A Step-by-Step Approach to Developing a Strategic Marketing Plan

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Marketing is an exciting process and one that lends itself to creativity, enthusiasm and innovation. Preparation of a marketing plan requires information that is available within the organization (e.g. sales data) and information that is external to the organization (e.g. demographic trends). Development of a marketing plan can be approached in a variety of ways and, of course, is impacted by the size of the organization, the number of products and services offered and the number and size of the target market segments.

Generally, though, each marketing plan will share certain common elements and the approach will be very similar to the one described below. Follow these steps to provide focus and direction to your marketing planning process.

1) Situation analysis

A situation analysis, according to the American Marketing Association (AMA), is "the systematic collection and study of past and present data to identify trends, forces, and conditions with the potential to influence the performance of the business and the choice of appropriate strategies." The situation analysis involves a thorough review of your industry, your market and your competition.

Industry analysis

What industry does your organization consider itself part of? Are you in the health care industry? The banking industry? The textiles industry? The transportation industry?

What is the status of that industry in terms of its position in the marketplace? The airline industry, for example, has fallen on tough times recently and is struggling to cut costs in a competitive marketplace while retaining and gaining customers. Certain segments of the health care industry, on the other hand, are experiencing high demand from an aging population with growing health care concerns.

Understanding the industry you are in, the history of that industry, its current challenges and the potential for future growth are critical inputs into the marketing planning process.

Market analysis

What is a market? It's the group of people who have purchased or are likely to purchase the product or service you have to offer. Markets are based on customer needs. Those needs are driven by both demographics and psychographics. Demographics, according to the AMA is: "The study of total size, sex, territorial distribution, age, composition, and other characteristics of human populations; the analysis of changes in the make-up of a population." Psychographic analysis, by contrast, is "a technique that investigates how people live, what interests them, and what they like; it is also called life style analysis because it relies on a number of statements about a person's activities, interests, and opinions."

By understanding the unique attributes of the market segments you are targeting based on both demographic and psychographic characteristics you are better able to develop messages that are meaningful, relevant and likely to impact behavior. In addition, careful analysis of the market helps you to identify ways in which you are most likely to be able to connect with your target audiences through the use of specifically directed media – e.g. younger adults are more likely to watch MTV; older adults may watch VH1 or CMT.

Markets shift over time. The 12-year-old boy who is not currently a representative of the market for a sport utility vehicle (SUV), will become part of that market at some future date. Conversely, the 21-year-old man who used to purchase your Transformers action figures is no longer part of your market.

These are demographic changes that impact the market. There are psychographic factors at play as well. For example, that 21-year-old man who used to purchase your Transformers, could become part of your market again at some future point where his own children develop an interest in these toys. Similarly, a young woman of 22 who lands her first professional job will become part of a market interested in career clothing. This interest isn't based on age or sex (demographic traits) but on lifestyle changes. Other lifestyle changes could include transitioning in or out of college, the birth of a child, illness, etc. Psychographic attributes also include viewpoints or beliefs – your product might have more appeal, for example, to individuals who are conservative than those who are liberal, or to individuals who enjoy sports as opposed to those who prefer quiet activities like reading.

The more specifically you can define your target market, the more effectively you can communicate value to that market.

Competitive analysis

Competitive analysis involves looking at your competition – both direct and indirect. The analysis is designed to help you determine how your organization is doing relative to its competitors, considering a number of factors including: sales and profit figures, price, product attributes, customer service attributes, market position, etc. You will want to explore your

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competition's strengths and weaknesses to determine how you might position your own products and services to compete most effectively.

Internal analysis

In addition to looking at external environmental factors that impact your organization, you will also want to explore internal factors and gather information relative to your existing products and services, their sales volumes, profitability, customer mix (who buys which products), data on customer complaints and customer perceptions, etc. In addition, it can be helpful to meet with or interview key people within the organization – product line managers, customer service department heads, or others who can provide insights related to product/service demand, customer needs and perceptions.

Give adequate time and attention to the situation analysis. The work you do here will provide you with the solid information and background you need to make sound and appropriate decisions about the marketing mix elements that will drive your marketing activities.

2) SWOT analysis

The information you gather through the situation analysis process is used in the development of a SWOT analysis – a look at your organization's marketing efforts and the strengths, weaknesses, opportunities and threats that you are facing. The SWOT analysis can be a helpful starting point for the identification of objectives/goals, strategies and tactics.

The first step is to gather the appropriate people – organizational leaders as well as front line managers and staff who have direct knowledge and impact on marketing efforts. Again, remember that "marketing" is an organization-wide function, not just confined to what might be formally called the "marketing department" in your organization. Set aside ample time – at least four hours – for this process. Your focus should be on identifying the strengths, weaknesses, opportunities and threats of your organization relative to the marketing function from the broadest perspective – product, place, price, promotion.

Following are some guidelines for conducting the SWOT analysis:

- Set ground rules. The development of a SWOT analysis follows the same principles as any brainstorming session. Participants must feel free to share their impressions and opinions and not be hampered by strong and sometimes off-the-mark "opinion leaders." Appropriate ground rules might include: all "hats are left at the door" - everybody's opinion is valued, regardless of formal rank and position; all input will be captured, without editing or debate; nothing is sacred – participants must feel free to express what might be minority opinions or to challenge "sacred cows" without fear of censure or future; one person speaks at a time – the facilitator identifies the speaker.
- Proceed in an orderly fashion, starting first with strengths (internal), weaknesses (internal), opportunities (external) and threats (external). Capture input until ideas

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have been exhausted. After the entire list is completed, ask the group to review and consider if any additions have come to mind.

- Reproduce the list and provide to the group for review. The SWOT analysis is a good tool for identifying the strategic opportunities and challenges that face your organizations. These opportunities and challenges can then be used as the basis for developing specific goals and objectives that will drive the strategies and tactics that become your operational marketing plan.
- Through the SWOT analysis you'll identify a list of the opportunities and challenges facing your organization. This list, by the very nature of the brainstorming process, is probably quite long and lacking in focus. Your next step is to use the same brainstorming process to identify and prioritize the most critical strategic marketing opportunities and challenges that impact your organization. Since resources in every organization are limited you will be challenged to keep the list to a manageable number – ultimately no more than 5-7 opportunities and/or challenges that you will tackle.
- To narrow the list, you might use a simple ranking process to help reach group consensus. One commonly used method is to give each participant a certain number of "dots" that they can use to vote on items on the list (one vote per item). The items that have the highest number of votes then become the top priorities. The group reviews the results and the facilitator asks for consensus about the validity of the rankings. The top 5-7 are then selected for organizational focus.

3) Quantifiable objectives/goals

Once your opportunities and challenges have been identified, the next step is to develop objective/goal statements that indicate the "end state" you hope to achieve to address the opportunities and challenges you've identified. For example, if one of the challenges you identified was a high number of product returns, your objective might be to reduce that number of returns to some specific point. If one of the challenges you identified was reducing the level of customer defections, you would need to identify what level of defections would make you feel that you had addressed this challenge.

It's critical that each of your objectives/goals has a specific, targeted "end point." This both helps you determine the amount of resources that must be allocated to achieve the goal and also provides an indicator of success. A simple example will illustrate: Your best friend says that this year, she'd like to have more money. You hand her one dollar. She now has more money. Chances are, though, that's not what she had in mind. When you're setting goals, state what you **do** have in mind or you're likely to underachieve.

Specific, quantifiable goals are critical. Simply wanting "more" sales doesn't provide enough specific direction to allocate resources – money and effort – appropriately. How much more? Your goals need to take into consideration where you are today and where you would like to be (specifically!) so you can focus on closing that gap.

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Not all goals are profit, volume or dollar related. While you will almost certainly have goals that are expressed in terms of sales volume or market share, you may also have qualitative goals that are equally meaningful. For example, you may wish to increase consumer awareness of products and services or gain "share of mind" among your target audience. You might have a goal related to the development of specific training skills among direct sales staff.

With any of these goals, however, the key is to ensure that your goal statement is expressed in such a way that it is clear what the desired end result is.

A helpful acronym that you can use to evaluate the appropriateness of your objective/goal statements is SMART. The SMART acronym is used to develop goals that are most likely to achieve results – goals that are **S**pecific, **M**easurable, **A**ttainable, **R**ealistic and **T**ime Framed.

- A specific goal is one that clearly identifies an end point. "Raise consumer awareness of our products" is not a specific goal. "Raise consumer awareness from ____ to ____ by year end" is. Be specific by stating *exactly* what it is you wish to achieve.
- A measurable goal provides a way for you to know if you have hit your target. Sales goals, for example, that clearly specify the unit and dollar volume expected, by product, are measurable.
- Goals need to be attainable. Suppose you indicate that you wish to grow market share by 25 percent in the next year. That's specific. It's measurable. But, if your market is saturated by significant competitors and growth is limited in terms of new potential customers entering the market, that goal may not be attainable.
- Even if your goal is attainable, it may not be realistic. For example, suppose that growth of 25 percent in market share is an attainable goal given your market area, competitive environment and consumer demand, but your product development group is unable to produce enough product to meet that demand even if it is realized. This would not be an attainable goal.
- Finally, goals need to be time framed. *When* will you achieve the goal? This week? Three months? One year? Longer?

Establishing SMART objectives will help to ensure that staff understand what's expected of them, that the expectations are reasonable and, perhaps most importantly, that they will *know* when they meet those expectations. An objective of achieving "more" can lead to frustration and the sense of chasing one's tail to achieve something that seems always beyond reach. SMART objectives, in addition to helping ensure achievement of goals, also serve to increase employee satisfaction and morale.

4) Strategies and tactics to meet objectives/goals

Objectives/goals identify the end points you hope to achieve. The next step is to determine *how* you will achieve those end points. This involves developing strategies and tactics.

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Strategies are broad statements of activity. Tactics are more specific statements of activity that are actionable. For example, again looking at the objective of reducing returns, one strategy might be to: "identify and quantify reasons for returns." Tactics related to that objective might be: "review return data," or "survey customers who have returned products." Based on the information obtained, another strategy might be: "make improvements to product as indicated by customer inputs." An appropriate tactic could be: "review marketing communications materials to ensure that product descriptions are accurate."

When identifying strategies and tactics, it's important to be realistic. There are probably a wide array of activities that you *could* undertake to achieve your objectives, but those activities may be hampered by budget and staff resources. You may wish to start this process by brainstorming all of the various activities that you might undertake and then go back to review these activities and prioritize them based both on the potential for having the most impact and the availability of resources to accomplish the tasks.

5) Responsibility/accountability for completing tactics

Having a plan is a good first step. Assigning accountability for the accomplishment of that plan is critical. Unless specific areas of the organization – and individuals within those areas – recognize that they are being held responsible and accountable for completing specific tactics that drive your ability to achieve your strategies and objectives, you will not be successful in achieving your marketing goals.

Assigning responsibility involves more than simply putting department names or individual names in your plan. You need to ensure that you have buy-in and commitment from those departments and individuals to the tasks assigned. This may involve discussion at the senior management level of the organization and negotiation between organizational leaders to gain agreement on where the company's human resources should be focused. It should also involve, of course, conversation with the department and individuals named to ensure that they understand the expectation, realize the impact their involvement has on the achievement of the marketing plan objectives and are personally committed to helping to achieve those objectives.

6) Develop a budget

In addition to identifying the people resources needed to achieve your marketing plan, you will also need to address the budget resources needed. There are a couple of different ways that organizations approach the marketing budget process and a certain amount of debate about which methods are most appropriate.

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One common method is to allocate marketing budget based on a percentage of revenue. So, for example, if your organization anticipates revenue of $10 million, and allocates 5 percent to marketing expense, you would have a budget of $500,000 for marketing activities. The problem with this approach, of course, is that perhaps if you were to spend $1 million on marketing, you could raise revenues by some additional amount. Critics of this approach suggest that it limits market potential.

Some industries base marketing budgets on industry norms that are available through professional trade groups or other publicly available information. Another approach involves identifying what the competition spends on marketing and then matching or exceeding that amount. Obviously that can be challenging because it's difficult to determine how much the competition is spending and there are other operational factors that impact those expenditures (distribution channels, for example). And, again, there are critics of these approaches because they are based on the assumption that the competition knows what it's doing and should be emulated. Of course, that's not necessarily true.

Budgets are often established based on historical spending. The marketing budget was X last year, so this year it will be X plus some amount.

Zero-based budgeting is also an option. Basically, this involves starting from scratch and, in looking at the identified objectives/goals, strategies and tactics in the marketing plan determining the budget that will be necessary to accomplish the plan.

The budgeting process clearly involves a combination of science and art. A combination of the above methods is most likely to achieve the best results. Identifying the costs associated with various aspects of the marketing plan can provide you with the basis for a certain level of expenditures, as can a review of past marketing expenses – and results. The development of creative materials is obviously an area that can involve costs ranging from hundreds to millions of dollars depending on the size of your market and the "production values" required to adequately convey your organization's desired market position. The local car dealer may be able to spend a few hundred dollars to produce a spot locally, but Toyota Corporation is going to spend far more to ensure that it conveys the appropriate image in its national advertising.

Receiving approval for your marketing budget will be based primarily on your ability to justify the expenditures that you're requesting. That means doing your homework in terms of providing background information that may include details on marketing spending in your industry, by your competitors and by your organization, in addition to information on the actual costs of various activities you intend to engage in. The ability to provide objective data to support the effectiveness of your marketing efforts (more on this later) will also help to leverage your ability to receive approval for the marketing expense budget.

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7) Ongoing monitoring and adjustment

The marketing plan should be a "living document" and not "credenza-ware." The use of a marketing committee or regular meetings with the individuals responsible for achieving the various strategies and tactics in the plan can help to ensure ongoing attention to the plan and its implementation. How will the marketing plan be implemented? Who/what are the resources, people, financial commitments and activities involved in implementing the plan?

Determine how you will monitor and evaluate marketing plan activities, how often you will look for updates and the process required to make any changes in the plan. For example, if the sales department feels that sales objectives are too lofty, what process needs to be undertaken to receive organizational approval to adjust those objectives?

Budgeted goals and activities obviously provide direction to the organization in terms of identifying things that are being done – and things that need to be done. By comparing actual and planned results, the marketing team can ensure that it's on course to meet its objectives and can quickly act to make changes in the plan as evidence suggests that changes need to be made.

Why Marketing Plans Fail

Marketing plans are not always effective. Why? A variety of factors impact the ability of an organization to effectively implement the marketing plan. Many of these factors are avoidable:

- The plan was too quickly prepared. It can be tempting to move quickly through the steps in the marketing planning process and to simply identify a number of activities that need to take place, often based on activities that have taken place in the past.
- Data was not used effectively in the marketing planning process. While there is certainly some "art" involved in the marketing planning process, "creative thinking" does not mean ignoring data that can impact decisions. Taking the time to thoroughly analyze internal and external data and information to ensure that the marketing plan is based on sound data and good judgment is critical. Time consuming, but critical.
- External impacts are overlooked. The external environment is changing constantly and can have significant impacts on the ability of an organization to successfully market its products. Consider the impact that the "low-carb diet" frenzy has had on companies that produce or sell "high-carb" food products – the pizza industry for example.
- Objectives/goals are unrealistic. The marketing function is a function that spans the entire organization. Taking the time to understand organizational impacts can help to ensure that objectives/goals have adequately taken into consideration such

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things as availability of staff, ability to produce product in sufficient quantity and within a sufficient timeframe to meet demand and the capacity of the identified market segment to respond to and purchase the product/service given the size and projected growth of that target market and the existence of direct and indirect competition.

- The ability to implement is absent. Planning is one thing. Implementation is quite another. A well written plan is meaningless if the organization does not have capacity or desire to implement that plan.
- There is no commitment to the plan. Broad involvement in the marketing planning process can ensure that organizational members necessary to help achieve the plan are committed to its implementation. Commitment will also be strengthened if the plan is clearly driven and supported by senior level management.
- Lack of accountability. If those assigned to achieve certain strategies and tactics simply decide they aren't able to achieve their assignments, and there is no organizational response, there is no accountability.

Effective and *strategic* planning can ensure that your organization's resources are deployed most efficiently and effectively to achieve your desired objectives. Following the steps above will help you maintain focus, increase collaboration and ensure that everyone in your organization is working together to achieve specific, measurable goals designed to maximize your strengths and opportunities and overcome your weaknesses and challenges.

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