STRATEGIC MARKETING PLANNING

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ABSTRACT

Sooner or later all companies ask themselves whether they need formal planning systems, what shape such planning systems should take and what could be done to make them work effectively. Making continuous and miscellaneous decisions is not the same as planning. Planning is a higher-order company activity that often leads to improved profits and sales performance. In this study, we will examine how companies plan their activities to take advantage of market opportunities and how managers assemble the marketing mix components into marketing plans. A start of an overview of planning will be made and then look at strategic planning, marketing planning and the relationship between the two.

Keywords: planning systems, effectively, miscellaneous decisions, advantage, strategic planning

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Introduction

Management realizes that a long range plan should be prepared first and that the annual plan should be a detailed version of the first year of the long-range plan. For example, managers at the American Hospital Supply Company prepare a five-year plan for each product early in the year and an annual plan later in the year. The five-year plan is re-worked each year because the environment changes and the long-run planning assumptions need to be reviewed.

Strategic planning sets the stage for the rest of the planning in the firm. According to Kotler (1986), strategic planning is the managerial process of developing and maintaining a strategic fit between the organisations' goals and capabilities and its changing marketing opportunities. It relies on developing a clear company mission, supporting objectives and goals, a sound business portfolio and coordinated functional strategies.

The steps in strategic planning are illustrated in Figure 1 below. At the corporate level, the company first defines its overall purpose and mission. This mission is then turned into a detailed set of supporting objectives that guide the whole enterprise. Next, the head offices decide what portfolio of businesses and products is best for the company and how much resource support to give each business unit or product. Each business unit and each product level within a business unit, must in turn develop more detailed marketing and other functional plans that support the company's wide plan. This marketing planning occurs at the business unit, product and market levels. It supports corporate strategic planning and involves more detailed planning for specific marketing opportunities. The strategic planning steps are to be discussed below.

Corporate Level **Business**

Unit, product **and market Level**

Defining the company mission → Setting company objectives and goals → Designing the business portfolio ⇒ Planning marketing and other functional

Figure 1: Steps in strategic planning

An organisation exists to accomplish something in the larger environment. Its specific purpose or mission is usually clear at the beginning. Overtime, its mission may become unclear as the organisation grows and add new product and markets. Or the mission may remain clear, but some managers may no longer be interested in it. Or the mission may remain clear, but may no longer be appropriate to the new conditions in the environment.

When management senses that the organisation is drifting, it must renew its search for purpose. It is time to ask: What is our business? Who is the customer? These simple-sounding questions are among the most difficult the company will ever have to answer. Successful companies continuously raise these questions and answer them thoughtfully and thoroughly.

Many organisations develop formal mission statements. A well-worked-out mission statement provides corporate personnel with a shared sense of opportunity, direction, significance and achievement. The company mission statement acts as an invisible hand that guides widely dispersed employees so that they can work independently and yet collectively toward realising the organisation's potential.

Writing a formal company mission statement is not easy. Some organisations will spend a year or two trying to prepare a satisfactory statement about their firm's purpose. The mission statement should define the business domains in which the organisation will operate. Business domains can be defined in terms of products, technologies, customer groups, customer needs or some combination. Some years ago, Levitt (1980) proposed that market definitions of a business are superior to product or technological definitions. He argued that a business must be viewed as a customer satisfying process, not a goods-producing process. Products and technologies eventually become obsolete, whereas basic market needs may endure forever. A market-oriented mission statement defines the business in terms of serving particular customer groups or needs.

In developing a market-oriented mission statement, management should avoid making its mission too narrow or too broad. A lead pencil manufacturer that says it is in the business of making communication equipment,is stating its mission too broadly. A useful approach is to move from the current product to higher levels of abstraction and then decide on the most feasible level of abstraction available to the company. Each broadening step suggests new opportunities but may also lead the company into unrealistic ventures beyond its capabilities.

Many mission statements are written for public relations purposes and lack specific guidelines that will enable management to choose among courses of action. The statement that states that our company should lead in this industry, in producing the highest-quality products with the widest distribution and the highest service at the lowest possible prices sounds good, but is full of contradictions. It will not help the company make tough decisions.

Guided by the company's mission statement and objectives, management must now decide what collection of businesses and products. It must analyse the current business portfolio and decide which business should receive more or less emphasis and resources and develop growth strategies for adding new products or businesses to the portfolio. Management's first step is to identify the key businesses making up the company. These can be called the strategic business units (SBU). An SBU ideally has the following characteristics:

> "It is a single business with a distinct mission and has its own competitors. It also has a responsible manager and can be planned independently of the other businesses. An SBU can be one or more company divisions."

Background to the study

Rarely can an organisation install an advanced planning system at the beginning. Its planning system will evolve through stages getting better at each stage. Planning systems tend to move through the following stages – unplanned stage, budgeting systems stage and annual planning stage.

a) Unplanned stage

When companies are first organized, their managers are so busy hunting for funds, customers, equipment and materials which they have little time to plan. Management is engrossed in the day- to-day operations required to survive.

b) Budgeting System Stage

According to Kotler (1986), the company installs a budgeting system to improve its control of cash flow.Management estimates total sales for the coming year and the associated costs and cash flows. Departmental managers prepare budgets for their departments. These budgets are financial and do not require the kind of thought that goes into real planning. Budgets should not be confused with full-scale plan.

Statement of the problem

Many companies operate without formal plans. In new companies, managers are so busy that they have no time for planning. In mature companies, many managers argue that they have done well without formal planning and therefore, it cannot be too important. They resist taking the time to prepare a written plan. They argue that the market place changes too fast for a plan to be useful for it will end up gathering dust. For these and other reasons, many companies do not introduce formal planning systems.

Objectives

The environment is never static but is ever changing. According to Pearce and Robinson (1996), planning is the art of thinking prior to action. Therefore in business, planning is intended to:

a) encourage systematic thinking to challenge environmental movement;
b) identify opportunities available to the company within its current scope of operations;
c) identify opportunities to integrate with other parts of the marketing system; and
d) identify opportunities lying outside the industry (diversification growth opportunities).

Research Methodology

Methodology is defined in two major ways. In one form, methodology is identical to a research model employed by a researcher in a particular project including basic knowledge related to the subject and research methods and the framework employed in a particular context. In this sense, every investigation has a distinct approach and every researcher employs his/her approach which might vary from study to study. Another definition relates to the nature of approach to a theoretical and more abstract context and perceives it in conjunction with distinctive undimensional and exclusive theoretical principles (Westhuizen and Abrahams, 2002).

Qualitative Approach

This study is under review is a qualitative or case study one. Denzin and Lincoln (1994) define qualitative research as a multi-method in focus, involving an interpretive and naturalistic approach to its subject matter. This means that the qualitative researchers study things in their natural settings, attempting to make sense of or interpret phenomena in terms of the meanings people bring to them.

The sources of data employed were secondary sources, namely relevant academic journals and text books. The data collected were content-analysed.

Annual Planning Stage

Management eventually recognizes the advantages of developing annual plans. It adopts one of the three possible approaches to planning. The first approach, is top-down planning. Here management sets goals and plans for all the lower levels of management. This model is used in military organisations where the generals prepare the plans and the troops carry them out. In business firms, this goes along with a "Theory X view of employees" – that is, they dislike responsibility and prefer to be directed.

In the opposite systems, (bottom-up planning), the various units of the organisation, prepare their own goals and plans based on the best they think they can do and then send them to higher levels of management for approval. This approach is based on "Theory Y" – that is employees like responsibility and are more creative and committed if they participate in the planning.

Most companies use a third system known as "goals down-plans up planning". Here, top management looks at the company's opportunities and requirements and sets corporate goals for the year. The various units of the company are responsible for developing plans to help the company to reach these goals. These plans, when approved by top management, become the official annual plans.

Marketing's Role in Strategic Planning

There is much overlap between overall company strategy and marketing strategy. Marketing assesses consumer needs and the company's ability to gain a competitive advantage in important markets and these considerations guide the corporate mission and objectives. Most company strategy planning deals with marketing variables market share, market development and growth. Anderson (1984) says that it is sometimes hard to separate strategic planning from marketing. In some companies, strategic planning is called strategic marketing planning.

Marketing plays a key role in developing the company's strategic plan in several ways. First, marketing provides a perspective that guides strategic planning and the company strategy should revolve around obtaining competitive advantage with important groups of consumers. Second, marketing provides inputs to strategic planners by helping to identify attractive market opportunities and to assess the firm's potential for gaining competitive advantage. Finally, within individual SBUs, the marketing function designs strategies for achieving SBU objectives. Within each SBU, marketing management must figure out the best way it can contribute to achieving strategic objectives. Marketing managers in certain SBUs will find that their objective is not necessarily to build sales, but their job may be to maintain the existing volume with fewer marketing dollars or actually to reduce demand. Thus the task of marketing management is to manage demand to the appropriate level decided by the strategic planning done at head office. Marketing contributes to assessing each SBU's potential, but once the SBU's objective is set, marketing's task is to carry it out efficiently and profitably.

Conclusion

Not all companies use formal planning or use it well. Yet formal planning offers several benefits, including systematic thinking, better coordination of company efforts, sharper objectives and improved performance measurement, all of which can lead to improved sales and profits. Planning in companies seems to move through stages, including the unplanned stage, the budgeting system stage and the annual planning stage.

Strategic planning sets the stage for the rest of the company planning. The strategic process consists of developing the company's mission, objectives and goals, business portfolio and functional plans.

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