

# MARKETING PLAN

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Businesses operating in market conditions can have positive or negative results. The reason for failure can be the assertion of short-term goals to the detriment of long-term, emphasising short-term performance and profit, regardless of market development, meaning thereby the non-existence of a marketing plan. A quality marketing plan is the basic prerequisite for efficient marketing, ensuring the integration of all marketing activities and assisting in the creation of favourable conditions for succeeding in the marketplace.

The need for effective planning in services has long been clear. In 1975 Chisnal<sup>1</sup> pointed to the growth of the services sector and emphasised that it is necessary to devote greater attention to measuring inputs and outputs, as well as an evaluation of the efficiency of resources. He underlined the significance of certain marketing methods for improving the firm, as well as marketing research, strategic planning and marketing management. At the same time he mentioned that in services an unwillingness to develop or constructive and market oriented approach towards a marketing plan is common.

Berkowitz<sup>2</sup> defines the marketing plan as a written declaration identifying target markets, specifying the marketing objectives by individual products, grouping earnings and profits according to strategic business units, containing scheduling and budget elements of the marketing mix, which together create the marketing programme.

The planning process in general includes three steps: a) a situation analysis (where are we, where are we headed), b) objectives setting (where are we and where do we want to be) and c) the specification of marketing activities (the allocation of marketing resources for achieving set objectives). An important element is also the identification of market opportunity according to new markets and according to new products.

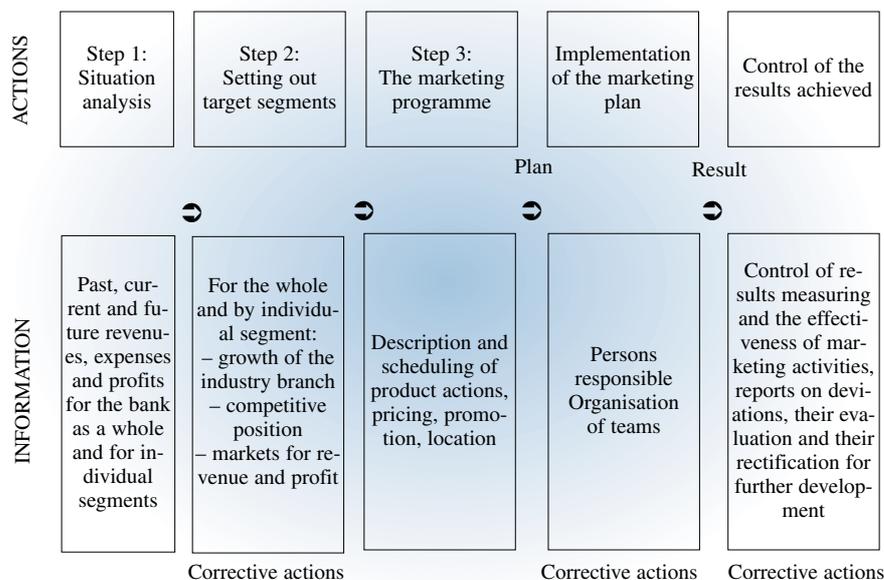
The marketing plan is the component of the business plan. The yearly plan concerns marketing objectives and strategies for a product, product range, development of the bank for one year, while the long-term marketing plan concerns a period of two to five years.

The creation of the marketing plan is understated as a strategic process, where this is based on information and activities. The result is the marketing plan, which is realised and monitored in connection with the results achieved.

## Step no. 1: Situation Analysis

In order to assess where the bank is at present, detailed information concerning both the past state, as well as pre-

The Strategic Marketing Process, Actions and Information<sup>3</sup>



sent state is necessary. Costs, revenues and profits achieved are analysed over time for the longer-term period. It is best to compare the development of our own bank with the most influential competitor. It is also suitable to analyse the development of comparable products with those of the competition. An analysis of the results achieved is performed for the bank as a whole, or also according to individual market segments (for example by age group). A detailed analysis of the results achieved helps in setting

<sup>1</sup>P. Chisnal: Marketing planning in a service economy, Long Range Planning, Dec. 1975, pgs. 43 – 52.

<sup>2</sup>Berkowitz, Kerin, Rudelius: Marketing, IRWIN, Homewood, Boston 1989, pg. 46.

<sup>3</sup>Berkowitz, detto, page 524.



realistic marketing objectives, which represents the second stage of planning. Further information is necessary for elaborating marketing implementation, so that it is possible to adopt corrective measures in the control phase.

## Step no. 2: Setting out Target Segments

Marketing objectives have to be in accordance with business objectives and must be defined as precisely as possible (volume and time schedule, for example ensuring growth of medium and long-term primary deposits by the end of the period by 15 per cent). The most appropriate method in determining specific objectives is through the co-operation of top management with managers at a lower level, who know the market situation and operate directly in it.

Peter Drucker<sup>4</sup> identified the following fields for objectives setting:

1. Market position
  - market share in the total sales according to individual products and market segments,
  - level of service for the customer,
2. Availability of services,
3. Innovation: new services necessary for achieving the market objectives,
4. Productivity of employee and capital,
5. Physical and financial resources:
  - buildings, equipment, processes and technology,
  - capital,
  - profit:
    - necessary for the reproduction of capital,
    - for innovation and further growth,
    - as business remuneration for the risk undertaken and for attracting new capital,
6. performances of managers and their improvement,
7. performance and approaches of employees
8. public responsibility.

Marketing objectives usually have the form of expected results in specific market segments and also for the market as a whole. According to McDonald they cover these fields: volume of sales, market share, profit, customer objectives and marketing expenses.

The highest strategic objectives do not have to be quantified and may be formulated as common and enduring, flowing from the mission statement. Strategic aims should be supplemented through a system of specific, quantified and time limited objectives. The mission and objectives are mutually interconnected. In respect of each point of the mission there should be assigned a business objective. Top management are responsible for the mission statement and objectives.

Banks must consider how they will manage individual productivity for achieving their objectives. It is necessary to ensure balance in the growth of earnings, the cash flow and the risk. With a growth or decline in the range of services and with a change in the market the overall nature of the bu-

ness portfolio changes. Various portfolio models serve for solving this question, and which have the form of matrices and depict the external and internal business environment. For an estimate of the attractiveness for individual strategic units we can use<sup>5</sup> the growth share or matrix created by the Boston Consulting Group, which gives precedence to the flow of incomes over other criteria. Among the most known multi-factor models are also the portfolio matrices of the firm McKinsey and Shell, often known as the matrices of market attractiveness and business strengths. Another model is the General Electric model, which works with the factors market attractiveness and the competitive position of the bank. In this model the attractiveness of the market influences the size and speed of market growth, competitive behaviour, gross profit achieved and sensitivity to economic fluctuations. The competitive position of the firm is expressed by the share of the bank in their overall market, customer loyalty, and the nature of the distribution system and the level of expenses. An evaluation of the portfolio helps managers to set objectives and strategy which are in accordance with the possibilities and abilities of the business.

These approaches however have their limitations. One of their greatest weaknesses is the difficulty of defining other boundaries of the business activities and the general assumption that the market share always has a positive correlation with the return on investments - thereby ignoring the fact that also small business subjects operating in a gap in the market can achieve high a rate of return on investments. Portfolio models are of great benefit for planning for the marketing strategy, though only where all risks are known.

## Step no. 3: Marketing Programme

The aim of marketing programmes is to ensure that the practical realisation of the marketing strategies adopted. This includes a delegation of rights and responsibilities of individual employees, as well as the distribution of available financial resources.

Marketing programmes, like marketing objectives and strategies should fulfil certain requirements. Each programme must clearly define the resources, as well as the time schedule. Before actually realising a programme it is necessary to set out a detailed marketing budget including expenses and the deployment of resources. The budget is created similarly as in the case of an advertisement either through an annual increase/decrease or through the more appropriate method – according to first chosen objectives.

The role of the marketing programme is to prioritise marketing activities, dividing these into important marketing activities, partial steps and tactical tasks. Part of this is also the preparation of time plans stipulating the limits for fulfilling key tasks. It may also be evaluated at regular meetings, for example as part of the monthly cycle.

<sup>4</sup> P. Drucker, *The Practice of Management*, Harper and Row 1957.

<sup>5</sup> For an estimate we can use also multi-factor analysis – for further details see author's article in *BIATEC*, 6/1997.

**A marketing plan requires:**

- a good level of internal and external communication between all subjects involved in the process of implementing the marketing plan,
- Precise market research determining customer needs and the quality of services in comparison with the competition,
- Internal marketing for the support of external marketing activities.

A useful aid for ascertaining differences between the actual and the target state is discrepancy analysis. This is a measure of the success of a marketing plan in ensuring the desired business objectives. It is most often used in the case of revenues and profitability, but also can serve for the evaluation of other variables, for example the return on investments etc.

Marketing strategies comprise three elements: means (tools), time and plans and resources necessary for successfully achieving the objectives. The marketing mix is comprised of service, price, service availability, promotion, the human factor, processes and customer service.

In an estimate of the expected results it is necessary to analyse whether the chosen strategy is bringing the expected results. If not, it is necessary to modify the strategy in order to suit our requirements. A useful aid in estimating results are preliminary statements of expected revenues, which forecast the amount of operating costs, as well as the level of demand. The estimate of demand can be imprecise, for example a deviation from the rate of application in implementing new products, therefore two variants are recommended - an optimistic and a pessimistic. Various methods of probability that are used for the estimate – for example extrapolation, regression analysis, a survey of the opinions of managing employees, a marketing test of customer reaction etc.

**Assessment of alternative marketing mixes**

The idea of assessing alternative mixes is to find the most appropriate marketing strategy prior to beginning implementation of the plan. In the assessment various analytical approaches can be used or simple methods on the basis of trial and error.

The next step is setting alternative, or back-up plans. Since we cannot elaborate an alternative plan for every case, we should evaluate the influence of various groups of assumptions and find areas of greatest risk.

**Malcolm McDonald's model marketing plan<sup>6</sup>**

This is used both in services as well as production firms. It emphasises strategic orientation - a preference for a three-year marketing plan over an annual tactical.

- Planning phases according to McDonald:
- Strategic context,

- Evaluation of conditions, formulation of marketing strategy,
- Resource allocation
- Monitoring, evaluation and control.

**Strategic context**

This includes two strategic tasks: setting the mission and setting out business aims. The task of defining the mission is to familiarise all subjects involved with the clear objective and direction of the business. It is the instrument for coordinating all activities in the bank in achieving common aims and in asserting an integrated philosophy. Its actual significance depends on the level to which all, especially internal – subjects involved are bound by it.

**Evaluation of conditions**

This part is composed of three phases: 1. marketing audit, 2. situation analysis and 3. identification of key requirements in the marketing plan.

- The aim of the marketing audit is to gather together all data important for assessing the level of success in target market segments. Payne depicts the marketing audit by several sub-systems<sup>7</sup>.

- **SWOT analysis (strengths, weaknesses, opportunities and threats)** helps in strategic decisions concerning market segments<sup>8</sup>:

**The marketing audit**



<sup>6</sup>M. McDonald, Marketing Plans: How to prepare them, how to use them, Butterworth-Heinemann, Oxford 1989.

<sup>7</sup>A. Payne: The Essence of Services Marketing, Prentice Hall International Ltd. 1993, page 194



- To identify potential opportunities, to gain new customers or new markets,
- To highlight potential economies of scale as the result of entry to new markets or offering new productions,
- Points to potential losses or so-called product cannibalisation (for example in the field of short-term deposits clients use to a large extent certificates instead of deposit books).

Setting out marketing objectives is the second step of plan. A detailed analysis of the current state helps in setting out realistic marketing objectives. A situation analysis is performed similarly as in the case of Berkowitz.

- As regards the identification of key requirements in the marketing plan, or critical factors as to the success or of the marketing strategy, factors are researched either as a whole, or from the aspect of their relations to each market segment. We can classify individual factors by various groups, such as the influence of economic factors, the rate of inflation etc.

### Formulating marketing strategy

The quality of target plans depends on the marketing strategy formulated. Marketing objectives and strategies define the amount of profit, revenues and market shares important from the aspect of fulfilling the mission and defining the choice of marketing mix for achieving objectives in individual market segments. The marketing strategy is elaborated at various levels:

Level 1. – setting common marketing objectives: defining long-term profitability and the strategic aims of the bank, which are expectations, strengthening the communication and motivation of marketing employees.

Level 2. – setting objectives for key business areas, which are more specific and have a connection to business functions.

Level 3. – setting sectional objectives, or which help in achieving common business aims.

Marketing objectives are common statements, whereby the marketing strategy is specific and lays down specific measures.

Marketing strategic objectives in the field of the market will concern:

- Current users – the marketing strategy has two key roles: to maintain current customers and to strengthen through mutual co-operation the stimulation towards more frequent purchases,
- New users – the marketing strategy has as its role to address new customers and to evoke a positive response, or repeat purchase, which leads to in longer-term co-operation.

### Allocation of resources and monitoring

This phase of the marketing planning process according to McDonald includes two fields: marketing programmes and monitoring, control, evaluation of the fulfilment of the

<sup>8</sup>for more details see author's article, BIATEC 1/1998, pg. 19 – 21.

marketing plan. In most cases there is drawn up a three-year strategic plan and annual action plan.

### Monitoring, control and evaluation

As results from Kotler's research in 75 firms operating in the services fields, many of the control systems are inadequate. From the study it results that<sup>9</sup>:

1. Smaller businesses have in comparison with larger businesses control and management process of lower quality.
2. Only fewer than half of all firms know the profitability of individual products. One third do not have any system set for evaluating, or identifying weak products and services.
3. At least half of all businesses do not make a breakdown of costs, an evaluation of advertising, comparison of prices which are the prices of the competition and do not write reports on business negotiations.
4. In many businesses there are documents for assessment delivered following a large delay of 4 to 8 weeks and are often imprecise.

Berkowitz cites as the most frequent reasons for failure of the marketing plan as<sup>10</sup>:

1. Not taking account of external factors,
2. Not monitoring client needs – motivation merely on the basis of economic challenges there has not have to mean a benefit for the bank,
3. Over-extension of the marketing plan,
4. Non-familiarisation of each employee with the marketing plan. It is not only the elaborator who is responsible for fulfilling the marketing plan, but also all who have shared in its creation.

### Use of the marketing plan in practice in Great Britain

Hooley surveyed a sample of 529 firms in services in Great Britain, where up to 43% confirmed that they have an annual as well as long-term marketing plan. However as was later shown, there results were embellished and the reality was much less favourable<sup>11</sup>. These firms never carried out a formal evaluation of their marketing plans.

Greenley<sup>12</sup> surveyed practical marketing plan in 50 British firms operating in the services field – banking, insurance, transport, consultancy, research etc. He compared the content of their marketing plans with a sample marketing plan from professional literature. Despite the fact that 62% of the sample confirmed that they elaborated a marketing plan, only 12% of the plans contained the necessary requirements. There still exist a range of problems and bar-

<sup>9</sup>Kotler: Marketing Management, Prentice Hall, Englewood Cliffs 1991, pg. 709.

<sup>10</sup>Berkowitz, page 537.

<sup>11</sup>G. J. Hooley, C. J. West and J. E. Lyme: Marketing in the UK. A study of current practice and performance, Institute of Marketing, Cokham, Berks. 1984

<sup>12</sup>G. Greenley: An overview of marketing planning in UK service companies. Marketing Intelligence and Planning, vol. 1, no. 3, 1983, pgs. 55 – 68.

riers, which prevent further development and implementation of marketing planning. Among these facts are<sup>13</sup>:

1. The discord between tactics and strategy.
2. Isolation of marketing functions from other business activities.
3. Discord between the marketing function and the marketing concept.
4. All organisational barriers
5. A lack of in-depth analysis.
6. A discord between process and output.
7. A lack of skills and responsibilities.
8. A largely unsystematic approach to marketing planning.
9. Insufficient prioritisation of objectives.
10. A hostile business culture.

Many of these barriers (in particular points 2, 3, 4 and 10) relate to the need for a marketing oriented business culture. We consider primarily two factors as critical from the aspect of successfully implementing marketing in services: development of a comprehensive and integrated marketing plan and the development of a marketing- and market-orientation of the firm.

For fulfilling a short-term objectives there is proposed a cycle of activities, connecting business objectives with the performance of individuals. These are connected by objectives, through an evaluation of the employee's performance and through staff training<sup>14</sup>.

1. The aims of individuals and groups are connected with the aims of the business. The basic aspect of the performance of the management are those processes that translate bank-wide objectives into the objectives and competences of individuals or groups. These processes are important, since decentralisation gives managers and employees more rights and responsibilities as whole.

2. Other performances achieved and their evaluation reflect business objectives. The significance is expressed in the rights of individuals and groups; they serve as the basis of control as well as the means for ascertaining how a given section is contributing to achieving the overall business objective. Emphasis needs to be placed on all aspects of the business strategy, not merely on financial objectives.

3. Individuals and groups are rewarded for favouring fulfilment of the business objective. If the process of remuneration is firmly interconnected with business strategy, it can be expected that these processes will strengthen those forms of behaviour that are essential for accentuating business strategy (for example long-term versus short-term, focus on customers as opposed to financial results). Dissemination of information must be sufficient in order to support hard work and be mediated to the employee in such a way that he/she will accept the given system and believe in the measures of the results achieved.

<sup>13</sup>M. McDonald: Ten barriers to marketing planning. *Journal of Marketing Management*, vol. 5, no. 1, 1989, pgs. 1 – 18.

<sup>14</sup>Financial Times Mastering Management Services with Wharton, London Business School and IMD.

4. Training and education strengthens and supports business objectives. A key aspect to the fulfilment of short-term business objectives is the ability of the organisation to develop the abilities, skills and knowledge necessary for achieving the objectives. This is cardinaly important, because technological changes require a completely new set of skills. Emphasis is laid on understanding the required skills and knowledge, for an analysis of needs for training and education of individuals and groups and for proposing and ensuring such education and training.

5. Already in the Sixties market leaders realised that the ability to react quickly to changing needs depended partly on the ability of the management to visualise and create a mental picture of the future, enabling long-term planning. At the highest level of strategic integration there should be expected the interconnection of functional managerial teams discussing various variants of the future – on the potential structure of the company (key positions, process interconnections, co-operation in the framework of the whole organisation), on the culture (standards, key forms of behaviour) on top level management (experience, knowledge), on people (experience, and editions, types of motivation, age, skills) and on the support of human resources processes (selection, remuneration, further development).

6. Long-term monitoring of the fulfilment of objectives is carried out. Changing processes are proposed so that people understand the consequences of long-term business strategies. The scale of control processes is well known and includes an analysis of trends and environment monitoring (back for example demographic, socio-cultural, political and legal), enabling the identification of issues requiring attention.

7. Transforming individuals with high potential means the creation of conditions for their further development.

8. Attention is given to high potential groups of employees, prospective cadres for top management, as well as key employees, where these can for example be among front line employees. Despite the fact that many of these shall not reach top-level management, their motivation and allegiance can be crucially important for securing the long-term success of the bank as a whole.

## Conclusion

From the above it results that the marketing plan is becoming an important aid and tool for asserting the bank in the marketplace. It contains information necessary for managing and making well-grounded decisions. Its advantage is its comprehensiveness, therefore it is essential that all employees get acquainted with it. Every employee must recognise that as long as the bank as a whole prospers and that employees have the same objectives and through joint efforts achieve good results, this in the end will mean certainty in life also for employees.