provided for your use in planning to plan.

KEEP YOUR MATERIAL ORGANIZED

It is very important to keep your material together to guard against loss and for updating as new data are received. A loose-leaf notebook is a helpful tool. Each section can be marked: executive summary, introduction, situational analysis, target market, problems

and opportunities, marketing goals and objectives, marketing strategy, marketing tactics, implementation and control, and summary. As additional information is received in its rough form, it can be added to the appropriate section.

SUMMARY

In this chapter you have prepared yourself by planning to plan. You have examined the structure of the outline that will be used for developing your marketing plan, the information required in each of its sections, and a planning form that can be used to help you get organized and work efficiently. Finally, you have seen how to keep your material organized in a simple way by using a loose-leaf notebook.

| Task | Weeks After Initiation | | | | | | | | | | | | |
|---|------------------------|---|---|---|---|---|---|---|---|----|----|----|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | |
| Secondary research into demographics, situational factors | | | | ↑ | | | | | | | | | |
| Market research regarding potential demand | | | | | ↑ | | | | | | | | |
| Audit of competitors' and company environs | | | | | | ↑ | | | | | | | |
| Investigation of neutral environs | | | | | | ↑ | | | | | | | |
| Establishment of objective, goals, and overall strategy | | | | | | | ↑ | | | | | | |
| Development and specification of tactics; additional marketing research as required | | | | | | | | | ↑ | | | | |
| Development and calculation of implementation and control information | | | | | | | | | | ↑ | | | |
| Writing and development of marketing plan document | | | | | | | | | | | ↑ | | ↑ |

FIGURE 1-2. Sample Marketing Plan Action Development Schedule

