

Notes to accompany strategic marketing plan template (Appendix 4)

Executive summary (page 2)

An executive summary is the last thing for you to write — but the first page to be presented in the strategic marketing plan. It is a précis or an outline of the entire report. It serves two basic purposes. First, it provides essential information for those who might not have the time or inclination to wade through the entire document. Thus the executive summary, like a headline in a press advertisement, plays an essential role in attracting the interest of the reader. Enough, it is hoped, to encourage him or her to want to delve further into the full body of the report. Second, it emphasises, to those who have read it, the most essential points that need to be remembered — or be revisited for further scrutiny.

Care must be taken to ensure the executive summary is a short, sharp snapshot of the entire strategic marketing plan. The writing of the executive summary is not an easy task, as it requires considerable discipline to condense a large body of information down to what should be no more than one to two pages — or around 250–300 words maximum. An important principle to bear in mind is that the executive summary must not contain any material that is not in the main body of the report. It should also follow the structure of the full report.

An executive summary should include a statement of the business definition, an overview of the most important external environmental factors likely to impact on the planning unit, critical success factors, the organisation's capabilities to overcome these threats or take advantage of the opportunities, marketing objectives, business competitive positioning strategies, marketing mix strategies and budget recommendations.

The most common mistakes found in executive summaries are:

- They are written as if they are an introductory section rather than as a summary statement.
- They do not contain essential information or do not place sufficient emphasis on it.
- They are too long.
- Essential information such marketing objectives or budget information is missing.

Introduction (page 5)

An introductory section should be succinct and straight to the point. It should introduce the reader to the purpose of the strategic marketing plan, the background of the organisation and/or the strategic planning unit that has developed the recommendations. It may also contain other information that clarifies any questions a reader might have as to why the document was written, what it was trying to achieve and the environmental context in which it was written.

A well – written introductory section range could be presented in as little as one page or, if there is a lot of important background information, three to five pages. More than this may test the patience of the reader.

Situation analysis

Business definition and scope (page 5)

As a general rule, the business definition and scope section can be reasonably stated in one to three pages depending on the complexity of the markets served, the product lines serving those markets and the number of competitors and their product lines. The important point to note is that business definition and scope is a precise specification of the business domain of the strategic planning unit. It is essential that it be accompanied with a supporting statement presenting the arguments as to why this specification is appropriate. Refer to Chapter 3, pp. 51–8, for a discussion of the components of business definition and scope.

Mission statement (page 5)

Insert the company mission statement here followed by a SBU mission statement if there is one. Also insert any separate vision statements. Conclude with a brief statement of what this means in terms of establishing parameters of the product and market scope for the strategic marketing plan.

Product definition (page 5)

As an alternative to providing separate data for the industry level and for each product category (as suggested in the template) a pie chart or a flow chart could be inserted. This chart should show the current percentage share for each product category and the assumed share for each product category at the end of the planning period. It is of critical importance that emerging and declining product categories are identified. Refer to Chapter 3, p. 56, Figure 3.2 for an example of a product definition for the hair care product market.

Product categories (page 5)

List the product categories to be targeted in column one, and the products/brands that will service each of these product categories in column two. A market – wide competitor will target most, if not all, product categories; whereas, a niche competitor will focus on one product category.

Competitors table (page 5)

List the main competitors (column one) and products/brands they compete with in each of the product categories targeted in this SMP (column two). If there are numerous competitors, confine this to the main direct competitors.

The market (page 6)

State the demographic, socio – economic and relevant psychographic or lifestyle characteristics of the primary target markets. Define this broadly to encompass all product categories that are to be targeted.

Scope (page 6)

Simply state the geographic domain, the timeline and the product line or brands that are to be addressed in the strategic marketing plan. For example, 'This strategic marketing plan covers the marketing strategies for the XYZ product line in Australia for the three – year period 01 January 2004 to 31 December 2006'.

Note: A strategic marketing plan should be developed for a specific market context, such as for an individual country or a region or state within a particular country. Extending a strategic marketing plan beyond a local or domestic market is difficult as different environmental factors are involved. For example, different economic, social, political and legal conditions may exist. Additionally, different market conditions such as market size and the nature and intensity of competition can vary considerably from one country to another.

External environment — remote environment

Economic forces: scenario (page 7)

The major economic indicators to consider are: Gross Domestic Product (GDP), the local and the global business cycle trends (which range from depression to recession to recovery to prosperity), the inflationary or deflationary trends, monetary policies, interest rates, credit availability, foreign currency rates, government policies such as tax – for – firms and individuals, balance of payments, foreign investment, saving rates and the levels of employment and unemployment.

Economic trends need to be analysed in terms of the immediate or short – term impact through to the longer – term timeframe of the strategic marketing plan. The purpose is to address those environmental forces that are likely to impact on the industry or market, the organisation and its competitors, and most importantly, its customers (as identified in the business definition and scope). The emphasis should be towards the impact the economic forces will have (in all probability) on the lives of individuals, who are the target markets.

Economic forces: implications (page 7)

Implications should be presented in a tabular format that not only identifies each opportunity and each threat (as discussed in the above scenario section) but also provides an assessment of its significance and the probability of it occurring within the timeframe of the strategic marketing plan. A double – digit five – point rating scale such as that shown below is useful for this purpose. For example, an assessment of 5–5 indicates that a specific opportunity or threat is highly significant and likely to occur. On the other hand, an assessment of 1–1 shows that the opportunity or threat is not very significant and has a low probability of occurring. This type of assessment has the advantage of enabling the analyst to be able to sort out the 'wheat from the chaff'.

Socio – cultural forces (page 8)

This review combines three elements that are concerned with people and behaviour – demographic, sociological and cultural. They have been grouped together because of the logical fit, but in some circumstances it may be preferable to treat each factor as a separate item.

The main objective of the review of socio – cultural trends is to determine the significance of population and sociological changes on the nature of the planning units'

customers and their purchase behaviour. This should include analysis of changing demographic patterns and changing social values, attitudes and lifestyles that are impacting or are likely to impact on the markets that are targeted or have the potential to be targeted by the planning unit. These market segments should have been defined in the Business Definition and Scope section of the strategic marketing plan.

Key trends to consider include: population (size and growth rates), age and gender structure, family structure, levels of income and education and various breakdowns of occupation (type of work, full time and part time, working women), ethnicity and geographic location. In addition to this demographic type of information changing societal values and attitudes need to be determined. Of particular importance is the identification of emerging trends including those long – term trends that are likely to ‘come of age’ during the timeframe of the strategic marketing plan, such as, for example, baby boomers (people born between 1945 and 1961) reaching the ‘empty nest’ stage of life during the planning timeframe.

For business – to – business (B2B) marketers, the review of socio – cultural trends may take into account the above consumer trends for their end markets. For example, a supplier of components for the automotive industry would need to consider the impact that consumer trends may have on the level and type of automotive sales. B2B marketers should also review their customer profile under this section (perhaps using a more appropriate heading) considering such factors as the number, size and type of customers and their location and distribution. The review should also include any significant business cultural influences that may exist in the organisation’s industry. For example, the entry of multinational companies into an Australian market may lead to a greater level of sophistication in the industry or different ways of conducting business.

Political or legal forces (page 9)

The major concern here is to determine whether there is any proposed legislation or other regulatory processes that are likely to impact on the industry (that the organisation competes in) within the timeframe of the strategic marketing plan. Legislation may be imposed at federal, state or local government level, and various government instrumentalities such as the Australian Consumer and Competition Commission (ACCC). It is necessary to monitor the policies of political parties (particularly the main parties) and the various regulatory agencies and instrumentalities.

Technical forces (page 10)

Technological changes can occur fairly quickly and impact consumer and B2B markets significantly. The dramatic changes resulting from personal computer use have impacted upon business practices. The increasing rate of technological change has shortened the length of product life cycles and raised the overall tempo of business. An organisation must anticipate technological change that may impact upon the whole value chain from supply through production or operations to the end customer. Therefore, innovativeness and flexibility is often a most significant requirement for a strategic response to technological change.

Natural environmental forces (page 11)

The natural environment can impact upon the availability and quality of raw materials supply, energy supply and cost (for example, water, electricity or gas restrictions), and government policies concerning such factors as pollution, recycling and genetically modified food products. Weather conditions, for example, can significantly impact upon

demand in many industries. Extreme summer or winter conditions or unfavourable weather conditions can affect consumer markets such as ice cream, and clothing. Agricultural production is vulnerable to weather conditions and supply shortages or excesses are a common problem for this industry.

External environment – Near environment (page 12)

The objective of this analysis is to determine the market trends in terms of total market and market segment growth and the level of market attractiveness. To do this, prepare a product life-cycle chart showing the size of the total market for each of the main product categories within the total market for the last five years or more. Prepare this in terms of both dollar value and volume. In analysing the data, review the annual growth rate. Then project the size of the market and each product category for the next 3–5 years (the timeframe of the SMP). Refer to Chapter 3, pp. 64–8, for further information concerning market forecasting techniques.

You could also draw on Porter's 14 potential driving forces of a market (Box 3.1, pp. 65-6) as an aid for determining changes that might occur over the next few years. An additional analysis that can be done is to determine the attractiveness of the market. Prepare a Porter's five-forces model (pp. 67–8) to analyse the attractiveness of the market for the current period. Most importantly, draw on this information to reach a conclusion about the degree of attractiveness or unattractiveness. Repeat this analysis for the end of the SMP planning period to determine changes in the level of market attractiveness/unattractiveness.

Note: It is not always necessary to show the five-forces model. The essential point is to draw on the analysis and to state your assumptions about the level of market attractiveness/unattractiveness.

Competitive review (page 13)

Prepare a summary review of each of the main competitors. This could be in the form of a table taking into account the nine factors described in Chapter 3, pp. 68-70, or a paragraph or two discussing each of these factors. The main objective is to determine whether the competitive situation as a whole (or individual competitors) provide opportunities or threats to our organisation.

Distribution channels and buyers (page 14)

This review should include:

- An analysis of the distribution structure (the number and type of distributors serving the total market including a breakdown of sales by the various intermediary types).
- Historical trends in the distribution channels including a scenario of future developments.
- The key players in the distribution chain.
- The power base of the buyers.
- Trends concerning physical distribution (transportation and warehousing technology) should also be reviewed.

Most importantly, the review should include information concerning the wants and needs of the intermediaries in particular the margins applied by the various

intermediaries, promotional requirements, policies concerning new line fees, stock delivery and inventory management requirements.

End – user customers (page 15)

In previous sections of the Situation Analysis (namely the business definition and scope and the market review sections) the various market segments within the total market were identified. In this section information is required about the *people* who comprise those market segments. That is, customer buyer behaviour, including such issues as:

- Who are the buyers (or potential buyers)?
- Who is involved in the purchase decision – process (initiators, influencers, decision makers, buyers and users)?
- What do they buy?
- Why and how do they buy (that is, the complexity of the purchasing process and the degree of involvement in the purchasing process)?
- Where do they buy?
- What trends are emerging regarding buyer behaviour?
- How do current customers and prospective customers rate each of the competitors in regard to product quality, price, availability, reputation and customer service?

This review needs to go beyond mere demographic information to provide socio – economic, lifestyle and psychographic profiles of the key market segments. For business – to – business marketers, end – user customers are organisations and individuals in those organisations involved in the purchase process.

Supply (page 16)

The issue of industry – level supply is of interest to strategic marketing planners if there is a likelihood of supply shortage or excess industry capacity. Supply shortages can occur in industries such as food processing, where crop failure or an outbreak of disease might adversely impact on individual competitors or the entire industry. A first – mover in an industry might also tie up supply as a means of creating entry barriers or at least to secure a major competitive advantage. In some industries, usually where there is intense competitive rivalry, even a slight amount of excess capacity can trigger price warfare and a corresponding reduction of profitability for all competitors.

Critical success factors (page 17)

Identify three to five CSFs and provide a brief rationale supporting your argument as to why each factor is so important. A short paragraph should be sufficient to present an argument for each factor. Refer to Chapter 3, pp. 72 —3, for further information.

Summary of opportunities (page 18)

Prepare a matrix format placing opportunities according to their ratings. Those opportunities in the top left – hand quadrant (which are highly significant and have a high probability of occurrence) will be highlighted and taken up in the marketing strategy development phase of planning.

Summary of threats (page 18)

Prepare a matrix format placing threats according to their ratings. Those threats in the top left – hand quadrant (which are highly significant and have a high probability of

occurrence) will be highlighted and taken up in the marketing strategy development phase of planning.

Situation analysis — internal capabilities (page 19)

The objective of this stage of the Situation Analysis is to determine the organisation's capabilities, *vis-à-vis* its competitors and being able to compete successfully in each of its chosen product – market segments. That is, how well the planning unit is placed to meet existing and future challenges (which were highlighted in the analysis of the external environment). What are the planning unit's capabilities in regard to the CSFs identified in the preceding step?

Care must be exercised in the writing of the internal capabilities review to avoid information overload. Try to summarise key or top – line points for each area of the review, presenting detailed information in an appendix or accompanying document.

Non-marketing capabilities (page 19)

The first part of the review of marketing capabilities is to determine the extent to which marketing decision – making and implementation is practiced throughout the organisation. That is, how efficient is the marketing operation within the organisation? This review includes analysis of the organisation's marketing management capabilities covering such areas as marketing organisation, market intelligence generation and dissemination, marketing planning, and marketing control. Refer to Chapter 3, pp. 74–7, for further information.

Marketing capabilities — Management (page 20)

The second part of the review of marketing capabilities is to analyse the organisation's marketing strategies and past performance. This involves a review of the effectiveness of the marketing mix strategies and their fit with the overall competitive positioning strategy. It also involves an assessment of how well the organisation has performed in the marketplace (how well have the marketing objectives been met and how successful has the organisation been in responding to shifting customer needs and the emergence of new market segments?). Refer to Chapter 3, pp. 77—80, for further information.

Marketing capabilities — Marketing strategy and performance (page 21)

The objective of this one or two – page summary is to synthesise the large volume of work undertaken in the Situation Analysis. This is a most critical aspect of the analytical process, as the main findings are to be highlighted for the purpose of drawing on this information in the subsequent marketing strategy development phase. One of the most fundamental areas in the strategic marketing planning process is to overview this linkage between analysis and strategy development.

Problems and opportunities statement (page 22)

- 1 List the CSFs that were previously identified (in the CSF section) in column one. Then, in column two, state your assessment of your organisation's performance in those areas *vis-à-vis* the main competitors.

- 2 Refer to the matrix summary of opportunities previously prepared. Then, by drawing on the organisation's corresponding strengths identified in the internal capabilities review, list those opportunities that could be readily exploited.
- 3 Once again refer to the matrix summary of opportunities previously prepared. Then identify areas where the organisation has capabilities that could be readily improved (say strengths of three or four). List those opportunities that could be exploited with some investment. For example, forming a strategic alliance with another organisation that has access to distribution channels where your organisation has difficulty in gaining distribution.
- 4 Refer to the matrix summary of threats previously prepared. Identify the major threats (particularly the 5s and 4s) and make a priority list of those that must be addressed in this strategic marketing plan.
- 5 Conclude by summing up the strategic implication to the organisation by the above analysis.

Marketing objectives and higher – level marketing strategy (page 23)

State the revenue objectives and gross and net profit margins that have been established for the next three years (or five years if that is the planning time horizon). These are the revenue and profit margin targets that have been agreed to as a result of the iterative process of setting marketing objectives (discussed in Chapter 4). This process involves reconciling the (top – down) corporate/business objectives established for the planning unit with the two bottom – up reality checks: strategic position and product – market strategy options. Refer to Chapter 4 in its entirety, but especially the summary of the six steps discussed in pp. 112—15 for further information. A worksheet is contained in Appendix 2 of chapter 4 (pp. 128—9) to assist in the task of establishing marketing objectives.

Product – market strategies (page 23)

This is a breakdown where the target revenue is expected to be derived each year (for the next three to five years), in terms of the four product – market options. These revenue objectives will need to be justified in the rationale section below.

Rationale (page 23)

This is one of the most critical areas of the entire strategic marketing plan. First, the revenue and accompanying gross profit margin targets need to be justified. An argument needs to be established about how the three sets of considerations in the marketing objective setting process were reconciled. How were the corporate or business objectives set? Were they based on an analytical approach such as EVA, an extrapolation of past performance or a management BHAG?

Next, the first reality check of the assessment of the planning unit's strategic position needs to be stated. What is the current strategic position? What changes to the strategic position are being recommended? To do this, draw on the tools (discussed in Chapter 4) that can assist in the analysis of the current and future strategic position and also to aid decisions concerning changes in competitive positioning. The important point to note in writing this rationale section is to draw on the tools (such as the PLC, product portfolio, competitive advantage and strategic gap models) to help you justify your recommendations — but don't make a hero of the tools by devoting undue space to discussing how they were constructed.

The following example illustrates the type of statement that describes the strategic position of a hypothetical organisation:

XYZ business unit is the market leader in a market that has reached maturity and is anticipated to show very little growth over the next three years. XYZ is categorised as a *Cash Cow* (BCG) and as a business unit in a market of *high overall attractiveness* with a strong business position in a market of medium attractiveness (GE/McKinsey). XYZ's competitive advantage is based on a *market-wide cost leadership strategy* (Porter) because of its economy of scale, high level of brand equity and strong distribution support. Given XYZ's current strategic position and the prospect of a stagnant or declining market, it is recommended that investment should be concentrated in developing and nurturing new products and in developing new markets. The objective for existing products in existing markets is to maintain current market share and to manage for earnings by raising productivity.

The construction of the tools could then be shown either in an appendix at the end of the strategic marketing plan or in an additional sub – section following the rationale sub section.

The next component of the rationale section should be devoted to a justification of how the revenue can be derived in each of the four product – market categories over each year addressed in the strategic marketing plan. To assist in this process, draw on the problems and opportunities analysis.

- What are the opportunities that were identified that could be immediately exploited?
- What are the opportunities that could be exploited by lifting our capabilities?
- What are the threats that need to be addressed?
- What are the CSFs where we have strengths that we can capitalise on?
- What are the CSFs where we need to improve?
- How can we compete in the marketplace?
- What are our competitive strategy options, such as market expansion (for a market leader) or a flanking strategy (for a market challenger)?

Refer to Chapter 4, pp. 108—10, for a discussion of these marketing strategy considerations.

In addition to drawing on the analytical tools discussed in this section, the rationale section also needs to extend into the next sections of the strategic marketing plan. These contain marketing mix strategy recommendations. That is, the marketing mix strategies explain how each of the product – market areas will be addressed.

Marketing mix strategies (page 24)

Marketing mix strategies are discussed in Chapter 5 in an overview sense and elaborated in considerable detail in Chapters 6—11 (product, price, distribution and IMC strategies).

Summary (page 24)

This summary section actually needs to be presented at the beginning of the marketing mix strategies section, although it can only be prepared after the detailed marketing

mix strategies have been developed (and written). The objective is to present a clear and concise summary of the key marketing mix strategy points at the outset of this section. Where there are only two to three segments (as illustrated in this template) the summary may take only one to two pages.

- For service providers add the additional 3Ps (people, process management and physical assets).
- Prepare a two or three– page overview of the recommended marketing mix strategies for each of the targeted market segments. This should consist of a brief description of the recommended strategies and a rationale supporting these recommendations. These strategies need to be tied back to opportunities and threats unearthed in the situation analysis, the problems and opportunity statement and the objectives and higher level strategies set in the previous stage of the strategic marketing planning process.
- Market segments include existing market segments that will continue to be targeted and new market segments that will be targeted during the timeframe of the strategic marketing plan.

Segment description

State the descriptor of the market segment and a brief description of the type of individuals who comprise this segment. These segments and the description of the segments should tie back to the segments identified (broadly) in the business definition and scope section, the socio – cultural analysis in the remote environment section, and the customer analysis in the near environment section. Refer to Chapter 5, pp. 132—37, for a discussion of target market selection.

Products/brands servicing this segment

State what *existing* products/brands and *new* product/brands will be deployed to service this market segment.

Product/brand positioning

State the recommended product/brand positioning strategy for this segment. Is the strategy based on an individual brand name strategy or a family brand name strategy? How is the product or brand to be positioned in the mind of the prospects? Refer to Chapter 5, pp. 137—42, for a discussion of positioning decision – making. Also refer to Chapter 6 for a discussion of product strategies and Chapter 9 for further information about brand positioning and brand positioning approaches.

Proposed marketing mix strategy

Discuss in a holistic sense how the marketing mix will work in an integrated fashion to satisfy the needs of the market segment. Then discuss the specific product, price, distribution and IMC strategies. For service providers also discuss people, process management and physical assets strategies (the additional 3Ps). Refer to Chapter 5, pp. 142—6, for an overview of each of the marketing mix tools and Chapters 6—11 for more detailed information.

Budget (page 26)

Commence by restating the revenue targets for each of the three (or five) years of the strategic marketing plan that were previously presented in the marketing objective

section. Then provide detailed cost estimates for each year. The way the costs are presented will depend on the accounting system in use ranging from traditional cost accounting approaches to more contemporary concepts such as activity – based cost management and customer profitability analysis. Regardless of the accounting methodology, the aim is to clearly state how much the proposed marketing strategies will cost. For example, investment in new product development may take some years to reach breakeven or profitability. Similarly, market development may involve considerable investment in opening new offices, employing additional sales people, advertising and other promotional expenditure that may not be recovered for some years.

The budget needs to be presented in such a way that the cost of recommended strategies is transparent. The other essential piece of information is to show that the revenue less expenditure estimations reconcile with the gross margin targets that were set in the marketing objective section. A most important part of the budget section is the rationale. In this component of the budget section present the arguments and explanation of the expenditure recommendations by tying this back to the marketing strategy recommendations (presented in the marketing objective and strategy and the marketing mix strategy sections). Refer to Chapter 12, pp. 278--9, for further information.

Implementation plan (page 27)

Prepare a table showing *what* is to be done, by *whom* and by *when*. State the actions required over the timeframe of the strategic marketing plan, the time when these actions need to be completed and the individuals who will have responsibility to complete them. Refer to Chapter 12, pp. 280--83, for further information.

Evaluation and control processes (page 28)

Provide a brief description of the control mechanisms that will be used to monitor performance over the three to five year timeframe of the strategic marketing plan. Of particular importance is a statement of what is to be measured, how it is to be measured and how often it is to be measured (for example, quarterly, half yearly or annually)? What tracking systems, such as customer satisfaction and brand awareness/image studies will be used? What market performance data, such as market share, will be collected? What will performance be measured against? Will it be comparative measurement, such as competitor or best practices benchmarking, or ideal benchmarking? What are the trigger points for action to be taken if performance wanders off track? Refer to Chapter 12, pp. 283--88, for further information.