

Tactical planning

```
graph TD; TP[Tactical planning] --- H[ ]; H --> P[Pricing policy]; H --> D["Distribution (place) policy"]; H --> PR[Promotion policy]; H --> PE[Personnel policy]; H --> PP[Process policy]; H --> PEV[Physical evidence]; PEV --> TP;
```

10

Marketing planning, implementation and control

Objectives

After reading this chapter you should be able to:

- analyse the firm's current situation and develop a forward strategic plan;
- explain the difference between strategy and tactics;
- explain the main issues surrounding budgeting;
- describe the basic approaches to budgeting;
- set up systems for the monitoring and control of your plans;
- develop strategic approaches to integrating a firm's marketing activities.

INTRODUCTION

This chapter is about integrating and co-ordinating the firm's marketing efforts, producing marketing plans, and ensuring that the plans are carried out in a cost-effective manner.

THE MARKETING PLANNING PROCESS

The basic process of planning is as shown in Figure 10.1. Strategic decisions concern the overall direction of the organisation. **Strategy** is about where we want to be; decisions on **tactics** are about how we are going to get there.

Strategic decisions tend to be difficult to reverse; they usually involve a rejection of other strategic options; and they generally therefore involve a major personal commitment on the part of the decision maker. Tactical decisions are relatively easy to change, involve less commitment, and can often run alongside other options. A comparison of strategic and tactical decisions is given in Table 10.1.



FIGURE 10.1 The marketing planning process

TABLE 10.1 Comparison of strategic and tactical decisions

| Strategic decisions | Tactical decisions |
|-----------------------------------|-----------------------------------|
| Concern overall direction | Concern methods of achievement |
| Difficult to reverse | Relatively easy to change |
| Involve rejection of alternatives | Allow combination of alternatives |

Strategy must be integrated across the whole range of marketing activities, it must be formulated in the light of good analysis of the environment, and it must include a feedback system so that the strategy can be adapted in the light of environmental changes. Strategy is influenced by organisational objectives and resources, competitor activities, the structure of the market itself and the firm's willingness to make changes and take risks.

From an overall strategic perspective marketers need to decide on the following issues, and formulate strategies for coping with them:

- Which market should the firm be in?
- What strengths and weaknesses is the firm bringing to the marketplace?
- Where does the firm intend to be in 5 to 30 years' time?
- What will the firm's competitors do in response to the market?
- Does the firm have sufficient resources to achieve the objectives decided upon?

The first stage in the planning process is to determine where the firm is now; this can be determined by carrying out a marketing audit.

THE MARKETING AUDIT

In marketing, strategic planning revolves around issues such as launching new products, changing brand names, deciding which segments to target and designing new promotional campaigns. The **marketing audit** is a review of the firm's current objectives, strategies, organisation, performance and activities, and its primary purpose is to pick out the firm's strengths and weaknesses so that

managers can improve on them in future. It evaluates how effectively the organisation is performing its marketing tasks within the context of the seven Ps – products, price, place, promotion, people, processes and physical evidence.¹

The marketing audit is a snapshot of what is actually happening now in the firm. It should therefore be carried out on a fairly regular basis – within the limits of the amount of money that can be spared for the task, and the amount of time that can be spared from doing the marketing tasks at hand.

Table 10.2 shows an overview of the scope of the marketing audit. Such an audit encompasses the SWOT and STEP analyses introduced in Chapter 2, but goes into considerably more detail. Once the exercise has been carried out, managers will have a very clear idea of what needs to be changed to meet the firm's objectives.

CORPORATE OBJECTIVES

Corporate objectives are the strategic statements of where the company wants to be. The objectives might be as follows:

- *Financial*: market share, sales, profit, return on investment, etc.
- *Philosophical*: perhaps a mission statement expressing the core values of the organisation.
- *Qualitative*: service levels, innovation, etc.

Corporate objectives often involve trade-offs, since all firms have limited resources and can concentrate on only one area at a time. In some cases the trade-offs involve diametrically opposed objectives. Weinberg³ proposes a set of eight trade-offs in setting objectives, as follows:

- 1 Short-term profit *v* long-term growth.
- 2 Profit margin *v* market positioning.
- 3 Direct sales effort *v* **market development**.
- 4 Penetrating existing markets *v* developing new ones.
- 5 Profit *v* non-profit goals.
- 6 Growth *v* stability.
- 7 Change *v* stability.
- 8 Low-risk *v* high-risk environments.

Setting the overall corporate objectives may indicate strategic sub-objectives; Table 10.3 contains some examples of strategic objectives.

TABLE 10.2 The marketing audit

| Main areas | Subsections | Issues to be addressed |
|--|----------------------------------|--|
| Marketing environment audit <i>Macro-environment</i> | Economic–demographic | Inflation, materials supply and shortages, unemployment, credit availability, forecast trends in population structure. |
| | Technological | Changes in product and process technology, generic substitutes to replace products. |
| | Political–legal | Proposed laws, national and local government actions. |
| | Cultural | Attitude changes in the population as a whole, changes in lifestyles and values. |
| | Ecological | Cost and availability of natural resources, public concerns about pollution and conservation. |
| <i>Task environment</i> | Markets | Market size, growth, geographical distribution, profits; changes in market segment sizes and opportunities. |
| | Customers | Attitudes towards the company and competitors, decision-making processes, evolving needs and wants. |
| | Competitors | Objectives and strategies of competitors, identifying competitors, trends in future competition. |
| | Distribution and dealers | Main trade channels, efficiency levels of trade channels. |
| | Suppliers | Availability of key resources, trends in patterns of selling. |
| | Facilitators and marketing firms | Cost and availability of transport, finance, and warehousing; effectiveness of advertising (and other) agencies. |
| | Publics | Opportunity areas, effectiveness of PR activities. |
| Marketing strategy audit | Business mission | Clear focus, attainability. |
| | Marketing objectives and goals | Corporate and marketing objectives clearly stated, appropriateness of marketing objectives. |
| | Strategy | Core marketing strategy, budgeting of resources, allocation of resources. |

TABLE 10.2 The marketing audit (*continued*)

| | | |
|-------------------------------------|----------------------------------|---|
| Marketing organisation audit | Formal structure | Seniority of marketing management, structure of responsibilities. |
| | Functional efficiency | Communications systems, product management systems, training of personnel. |
| | Interface efficiency | Connections between marketing and other business functions. |
| Marketing systems audit | Marketing information system | Accuracy and sufficiency of information, generation and use of market research. |
| | Marketing planning system | Effectiveness, forecasting, setting of targets. |
| | Marketing control system | Control procedures, periodic analysis of profitability and costs. |
| | New product development system | Gathering and screening of ideas, business analysis, pre-launch product and market testing. |
| Marketing productivity audit | Profitability analysis | Profitability of each product, market, territory and distribution channel. Entry and exit of segments. |
| | Cost-effectiveness analysis | Costs and benefits of marketing activities. |
| Marketing function audits | Products | Product portfolio; what to keep, what to drop, what to add, what to improve. |
| | Price | Pricing objectives, policies and strategies. Customer attitudes. Price promotions. |
| | Distribution | Adequacy of market coverage. Effectiveness of channel members. Switching channels. |
| | Advertising, sales promotion, PR | Suitability of objectives. Effectiveness of execution format. Method of determining the budget. Media selection. Staffing levels and abilities. |
| | Salesforce | Adequate size to achieve objectives. Territory organisation. Remuneration methods and levels. Morale. Setting quotas and targets. |

(Source: Adapted from Kotler, P., 2003, *Marketing Management, 11th edition*, © 2003. Reprinted by permission of Pearson Education Inc., Upper Saddle River, N.J.²)

TABLE 10.3 Strategic alternatives

| Strategic objective | Explanation |
|------------------------------|---|
| Backward integration | Taking control of suppliers, either by purchase or by merger. |
| Forward integration | Taking control of customers (in industrial or commercial markets). |
| Horizontal integration | Taking control of competitors. |
| Concentric diversification | Developing new products that fit well with the existing product range, but delivering them to new markets. |
| Conglomerate diversification | Developing new products that are unrelated to the firm's existing technology. This is a high-risk strategy: see Chapter 6. |
| Horizontal diversification | Introducing new products (unrelated to the present range) into existing markets. For example, Virgin markets everything from records to life insurance to the same target group of consumers. |

As a general rule, most firms want to grow. Growth increases the firm's security in the market, it increases the power and influence of managers (not to mention their salaries), and it reduces costs. There are four main advantages to growth, as shown in Table 10.4.

Growth in growing markets is likely to happen in any case, even without any formal strategic attempts to encourage it: the key to success here lies in measuring whether the company is growing faster than the market, slower than the market, or at the same pace as the market. Often firms which couch their growth objectives in financial terms fail to notice that they are growing more slowly than the market, and are thus (in effect) losing ground to competitors. Couching growth targets in terms of market share will avoid this pitfall, although obviously a reliable measure of the overall size of the market needs to be available.

Once managers have a clear picture of where the company is and where they wish it to be, it is possible to move on to planning the tactics.

TABLE 10.4 Advantages of growth

| Advantage | Explanation |
|--|---|
| Protection against competition | If the firm becomes the largest in the industry, competitors find it harder to enter the market. Growing firms are able to apply more resources to the market, and take away market share from their competitors thus reducing the competitors' ability to compete effectively. |
| Improved economics of scale | Greater size means greater efficiency in the purchase of raw materials, use of employee skills, and use of corporate resources. This eventually results in higher profit margins, and consequently a greater ability to survive if business worsens. |
| Better control of distribution networks | Growing firms are attractive to distributors and suppliers because they will provide more business in the future. This gives the firm a negotiating advantage. |
| More opportunities for career advancement | Managers and staff have better opportunities for promotion when working for a growing firm. This means greater motivation, which in turn means improved working practices. |

TACTICAL PLANNING

Because marketers are usually looking for a competitive edge, they will usually try to offer their customers something that is unavailable elsewhere. In this respect, marketing differs from the other main business disciplines. If the legal directors were swapped over from one competing firm to another, they would have no trouble in carrying on with their jobs; the law remains the same for firms in the same industry. If the finance directors or the production managers were exchanged they would simply carry on working, because each industry operates with its own financial structure and production techniques. If the marketers were swapped, though, they would probably be completely lost for the first few weeks, because each should be addressing a different segment of the market, dealing with different distributors, different clients, different overall philosophies and different promotional campaigns.

For example, cosmetics are traditionally sold in pharmacies and department stores. Yet Avon Cosmetics has become one of the world's largest cosmetics companies by breaking the rules, and selling the cosmetics door-to-door, training millions of women worldwide in sales techniques and then sending them out to sell to family, friends, neighbours, work colleagues and strangers. Even though

the original door-to-door approach has been modified because of safety issues, the maverick approach still pays off.

There are three generic strategies:

- **cost leadership**, which is about keeping costs low enough to be able to maintain high profits even when competition is strong;
- **differentiation**, which means distinguishing the firm and its products from all competitors; and
- **focus**, which is about concentrating on specific segments of the market.⁴

Marketers usually need to concentrate most of their attention on the second two strategies, and in particular on differentiation.

Competitive tactics will depend largely on the company's current product portfolio, and on the activities of competitors. The Boston Group matrix (see Chapter 6) will help in making strategic decisions about which products to keep and which to discard, but the tactical problem still remains of attacking the appropriate markets.

The tactical possibilities in a marketing campaign are huge in number. Most of the tactics of marketing involve creativity on the part of practitioners, so it is virtually impossible to lay down any hard and fast rules about approaching different marketing problems. However, the following might prove to be useful guidelines:

- Try to do something that the competition has not thought of yet.
- Always consult everybody who is involved in the day-to-day application of the plans. Salespeople in particular do not like to be told what to do by somebody back at Head Office.
- Do not expect instant results from anything you do – but monitor the results anyway.
- Ensure that the messages you give the consumers, the middlemen, the suppliers and all your other publics are consistent.
- Be prepared for a response from your competitors – try to anticipate what it might be when you are formulating your plans.
- Communications tools cannot be used to achieve marketing objectives; they can only achieve communications objectives. Marketing objectives may well follow on from this, but this is not a good way to judge a communications medium.

Cost-effectiveness will always be an issue in promotional campaigns, and it is for this reason that there has been a growth in direct marketing worldwide (see

Chapter 12). The accurate targeting of market segments made possible by computer technology has enabled marketers to refine the approach, and hence increase the response rate. Marketers now talk in terms of response rates from promotions, not in terms of contact numbers.

When considering tactical options it is useful to remember that marketers talk about mixes: the marketing mix, the promotional mix and so forth. This implies that each area of marketing impinges on every other area, and that decisions about (say) advertising tactics cannot be taken independently of decisions about pricing.

Having determined the details of what is to be done, the programme can be implemented. Sometimes the marketing managers will meet with resistance from colleagues from other disciplines (see Chapter 1), and sometimes the plan will need to be revised in the light of experience and later events. There will therefore need to be a degree of flexibility in the plan.

ORGANISATIONAL ALTERNATIVES

In general there are five broad ways to organise marketing tasks, as shown in Table 10.5.

An extension of the matrix organisation structure is the **organismic structure**. Unlike the traditional **mechanistic** or **bureaucratic** pyramid, there is no clear 'boss'. Each individual contributes expertise (and effort) towards achieving the **corporate objectives**. The leader for each task is determined by the project being tackled at the time. This type of structure is typical of small consultancy firms who may be dealing with a wide range of disparate tasks, but can be found in larger organisations or departments of larger organisations. The main advantage of the organismic structure is that it is extremely flexible, which makes it a more appropriate structure for dealing with changing environments. On the other hand, there is some evidence that organismic structures may not be effective in relationship marketing, because of the difficulties inherent in maintaining relationships when people change roles frequently.⁵

In smaller firms there may be no specific marketing department, and of course in some firms marketing is not very high on the agenda because the firm has little control over the variables of the marketing mix. Such firms may have a marketing department, but it may be concerned only with running the occasional advertisement and organising trade fairs.

PROMOTIONAL STRATEGIES

Formulating a promotional strategy is concerned with deciding overall aims and objectives. The aims of the promotion strategy can be selected from the following:

TABLE 10.5 Organisational alternatives

| Alternative | Description |
|--------------------------------|--|
| Functional organisation | Each marketing activity has a specialist in charge of it. This structure would have an advertising manager, a product development manager, a market research manager and so forth. |
| Product organisation | Each manager is responsible for all the marketing decisions concerning a particular product. The firm may also employ specialists to advise and assist, but each product manager would have overall responsibility. |
| Regional organisation | This approach is usually used in international markets, but can also be used elsewhere. The regional managers are each responsible for all the marketing activities within their own geographical region. |
| Segmental organisation | Here each manager is responsible for a given market segment. For example, a glass manufacturer might have one manager in charge of marketing to the automotive industry, another for marketing to the building trade, another marketing to the bottling industry, and so forth. Each manager would thus be able to develop specialist knowledge of the customers' needs. |
| Matrix | Here there is joint decision-making between the specialist market researchers, sales managers, etc. and the product managers. No one manager is in overall control, and decisions are made by balancing each person's role and demands. This method is surprisingly effective in decision-making, since it pools the available expertise. |

- *Category need* is the aim of persuading consumers that the product will meet a need. This can be difficult when the product is first introduced, particularly if it is a novel product.
- *Brand awareness* is the process of fixing the brand and its characteristics in the consumer's mind. The brand must be made to stand out from the competition, and must be positioned accordingly.
- *Brand attitude* leads on from brand awareness. Here the marketer is trying to build a favourable attitude in the consumer's mind; merely being familiar with the brand is only part of the story. (See Chapter 3 for an overview of attitude.)
- *Brand purchase intention* is a positive conation on the part of the consumer. Here the marketer is suggesting that the consumer should 'get some today!'
- *Purchase facilitation* is the part of promotion geared to ensuring that the product is readily available, and the consumer knows where to go to get it.

The above five aims have been presented in sequence, but there is not always a necessity for a promotion strategy to follow exactly along this order. Sometimes the earlier stages will already have been covered by other earlier marketers. For example, when Radion washing-powder was launched in the United Kingdom the promotion strategy omitted the first stage and went straight to brand awareness. This was achieved by using Day-Glo billboard advertisements with the brand name in 1 metre high letters. Having established the brand name, the company could then go on to develop positive brand attitudes, but there was little need to tell the consumers where to buy the product, since they would naturally expect to buy washing powder in a supermarket.

Regarding the distribution channels, marketers need to decide whether to adopt a push strategy or a pull strategy, or rather to decide what the balance will be between the two.

Push strategies

Push strategies involve promoting the product only to the next link down the distribution channel: this means selling hard to the wholesalers, and letting the wholesalers in their turn sell hard to the retailers, who then push the product out to the consumers. This method has the advantage of being cheap and relatively straightforward, and could be justified on the grounds that each member of the distribution chain is most familiar with the ways of marketing to the next member down the chain. On the other hand, it really cannot be said to be consumer-orientated.

Pull strategies

Pull strategies involve focusing effort on the consumer, on the basis that an increase in consumer demand for the product will pull it through the distribution chain.

A push strategy emphasises personal selling and advertising aimed at the members of the distribution channel. A pull strategy is aimed at the final consumers and emphasises consumer advertising and strong merchandising. Most launch strategies would involve elements of both push and pull. For example, retailers tend to be positive about TV advertising and will stock a product if they know there is to be a TV campaign aimed at consumers. The retailers believe that the campaign will stimulate demand for the product, thus generating sales; it is equally possible that the act of displaying the product prominently is what generates the sales, however.

If the distribution channels are properly managed and are co-operating well (see Chapter 8), a pull strategy is indicated; in other words, greater effort can be devoted to stimulating consumer demand, since the other channel members are likely to co-operate anyway. If the channel is uncoordinated or is dominated by the wholesalers or retailers, a push strategy is more likely to work, since the channel members will

need to be convinced to carry the product line. Again, there will always be elements of both push and pull in any promotional strategy, because channel members and consumers both need to move up the hierarchy of communications effects.

From a tactical viewpoint, the promotional mix should be carefully monitored so as to ensure that the right things happen at the right times.

SETTING THE BUDGET

Having decided the overall plan for the marketing campaign, the marketer needs to decide what the organisation can afford. As explained in Chapter 9, the level of noise from advertising clutter means that companies must spend a certain minimum amount to be heard at all, so clearly there will be a level below which there is no point in spending any money at all. Table 10.6 illustrates some methods for setting budgets.

In the real world, marketers will adopt a combination strategy, using several of the above methods. Even an objective and task approach might begin by looking at what the competition is spending (comparative parity approach), if only to determine what the likely spend would have to be to overcome clutter. Likewise, a marketer may be part-way through a campaign and be told by the finance department that no more money is available (or perhaps be told that more than anticipated is available) and will switch to an all-you-can-afford policy.

MONITORING AND EVALUATING MARKETING PERFORMANCE

Once the plan has been implemented managers need to make sure it works in practice. Feedback is essential for monitoring performance, and (in an ideal world) no marketing activity would be undertaken without having a monitoring and evaluation system in place beforehand.

There are two basic groups of approaches for performance analysis:

- **sales analysis**, which looks at the income generated by the firm's activities; and
- **marketing cost analysis**, which looks at the costs of generating the income.

Table 10.7 illustrates some sales analysis measures.

TABLE 10.6 Promotional budgeting methods

| Method | Explanation | Advantages | Disadvantages |
|-----------------------------------|--|--|--|
| Objective and task method | Identify the objective to be achieved, then determine the costs and effort required to achieve those objectives. | Has a logical basis, and if carried out correctly will achieve the firm's strategic goals. | Difficult to calculate the necessary spend to achieve the objective. Time-consuming and expensive in terms of market research. |
| Percentage of sales method | The planner simply allows a fixed percentage of the company's sales to be used for marketing. This promotional budget increases as sales go up, and decreases as sales go down. A very common method of budgeting. | Simple to calculate; also ensures that, if sales drop off, costs also drop. | Is based on the false premise that sales cause promotion, rather than promotion causing sales. Logically, if sales fall, marketing expenditure should be increased to bring the customers back in. |
| Comparative parity method | The marketer matches expenditure to that of the competitors. Thus the firm does not lose ground if a competing firm increases its budget. | Ensures that the firm remains on a par with the competitors, and does not waste expenditure. | Takes no account of changes in the market, or opportunities that might arise; is not customer-orientated, in other words. |
| Marginal approach | Marketer spends only up to the point where any further spending would not generate enough extra business to justify the outlay. | This method would maximise profits since no excess spending would result. | Extremely difficult to calculate, given the changing nature of markets. |
| All-you-can-afford method | The marketer spends whatever money can be spared from other activities. Often used by small businesses when starting out. | Company cannot become over-committed or run into trouble by relying on sales that do not, in the end, materialise. | Again, bears no relationship to the state of the marketplace. Also relies on the marketer being able to persuade other departments within the firm to give up expenditure on their own pet projects. |

TABLE 10.7 Methods of sales analysis

| Analysis method | Explanation |
|---|---|
| Comparison with forecast sales | The firm compares the actual sales achieved against what was forecast for the period. |
| Comparison with competitor's sales | Provided the information is available, the firm can estimate the extent to which marketing activities have made inroads into the competitor's business. The problem here is proving that the difference has been caused by the high quality of the firm's marketing activities, rather than by the ineptness of the competitor. |
| Comparison with industry sales | Examination of the firm's performance in terms of market share. This is commonly used in industries where a relatively small number of firms control the market: for example, the car industry. |
| Cash volume sales analysis | Comparison of sales in terms of cash generated. This has the advantage that currency is common to both sales and costs; it has the disadvantage that price rises may cause the company to think it has done better than it has. |
| Unit sales analysis | Comparison of sales in terms of the number of units sold, or sometimes the number of sales transactions. This is a useful measure of salesforce activities, but should not be taken in isolation; sometimes the figures can be distorted by increased sales of cheaper models. |
| Sales by geographic unit | Sales are broken down regionally so that the firm can tell whether one or two regions are accounting for most of the sales, and whether some less-productive regions are not worth what they cost to service. |
| Sales by product group or brand | This is particularly important for judging the product portfolio (see the BCG matrix in Chapter 6). This serves two purposes: it is possible to identify products that should be dropped from the range, and it is also possible to identify products that are moving into the decline phase of the product life cycle and should therefore be revived. |
| Sales by type of customer | Can reveal, for example, that most effort is being expended on a group of customers who make relatively few purchases. May reveal that the firm's customers tend to be ageing, and may therefore be a declining group in years to come. |

Considerable amounts of information will be needed if the firm is to make effective use of sales analysis to monitor activities. This may involve the firm in

substantial market research expenditure, since market research is the cornerstone of monitoring and evaluation (see Chapter 5).

Evaluating customers is a particularly important exercise in a relationship marketing scenario. Estimating customer equity (the value of the customers) can be complex: it is a combination of deciding on the profitability of the customer (i.e. a comparison between cost of serving the customer and revenue which will result), lifetime value of the customer (how long the relationship is likely to last, coupled with frequency and quantity of purchase), and likely loyalty of the customer (if the customer is likely to defect to a competitor the customer's value will be low). Once calculated, however, customer equity can be used to focus marketing efforts on the most valuable customers.⁶

The other part of the picture is to examine the cost of achieving the goals which have been specified. *Marketing cost analysis* is a set of techniques for breaking down the costs of the firm's activities and associating them with specific marketing objectives. Costs can be broken down (broadly) into:

- **direct costs** such as salespersons' salaries which can be directly attributable to a given activity;
- **traceable common costs** such as costs of advertising that can be traced back to specific products; and
- **non-traceable common costs** such as the cost of PR or corporate advertising that cannot be allocated to any particular product range or brand.

The main problem with marketing cost analysis lies in organising the firm's accounting systems in such a way as to permit analysis. For example, payroll records may not be easily broken down by job function: it may be difficult to sort out which of the administration staff spend most of their time on marketing-related tasks, or even to find out what the pay bill is for the salesforce. Likewise, defining which jobs constitute marketing jobs and which do not also presents problems. Clearly the cost of servicing customers in remote areas is a marketing cost – so should the transportation costs be taken into account as well as the salesforce mileage costs? Also, if a given product is not performing well, should we be looking at the costs of production?

For the dyed-in-the-wool customer-orientated firm these answers are obvious, since all the activities of the firm are regarded as marketing activities. In other firms, not all managers agree with the basic premises on which marketing is based. At the very least, many people find it difficult to translate the theory into practice and to gear the organisation's activities towards a consumer orientation, as seen in Chapter 1.

FEEDBACK SYSTEMS

When a discrepancy appears between the expected performance and the actual performance, the marketing manager will need to take action. This will usually take the following sequence:

- 1 *Determine the reason for the discrepancy.* Was the original plan reasonable? Have the firm's competitors seized the initiative in some way, so that the situation has changed? Is someone at fault?
- 2 *Feed these findings back to the staff concerned.* This can be in the form of a meeting to discuss the situation, or in the form of memos and reports.
- 3 *Develop a plan for correcting the situation.* This will probably involve the co-operation of all the staff concerned.

Feedback should be both frequent and concise, and any criticisms should be constructive; managers should never (for example) go to a sales meeting and offer only criticisms since this sends the salesforce out with negative feelings about themselves and the company.

Marketing strategy and planning is much like any other planning exercise: it relies on good information, a clear idea of where the organisation is going, and regular examination of both outcomes and methods to ensure that the plan is still on target.

CASE STUDY 10: LEGOLAND

Fifty years ago the children's toy market was invaded by a little plastic brick with eight studs on it. The studs enabled the bricks to stick together, and soon millions of children were playing with Lego – the old wooden building bricks that children had played with for centuries were doomed to remain at the bottom of the toy cupboard.

Lego has moved on from strength to strength – the Legoland theme park in Denmark was followed by another one in the UK, at Windsor, to the west of London. Lego's brand was extending beyond its core business – and the man in charge of licensing the Lego brand, Karl Kalcher, had even bigger ideas in store.

In 1999 Kalcher opened the first Lego store in Britain, at the Bluewater shopping complex in Kent, not far from the Channel Tunnel. Kalcher is a champion of innovative thinking in marketing, something which has led to his becoming a Fellow of the UK's Chartered Institute of Marketing. He is famous for saying 'There's no such thing as children. It doesn't mean anything.'

This statement sounds a little odd from a man whose company targets the 0–16 age group, but in fact what he says makes perfect sense: there is a vast difference

between a 3-year-old and a 12-year-old, and even between a 3-year-old and a 5-year-old. Kalcher says that there are only consumers – each with a separate personality and separate needs.

Lego Licensing licenses watches, clothing, the Lego Island CD-ROM, and of course the Legoland theme parks. The Lego group plans to become the leading brand amongst families and children, which means doing a lot more than moulding eight-stud plastic bricks. The Lego store is set to help in this bold ambition. The store is designed to be as user-friendly as possible for its diminutive customers – the store adheres to the ‘Lego values’, and these were referred to throughout the design and construction of the store. Beginning with the store front, Lego decided that the company’s heritage lay in design and construction – so the store front is designed around the colours and proportions of the Lego bricks. Lego is a toy, so the interior of the store is a high-touch environment – customers are actively encouraged to touch things and play with things, but since Lego is also an educational toy, much of what happens in the store is also educational. For example, there is a ‘rocket-race’ game in which children have to memorise a number in order to make the rocket fly. Many of the displays are at children’s eye level, so that children can use the store without adult intervention (until it comes time to pay, of course).

Finally, the Lego store has impressive giant Lego models in the window area, which, according to Lego’s retail boss Paul Denham, creates the ‘wow’ factor. Kalcher believes that, in creating the store, he is setting a standard of innovation that retailers alone would be unable to aspire to. He believes that it is up to the brand owners to invest time and trouble in extending the brand into new areas such as retailing: traditional retailers are, in effect, unable to achieve these standards.

Not unnaturally, retailers in the area objected strongly to the establishment of the Lego store. As long-term Lego stockists, they felt that their loyalty had been betrayed, and they feared that Lego would also undercut them on price. In fact, these fears proved groundless. Kalcher explains why: ‘The Lego store is essentially about creating a superior standard for our brand, in the eyes of the consumer. This will promote the esteem of our products for all retail customers.’ Kalcher could be confident in making this statement – sales were actually boosted in retailers near Lego’s Minneapolis store, and near Legoland Windsor. And as regards price cutting, the Lego stores are stand-alone franchised outlets – they operate under the same constraints as any other retailer, so they have to show a profit, which means no price-cutting.

Lego has come a long way in 50 years, but they have a reputation for quality and for getting it right – so much so that, even before there was any hint of Lego opening a store at Bluewater, the developers had used Legoland Windsor as a benchmark for designing the entire shopping centre. Lego now have 80% of the world’s construction toy market, and expect to build even further successes around the other elements of the brand.

Questions

- 1 What is Lego doing that most of its competitors are not doing?
- 2 Which of Porter's three generic strategies is Lego pursuing?
- 3 What distribution channel strategy is Lego pursuing?
- 4 What growth strategy is available for Lego?
- 5 How might Lego evaluate its customers?

SUMMARY

This chapter has been about the ways in which marketers assemble the elements of marketing into a coherent whole.

Planning is not necessarily a tidy process; there will be many iterations of the plan, and much discussion. The difficulties of foretelling the future, and of anticipating competitor response, will always militate against a perfect planning scheme, yet the evidence is that companies that plan effectively tend to be more successful than those that do not: if we don't know where we are going, then any road will do to take us there.

Here are the key points from the chapter:

- Marketing is harder than not marketing, but it works better.
- The marketing audit will tell us where we are now; we need to know this to plan our route to where we want to be.
- Objectives are the route map to where we are going as a company.
- When considering tactics, be creative. Success in marketing lies in doing something the competitors are not doing.
- Feedback is essential if the plan is to remain on course.
- Plans need to be sufficiently flexible to allow for the unexpected.



CHAPTER QUESTIONS

- 1 What is the difference between strategy and tactics?
- 2 Who should be consulted when setting objectives?
- 3 Describe three main methods of sales analysis.
- 4 What is the purpose of integrating marketing tactics?
- 5 What organisational structures might a multinational computer manufacturer (e.g. IBM) use?



MULTI-CHOICE QUESTIONS

- 1 Taking control of suppliers is an example of:
 - (A) Backward integration.
 - (B) Forward integration.
 - (C) Horizontal integration.
- 2 Introducing new products to existing markets is an example of:
 - (A) Concentric diversification.
 - (B) Horizontal diversification.
 - (C) Conglomerate diversification
- 3 What is the marketing audit?
 - (A) An examination of the costs and expenditures involved in marketing.
 - (B) A 'snapshot' of the firm's current marketing activities.
 - (C) A check on the cost-effectiveness of the firm's marketing expenditure.
- 4 The objective and task method of budgeting involves:
 - (A) Finding out what the competitors' objectives are and deciding what tasks they will be carrying out.
 - (B) Determining our own objectives and deciding what tasks we need to carry out.
 - (C) Determining what the consumer's objectives are, and deciding what tasks we need to carry out to meet those objectives.
- 5 A strategy that focuses on keeping costs low is called:
 - (A) A focus strategy.
 - (B) A cost leadership strategy.
 - (C) A differentiated strategy.

- 6 An organisation structure where managers take responsibility for groups of customers is called a:
- (A) Product structure.
 - (B) Segmental structure.
 - (C) Matrix structure.
- 7 A pull strategy focuses on:
- (A) Promoting heavily to members of the distribution chain.
 - (B) Promoting heavily to retailers only.
 - (C) Promoting heavily to final consumers.
- 8 Salespersons' salaries are an example of:
- (A) Non-traceable common costs.
 - (B) Direct costs.
 - (C) Traceable common costs.
- 9 Persuading customers that a brand will meet a need is called:
- (A) Brand awareness promotion.
 - (B) Category need promotion.
 - (C) Brand purchase intention promotion.
- 10 An organisation structure in which leadership changes according to task is called:
- (A) A bureaucratic structure.
 - (B) A mechanistic structure.
 - (C) An organismic structure.



FURTHER READING

A somewhat elderly, but very readable, text on competition and competitive strategy is Michael Porter's *Competitive Advantage* (New York, The Free Press, 1985).

Marketing Management, Analysis, Planning and Control, 10th edn, by Philip Kotler (Upper Saddle River, NJ, Prentice Hall, 1999). The original American marketing guru, Kotler still provides a strong framework for management decision-making.

Marketing Plans by Malcolm McDonald (Oxford, Heinemann, 1989) gives a practically orientated approach to planning.

Exploring Corporate Strategy by Gerry Johnson and Kevan Scholes, 5th edn (Harlow, Prentice Hall Europe, 1999) gives a readable overview of corporate planning.

GLOSSARY

Backward integration Taking control of suppliers.

Concentric diversification Developing new products for new markets, but with production synergies with the present range.

Conglomerate diversification The introduction of new products unrelated to the firm's existing technology.

Corporate objectives The ultimate goals that the corporate management hope to achieve.

Cost leadership The maintenance of a competitive edge by means of keeping costs low.

Differentiation Distinguishing the firm and its products from all competitors.

Direct costs Expenses attributable solely to a particular product.

Focus The degree to which the firm is concentrating on a specific segment or segments of the market.

Forward integration Taking control of customers.

Functional organisation Organising the marketing responsibilities according to the function of the staff concerned.

Horizontal diversification Introducing new products (unrelated to the current range) to existing markets.

Horizontal integration Taking control of competitors.

Market development Increasing sales of current products in new markets.

Marketing audit A systematic assessment of the organisation's current marketing activities in order to inform the planning process.

Marketing cost analysis Examination of the costs of getting business in.

Mechanistic (bureaucratic) organisation An organisation in which leadership is chosen according to qualifications and experience, regardless of the current tasks facing the organisation.

Non-traceable common costs Expenses incurred across a range of products that cannot be allocated to any specific product.

Organismic organisation An organisation where the leadership devolves to the individual with the most appropriate expertise for the task facing the organisation.

Product development Improving the present products or adding new products to current markets.

Regional organisation Giving responsibility for all marketing tasks to the regional management.

Sales analysis Examination of the sources of income the company has.

Segmental organisation Giving responsibility for marketing tasks to individuals who deal with specific segments of the market.

Strategy The overall direction in which the organisation is heading.

Tactics The methods by which an organisation achieves its strategic objectives.

Traceable common costs Expenses that are incurred across a range of products, but that can be allocated to specific products.



REFERENCES

1. Band, William A.: 'A marketing audit provides an opportunity for improvement', *Sales and Marketing Management in Canada* (March 1984), pp. 24–6.
2. Kotler, Philip: *Marketing Management*, 11th edn (Pearson Education Inc., Upper Saddle River, NJ, 2003).
3. Weinberg, R.: 'Developing marketing strategies for short term profits and long term growth', paper presented at the Advanced Management Research Inc. Seminar, New York (1969).
4. Porter, M.E.: *Competitive Strategy: Techniques for Analysing Industries and Competitors* (New York, Free Press, 1980).
5. Desmond, John: 'An evaluation of organizational control strategies for relationship marketing', *Journal of Marketing* **20** (1) (February 2004), pp. 209–37.
6. Rust, Roland T., Lemon, Katherine N. and Zeithaml, Valeria A.: 'Return on marketing: using customer equity to focus marketing strength', *Journal of Marketing*, **68** (1) (January 2004), pp. 109–17.