

CHAPTER 4

The Marketing Planning Process

The marketing planning process is a decision-making concept like those presented in the GLOSSARY section. Here it is presented separately so that it can be reviewed as part of the recommended decision-making process to which it makes important contributions. It contributes to marketing decision-making in two ways. First, the marketing planning process serves as a device for classifying marketing problems. This is one of the steps that was suggested as part of phase 1—problem definition in the marketing decision-making process. Second, the marketing planning process serves the marketing decision maker in phase 2 by suggesting subproblems, providing an order in which they should be analyzed, and guiding the search for information relevant to subproblem analysis.

Decision-Making Concept: Marketing Planning Process

EXPLANATION OF THE CONCEPT

Marketing planning is the process by which strategically coordinated (focused) marketing programming decisions are made for a product or service. Marketing planning takes place at the product level in contrast to **strategic market planning** that takes place at the level of the business. (See GLOSSARY entry A.6.)

Marketing planning, a decision-making process, should not be confused with a marketing plan that is the *result* of the marketing planning process. Thus a **marketing plan** is a document that records the analysis, strategic

direction, and marketing program decisions, with implementation details, that result from the marketing planning process.

THE DECISION-MAKING PROCESS

The **marketing planning process** describes how to make the highly complex set of programming decisions required in developing a marketing plan for a product or service. The marketing manager needs an organized approach that will cope with the complexity of the planning task and result in a coordinated set of decisions.

Requirements of the Process. Some of the difficulties that the marketing planning process must overcome are these:

1. For the typical product, creation of a marketing plan requires that a great many individual program decisions be made. The program decisions in marketing are collectively referred to as the marketing mix. (See GLOSSARY entry C.17.) The **marketing mix** includes programs that establish the product design, price, distribution, and promotion for the product or service. However, many more than four program decisions are involved since each marketing mix program is made up of, in some cases, hundreds of individual decisions. Promotion, for example, is made up of decisions concerning budget allocations, personal selling, advertising, sales promotion, and publicity, with each of these decisions made up, in turn, of a complex of subdecisions.
2. The complexity of marketing planning is increased because these individual marketing program decisions interact, thus changing the outcome from what might have been expected. For example, a decision to increase the allocation of the promotional budget to advertising will likely result in a decrease in the allocation to personal selling. A decision to direct advertising to the generation of inquiries could result in more sales prospects for the sales force and a requirement for more salesmen. Because of interactions like these, there is a need to coordinate individual programming decisions so that optimal overall results are achieved.
3. The marketing program decisions required in developing a marketing plan are also made difficult because they are highly dependent upon the unique situation facing the individual product. Thus for most programming decisions, it is difficult to utilize a generalized solution. Instead, the decision must be developed to meet the internal and external conditions that face the product. In the selection of a channel of distribution, for example, the best choice depends upon internal factors such as the length of the firm's product line and the distribution systems already in place for other products. Externally, the decision depends on such situational factors as the shopping patterns of target customers, competitive distribution practices, and the geographic location of prospective customers.

Steps in the Process. The marketing planning process provides a systematic approach to developing a marketing plan for a product in this complex environment. The marketing planning process calls for four steps, always to be taken in the same order. The steps are: (1) analyze the situation, (2) position the product, (3) develop the marketing mix, (4) project outcomes. The process is described below and summarized in Figure 4-1.

- **Step 1: Analyze the Situation.** The situation analysis contains an analysis of the context in which the program decisions for a particular product or service are to be made. This analysis is essential because developing the best marketing mix for a product depends upon the environment facing that product. The analysis should attempt to uncover both problems and opportunities in the environment and should consider the internal strengths and weaknesses affecting the product itself. Internal factors analyzed should include the resources and capabilities of the firm, the strategic direction set by top management, and the attributes of the current product. External factors analyzed should include the size and growth of the market and its segments, the strategy being pursued by competitors, the needs and buying behavior of consumers, and the social, legal, and technological trends that will influence the market. The **situation analysis** is described in detail in GLOSSARY entry A.17.

In addition to defining the context for individual marketing mix decisions, the situation analysis provides essential information re-



FIGURE 4-1
The Marketing Planning Process

quired in making the positioning decision in step 2.

- *Step 2: Position the product.* The positioning decision requires three interrelated steps—determining how the market for the product should be segmented (GLOSSARY entry B.3), selecting a target market (GLOSSARY entry B.4), and deciding how the product should be presented so as to differentiate it in the consumer's mind from competitive products. These decisions are dependent upon information developed in the situation analysis and thus cannot be made until after the situation analysis has been completed. Information needed for making the positioning decision includes the attributes of the product (particularly those attributes that represent differentiating features), size and growth of market segments, positioning of competitive products, and the needs of or benefits desired by target consumers. The **positioning** decision is considered in detail in GLOSSARY entry B.1.

In addition to positioning the product, this step in the planning process should define shorter-term marketing objectives that must be accomplished to carry out the positioning and that will overcome the problems and realize the opportunities that were defined in the situation analysis.

Defining the positioning and setting marketing objectives are essential preliminaries to step 3, developing the marketing mix. Positioning provides the central focus that coordinates the many marketing mix decisions that must be made and the marketing objectives provide direction for many individual marketing program decisions.

- *Step 3: Develop the Marketing Mix.* The third step in the marketing planning process is to decide upon a **marketing mix**. (See GLOSSARY entry C.16.) The marketing mix includes the many decisions that must be made in product design, promotion, pricing, and channels of distribution.

The making of marketing mix decisions is heavily dependent upon information and decisions made in steps 1 and 2 and thus must follow those two parts of the process. The situation analysis provides the internal and external context upon which many of the decisions will depend and the positioning decision provides the essential focus that will coordinate the marketing mix decisions. The objectives point out particular problems and opportunities that must be addressed by the planning process.

Section C of the GLOSSARY provides concepts useful in making many of the decisions necessary in developing the marketing mix.

- *Step 4: Project outcomes.* The final step in the marketing planning process is **projecting outcomes of the combined decisions made in positioning the product and developing a marketing mix**. The projections usually include financial forecasts and may take the form of projected profit and loss statements, return on investment calculation, or breakeven analysis. (See GLOSSARY entry D.5.)

The **projection of outcomes step** necessarily follows the marketing mix decisions because both income and expense estimates depend heavily upon the programming decisions. Pricing and discount decisions, for example, have a major influence on sales revenue projections and such factors as the advertising budget, intensity of distribution, and product design determine expense levels.

Relation to Marketing Management Process.

Marketing planning is part of the marketing management process. The relationship is shown in Figure 4-2 that enlarges on the marketing planning diagram.

Implementation is the carrying out of marketing mix programs defined by the marketing planning process. Thus implementation activities take detailed direction from the marketing mix decisions as recorded in the marketing plan. The **control** or monitoring function is made up of three activities: setting standards of desired performance, collecting data to establish actual performance, and taking corrective action to correct performance not meeting standards. (See GLOSSARY entry D.3.) As shown, the results of control activity provide feedback to the marketing planning process. This information becomes valuable input into the situation analysis for the next planning cycle.

APPLICATION OF THE CONCEPT TO MARKETING DECISION MAKING

The primary use of the marketing planning process is to guide development of marketing plans for individual products and services. In addition, however, it is very useful

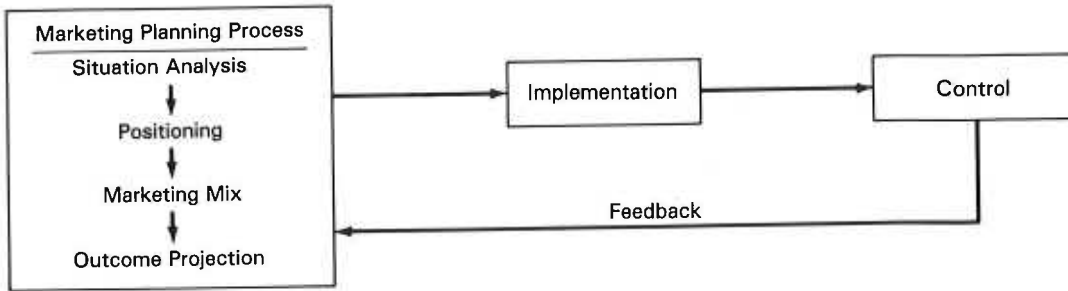


FIGURE 4-2
The Marketing Management Process

in addressing individual marketing problems.

Developing Marketing Plans. The marketing planning process provides an approach by which the marketing manager can arrive at a set of coordinated and focused marketing mix decisions for a product or service. The planning process assures that the marketing activities undertaken for a product (the implementation) will be coordinated. This planning function is central to the marketing manager's job and the marketing planning process is fundamental to successful implementation of that responsibility.

In addition to assuring coordinated implementation, the marketing planning process generates control standards to be used in the controlling/monitoring stage of the marketing management process. Control standards can be drawn directly from statements of marketing objectives (specific and measurable statements of what is to be accomplished), developed as a result of the situation analysis.

Decision Making. In addition to guiding the development of a total marketing plan, understanding the marketing planning process can serve the marketer in individual decision-making situations. When a marketer faces a new problem, the marketing planning process can be used to classify the problem in terms of the planning step that is involved. For example, if it is learned that a product's advertising is being misunder-

stood by consumers, the marketer faces a marketing mix problem. If a marketer is considering how the firm's product should change its relationship to competitive products, the problem can be classified as one requiring a positioning decision. If a change in the external environment, such as a new regulatory requirement, requires a reevaluation of the marketing program for a product, the problem could be classified as one calling for situation analysis.

With the problem classified, the marketing planning process provides a broad guideline to reaching a solution. The marketing planning process is a series of steps that leads to coordinated marketing programs. These same steps can be used to solve specific marketing problems. If, for example, the problem has been defined as requiring a marketing mix decision, the marketing planning process directs the decision maker to refer back to the product's positioning to gain basic guidance for making that marketing mix decision. If the positioning decision has not been made or the problem requires that it be changed, the marketing planning process suggests that the decision maker go back to the situation analysis for the information that is necessary to position the product. If the problem is one that has resulted from a change in the situation confronting the product, the marketing planning process would suggest that a new situation analysis be conducted before changes in positioning or the marketing mix are considered.

Classification Device. The decision-making guidance provided by the marketing planning process is, in practice, more detailed than is suggested by the previous examples. Each step in the marketing planning process has its own subprocess that provides an approach that the decision maker might take. If, for example, the problem is classified as one of positioning the product, then one can move to the positioning process to find an approach to solving the problem. It is for this reason that it is useful to classify other marketing decision-making concepts in relationship to the marketing planning process. This provides guidance in selecting the concepts that are most valuable in marketing mix decisions (such as the **promotional blend** concept), others that are most useful in positioning (segmentation, for example), and some that are most useful in projecting outcomes (such as breakeven analysis). Thus the classification of marketing decision-making tools suggests further steps and criteria that might be used in pursuing a solution to the problem.

Marketing Decision Making. The marketing planning process should be thought of and used as an integral part of the marketing decision-making process that was described in the previous chapter. By way of summary, we can suggest some of the ways in which it can enter into that process.

1. In defining the problem, it is often useful in uncovering the underlying problem to link

symptoms to the marketing planning process. This often reveals the planning level at which the underlying problem lies.

2. Once the underlying problem has been defined, it should be classified by its position in the marketing planning process.
3. Once the problem has been classified, the marketing planning process suggests steps that must be taken to arrive at a decision. These steps can be written as subproblems and analyzed as suggested by the marketing planning process.
4. Marketing decision-making concepts and processes can also be classified by stage of the marketing planning process (see GLOSSARY Directory 1). This will suggest other decision-making tools that might be applied to a problem in the same classification. Ask yourself, "What other decision tools apply to this problem classification?"
5. The concepts suggested by the marketing planning process classification provide additional subproblems or questions that must be addressed in order to arrive at a decision. Each of these concepts or processes carries with it a set of criteria or steps that can be used in analysis of the question.

SUGGESTIONS FOR FURTHER READING

- ELDRIGE, CLARENCE E. *The Role and Importance of the Marketing Plan*. New York: Association of National Advertisers, 1966.
- STASCH, STANLEY F., and PATRICIA LANKTREE. "Can Your Marketing Planning Procedures Be Improved?" *Journal of Marketing* 44 (Summer 1980), pp. 79-90.