

ID
775
I8
58
10.2
977

Preparing marketing plans



MANAGEMENT AID

CENTER FOR INDUSTRIAL RESEARCH AND SERVICE

201 BUILDING E, IOWA STATE UNIVERSITY, AMES, IOWA 50011, 515-294-3420

Preparing Marketing Plans

by E. O. Sealine*

Three years ago CIRAS conducted a mail survey of Iowa manufacturers, looking into marketing methods, marketing problems and management of marketing functions. The results of this study were published in a report titled "Marketing Patterns of Iowa Industry." The survey also stimulated a series of marketing management workshops held throughout Iowa.

One of the findings from the study was that only about 10 percent of Iowa companies prepare a written "marketing plan." This is probably par among companies all over the United States. And, it goes without saying that every company has thought about and is following some plan for marketing, whether it is written or not.

Yet there is perhaps no management area in which greater professionalism is demonstrated than in being able to lay out a written marketing plan and to show, by certain periods of time, how the plan is going. Few companies can do it.

Almost every well-managed firm can show a reasonably precise financial plan and budget, a sales plan, an advertising plan, and possibly a plan for company growth and expansion.

Why, then do relatively few prepare written marketing plans? Perhaps managers think they have a marketing plan, when actually they have a corporate financial plan or a sales plan. So, there is need to define the term.

WHAT IS MARKETING?

Here is a broad definition of marketing. Marketing management involves the total management effort directed to development and production of good products, to promote them properly, and to sell them at a profit. Marketing extends also to the end-user of the products because he must be a satisfied customer. The products must be safe to use and must perform in the expected manner. Product service, following the sale, also has to be included.

The key word in the preceding definition is "profit." Companies go broke because selling costs get out of hand. They go broke because they don't know costs of production and hence how they must price their products. They go broke because they launch sales and advertising programs before they are ready or at a time when the market is not ready.

*E. O. Sealine is marketing specialist, Center for Industrial Research and Service, Iowa State University.

CIRAS-2(Reprinted April 1977)

The sales and advertising departments may do a superlative job of producing sales, but if the sales are not profitable to the company, then that company is doing a poor job in its marketing management.

APPROACHES TO MARKETING PLANS

At least three approaches are being used for preparing marketing plans:

1. The first method results in a plan which is as phony as an \$8 bill. In this method the advertising manager or agency prepares a marketing plan to justify the advertising program. It applies only lip service to the needs of the business, and there is no assurance that it ties with the actual profit objectives of the firm.

2. Better, but still not good enough, is the plan prepared within the "marketing department" without real regard for corporate plans and objectives.

3. The ideal, which might properly be called a "corporate marketing plan," carries through the organization from top to bottom. It fits together engineering, plans for new products, production, sales, accounting and top management, with a common goal of getting the best quality product possible to market at prices which will bring adequate return to the company.

START AT TOP OF COMPANY

Obviously, then, it is necessary to start at the top of the company when preparing marketing plans. Any marketing plan written without intimate knowledge of company objectives, financial situation, production capabilities, and expectations for future growth really is not worth the paper it is written on.

The marketing manager (or whatever he is called on the organization chart) must be a fully informed and functioning member of the corporate management team. Of course, in a small firm, all these functions have to be handled as best they can by available people. In one-man firms, that one man has to find the time to do it all.

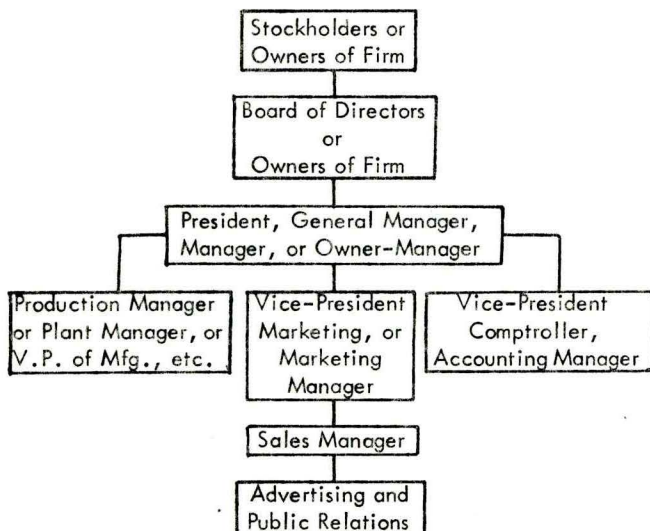
Previously, the author has set out 17 functions that should be the responsibility of marketing managers:

1. Recruitment, training, and direction of sales, advertising, and public relations personnel.

1. Sealine, E. O., "Marketing Patterns of Iowa Industry," Center for Industrial Research and Service, Iowa State University, Ames. December, 1969.

2. Planning, conception, and production of necessary sales literature.
3. Internal audits of present marketing situation and personnel.
4. Additions or deletions of marketing personnel or programs to improve sales, profits, efficiency or effectiveness.
5. Continuing review of advertising to improve effectiveness and reduce costs.
6. Establishment of methods to measure effectiveness.
7. Control of inquiries, sales leads and follow-ups, including measures of advertising costs and percent of sales.
8. Establishment of long-range marketing goals.
9. Continuing search for new products and new product evaluations.
10. Continuing liaison with major market segments.
11. Review of significant literature bearing on the industry.
12. Attendance at significant industry meetings.
13. Continuing review of competitive factors in the industry.
14. Continuing review of significant industry statistics.
15. Responsibility for plans and programs for introduction of new products.
16. Preparation of marketing plans.
17. Preparation and control of sales and advertising plans and budgets.

Thus, in the marketing-oriented firm, large or small, all these functions are handled by the marketing department. Here is how a suggested organization chart can look:



The important point in this chart is that the marketing function be headed by a person who is also a member of the firm's planning or executive committee. He should be required to work in a team with fiscal and production people and in so doing hammer out and strive to attain the goals that are best for the whole company. It makes no sense at all to give him a free hand to dictate to either production or accounting, but he should be required to fit his programs to the resources that are actually available.

Thus the marketing manager could be involved very logically in make or buy decisions, financial forecasts, money needs, and in decisions regarding expansions or new product developments. Many firms use a separate committee to search out, evaluate, and develop new product opportunities, but it must be the decision of this executive committee to determine whether it is "go" or "no go" on new ventures.

WHY WRITTEN PLANS?

Certain steps should be followed in preparing marketing plans. Of first importance is that plans be written to have value over the long term. This also makes it possible for the marketing manager to delegate responsibilities and provides the opportunity to check progress from time to time to see how the plan is going and whether the plan should be revised and altered.

Many firms review marketing plans at least each quarter, and some do it more often. Too many companies, particularly those without written plans, never review objectives, but jump from opportunity to opportunity and tend to forget why their company came into existence in the beginning.

FOUR-STEP METHOD

The four steps set out here are interrelated. They probably should be taken as suggested, but several people could work on steps 1, 2, and 3 simultaneously. Certainly they involve some questions with which persons from outside the firm can be helpful. An outsider may even have better perspective than someone from within the organization.

1. Internal analysis

This is a penetrating self-analysis that bears on present company situation. It is a method of determining company strengths and weaknesses. It might be called an audit of capabilities, manpower and financial resources, and likely future potentials and objectives.

A whole battery of questions should be asked of several key people in the organization, such as:

A. Do people really know what their jobs are and where they fit in the organization? Or, can a salesman be pulled off his itinerary at any time by a vice-president to check out certain things for him? Is there an organization chart?

B. What are the strengths and weaknesses of the organization, and what is being done to build upon or eliminate these?

C. Is there periodic review of objectives?

D. How good or poor are internal communications?

E. Is there effective control of budgets, and what constitutes checks and balances?

F. Is there a training program for all employees that is intensive and continuing?

G. What has been and can now be invested in marketing effort?

This should result in a few paragraphs that summarize the company situation on the date it was prepared. It should also help in sorting out any differences of opinion among members of the executive committee and become one part of the eventual marketing plan.

2. External analysis

A. What is the company image? For this most firms will need to go outside their own organization, since it is almost impossible to be objective or to get objective answers in a do-it-yourself effort. The study should reveal how the firm rates among competitors and should tell what needs to be improved. It should extend to such areas as appearance of the establishment, how phones get answered, how people are greeted and handled, how well the firm services customers after the sale, and reasons why people do or do not like to do business with the firm.

B. What is a profile of a good customer? Another way to say this may be to ask, "How well do you know your customers?"

C. What end-user markets are served and how well? Tying in with this is the question of whether the firm is over-extended. An extensive marketing effort for a new region may need to be developed later when production and distribution are ready.

D. What is happening in this industry? This takes real spade work, and most of it has to come from personal effort and exposure by people with knowledge of where to look and how to find and interpret the information that is available.

All this information should also be summarized in writing, dated, and made part of the marketing plan.

3. How about products?

A. What are the features of the firm's products? What advantages do they offer over competitors' products that are significant to the user? What benefits will the customer receive from using these products? When answers to these three questions are known, then the firm begins to know what it really has to sell. These answers become the basis for sales presentations and advertising.

B. Are the products performing the way they should? Remember, the marketing function extends beyond the sale. The customer must be satisfied. No bad product can be sold profitably over the long range.

C. Are product costs known? Too often costs of production drift upward, or never have been accurately determined, and the firm finds out too late that prices should have been pegged higher. The only sound way in which a company can grow is to know its costs, and price products so that profits can be retained for growth.

D. What products are profitable? This information is probably available within the firm's own records. The company should be able to analyze sales by products, by markets, by types of customers, and by seasons or months of the year.

E. Are products introductory, mature, or declining? Much theory is applied to the ratios of costs to sales in terms of product age. But it is sufficient to say that no new product can survive for very long if it does not get up to a break-even point. At the same time it should be pointed out that there is nothing wrong with producing and selling a declining product, so long as it is yielding satisfactory profit over cost of production. The decision to quit on a certain product should be looked at just as carefully as a decision whether to introduce a new one. Obviously, if all of a firm's products are in the mature or declining stages, then new product development has to get extra attention.

From the information gathered about products it should be possible for the person preparing the marketing plan to pinpoint the areas that need attention. He should be able to list these in order of importance and to make recommendations as to alternative courses to be taken.

4. What priorities and timetable are assigned to company needs?

At this stage in preparing a marketing plan, it will be an unusual company, indeed, that does not have a list of a great many items, all of which they would like to take care of immediately. It is likely the list will be so long that not all items can be accomplished in a year. Hence, it is necessary to set out, and have the executive committee agree upon, the priorities for accomplishment. And, it is at this point that production, finance, and marketing managers will have to go to their respective departments to appraise what capabilities and resources they can devote to help bring about accomplishment by a certain point in time. Finally, the executive committee should meet to agree upon a timetable that is suitable to all departments of the company, thus bringing to bear on each item the over-all company resources in a common and unified effort.

SALES, ADVERTISING PLANS FOLLOW

While it is assumed that a marketing manager will counsel with and ask for commitments from his sales and advertising people during preparation of a marketing plan, it is not until a marketing plan has been written that sales and advertising plans can be prepared.

The sales plan is really a detailed statement by the sales department telling how and with what products, in what markets, it expects to do its part to help accomplish the marketing plan objectives. It may specify what its sales forecasts and its selling costs are likely to be. It may, in this particular regard, need to include anticipated advertising costs.

Consequently, sales and advertising do need to work in team, but the eventual advertising plan and program must be supportive to the sales plan. The advertising plan, if written separately, should tell how advertising, in all its forms, will support the sales plan and help it to reach its sales objectives. To advertise without a specific reason is very often a waste of money.

SUMMARY

There is sound basis for preparing a written marketing plan, regardless of size of the company or nature of the product. This plan becomes the focal point for measurement of progress toward company goals. Its preparation should have direct attention by top management of the firm.

Persons who prepare marketing plans must have intimate knowledge of the company, its products, and the industry of which it is a part. Therefore, the writer must be associated with the firm on a continuing basis over a considerable period of time.

Marketing plans should never be thought of as ironclad, unalterable commandments, but rather should be viewed as flexible guides to be looked at periodically to provide check points along a course toward a certain corporate objective.

If management of the firm is truly marketing-oriented, then it is likely that its marketing plan will be so all-encompassing that no other management plan is needed. But if management leans toward engineering or financial orientation rather than marketing, then its marketing plan will necessarily have to be tailored to the limitations imposed by other planning. The marketing-oriented firm will usually show better long-range planning than firms with emphasis on fiscal or production capabilities.

STATE LIBRARY OF IOWA



3 1723 02092 0088