CHAPTER THREE

THE MARKETING PLAN

Vision without action is a daydream. Action without vision is a nightmare.

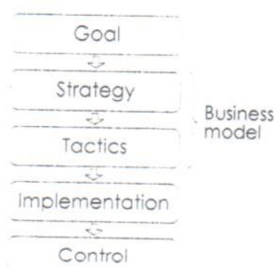
—Japanese proverb

The increasing complexity of a company's marketing activities calls for the use of a systematic approach to marketing management. Such a systematic approach, which is outlined in this chapter, delineates the logic of strategic analysis and planning by advancing a comprehensive yet streamlined framework for developing actionable marketing plans.

The G-STIC Framework for Market Planning

An offering's marketing plan delineates the specific activities by which an offering creates market value. The core of the marketing plan is the offering's business model, which articulates the strategy and tactics of the offering to outline the logic of the value-creation process and define the specifics of the market offering. In this context, an offering's marketing plan can be defined by five key activities: setting a *goal*, developing a *strategy*, designing the *tactics*, defining an *implementation* plan, and identifying a set of *control* metrics to measure the success of the proposed action. These five activities comprise the G-STIC (Goal-Strategy-Tactics-Implementation-Control) framework, which is the cornerstone of market planning and analysis (Figure 1).

Figure 1: The G-STIC Framework for Market Planning and Analysis



The individual components of the G-STIC framework are outlined in more detail below.

- The **goal** identifies the ultimate criterion for success that guides all company marketing activities. Setting a goal involves two decisions: identifying the *focus* of the company's actions and defining the specific quantitative and temporal performance *benchmarks* to be achieved.
- The **strategy** outlines the logic of the company's value-creation model. Defining the strategy involves two decisions: identifying the *target market* and developing the offering's *value proposition*. Identifying the target market involves identifying five key factors (the Five Cs): customers whose needs the company's offering aims to fulfill, the company managing the offering, collaborators working with the company on this offering, competitors with offerings that target the same customers, and the relevant context in which the company operates. The *value proposition*, on the other hand, defines the value that an offering aims to create for the relevant participants in the market—target customers, the company, and its collaborators. The development of a value proposition also involves the development of a *positioning* that singles out the most important aspect(s) of the offering's value proposition to create a distinct image of the offering in customers' minds.
- The **tactics** outline a set of specific activities employed to execute a given strategy. The tactics define the key aspects of the company's offering (often referred to as the marketing mix): product, service, brand, price, incentives, communication, and distribution. These seven tactics are the means that managers have at their disposal to execute a company's strategy and create the optimal value proposition for the target market.
- The **implementation** outlines the logistics of executing the company's strategy and tactics. Defining the implementation involves three key components: defining the business infrastructure, designing business processes, and setting the implementation schedule.
- The **control** defines criteria for evaluating the company's goal progress. Control involves two key processes: evaluating the company's progress toward its goal and analyzing the changes in the environment in which the company operates.

The key components of the marketing plan and the main decisions underlying each individual component are summarized in Figure 2 and discussed in more detail in the following sections.

Figure 2. The G-STIC Action-Planning Flowchart

The G-STIC framework offers an intuitive approach to streamlining a company's activities into a logical sequence that can produce the desired market outcome. Note that even though the G-STIC framework implies a particular action sequence, starting with the definition of the company's goal and concluding with identifying controls for measuring performance, the process of marketing planning is an iterative activity. In this context, the G-STIC framework has a dual function: it describes the key elements of the iterative process of market planning (G↔S↔T↔I↔C) and, at the same time, it describes the outcome of the planning process, which is typically presented as a linear sequence of distinct marketing activities (G→S→T→I→C).

The key aspects of the action plan are discussed in more detail in the following sections. Because the offering's strategy and tactics were discussed in depth in the previous chapter, the focus here is on the remaining three aspects: goal, implementation, and control.

Setting a Goal

The action plan is formulated to achieve a particular goal; it starts with defining a goal and outlines a course of action that will enable the company to achieve this goal. The goal guides all the company's marketing activities; without a well-defined goal, an organization cannot design an effective marketing strategy or evaluate the success of its current activities. Setting a goal involves two decisions: identifying the focus of the company's actions and defining the specific performance benchmarks to be achieved.

Goal Focus

The focus identifies the key criterion for a company's success; it is the metric describing the desired outcome. Based on their focus, two types of goals can be distinguished:

- **Monetary goals** involve monetary outcomes and typically focus on maximizing net income, earnings per share, and return on investment. Monetary goals are common for offerings managed by for-profit companies.
- **Strategic goals** involve nonmonetary outcomes that are of strategic importance to the company. Nonmonetary goals are common for nonprofit organizations, which aim to achieve nonmonetary outcomes, such as promoting social welfare. Nonmonetary goals are also common in for-profit organizations by facilitating the achievement of other profit-related goals. Thus, an offering that is not profitable by itself might benefit the company by facilitating the sales of other, profit-generating offerings. An offering might also benefit the company's bottom line by enhancing the corporate culture, by boosting employee morale, and by facilitating talent recruitment and retention.

Note that monetary goals and strategic goals are not mutually exclusive: A company might aim to achieve certain strategic goals with an otherwise profitable offering, and a strategically important offering might contribute to the company's bottom line. One could argue that long-term financial planning must always include a strategic component in addition to setting monetary goals, and long-term strategic planning must always include a financial component that articulates how achieving a particular strategic goal will translate into a financial outcome.

Performance Benchmarks

Performance benchmarks define the ultimate criteria for success. The two types of performance benchmarks—quantitative and temporal—are discussed in more detail below.

- **Quantitative benchmarks** define the specific milestones to be achieved by the company with respect to its focal goal. For example, goals such as "increase market share by 2%," "increase retention rates by 12%," and "improve the effectiveness of marketing expenditures by 15%" include benchmarks that quantify the set goal. Quantitative benchmarks can be expressed in either relative terms (e.g., increase market share by 20%) or absolute terms (e.g., achieve annual sales of one million units).
- **Temporal benchmarks** identify the time frame for achieving a particular milestone. Setting a timeline for achieving a goal is a key strategic decision, because the strategy adopted to implement these goals is often contingent on the time horizon. The goal of maximizing next-quarter profitability will likely require a different strategy and tactics than the goal of maximizing long-term profitability.

To illustrate, a company's goal might involve generating net income (focus) of $1B (quantitative benchmark) by the end of the fourth quarter (temporal benchmark).

Market Objectives

Based on their focus, goals vary in their level of generality. Some goals reflect outcomes that are more fundamental than others. Therefore, a company's goals can be represented as a hierarchy headed by a company's ultimate goal, which is implemented through a set of more specific goals, referred to as market objectives.

Unlike the ultimate goal, which is typically defined in terms of a company-focused outcome, market objectives delineate specific changes in the behavior of the relevant market factors—customers, the company, collaborators, competitors, and context—that will enable the company to achieve its ultimate goal. The different types of market objectives are outlined below.

- **Customer objectives** aim to elicit changes in the behavior of target customers (e.g., increasing purchase frequency, switching from a competitive product, or making a first-time purchase in a product category) that will enable the company to achieve its ultimate goal. To illustrate, the company goal of increasing net revenues can be associated with the more specific objective of increasing the frequency with which its customers repurchase the offering. Because the customers are the ultimate source of a company's revenues and profits, a company's ultimate goal typically involves a customer-focused behavioral objective.

- **Collaborator objectives** aim to elicit changes in the behavior of the company's collaborators, such as providing greater promotional support, better pricing terms, greater systems integration, and extended distribution coverage. To illustrate, the company goal of increasing net revenues can be associated with the more specific collaborator objective of increasing the shelf space for the offering in distribution channels.

- **Company (internal) objectives** aim to elicit changes in the company's own actions, such as improving product and service quality, reducing the cost of goods sold, improving the effectiveness of the company's marketing actions, and streamlining research-and-development costs.

- **Competitive objectives** aim to change the behavior of the company's competitors. Such actions might involve creating barriers to entry, securing proprietary access to scarce resources, and circumventing a price war.

- **Context objectives** are less common and usually implemented by larger companies that have the resources to implement changes in the economic, business, technological, sociocultural, regulatory, and/or physical context in which the company operates. For example, a company might lobby the government to adopt regulations that will favorably affect the company by offering tax benefits, offering subsidies, and imposing import duties on competitors' products.

Defining market objectives is important because without a change in the behavior of the relevant market entities, the company's ultimate goal is unlikely to be achieved. Indeed, if there is no change in any of the five market factors (the Five Cs), the company is unlikely to make progress toward its goals. To illustrate, a company's ultimate goal of increasing net income by $1B by the end of the fourth quarter can involve different objectives. A customer-specific objective might involve increasing market share by 10% by the end of the fourth quarter. A collaborator-related objective might involve securing 45% of the distribution outlets by the end of the fourth quarter. An internal objective might involve lowering the cost of goods sold by 25% by the end of the fourth quarter. In this context, market objectives help the company articulate the course of action aimed at achieving its ultimate goal.

Defining the Implementation

The implementation component of market planning delineates the logistics of executing the offering's strategy and tactics. Implementation involves three key components: defining the business infrastructure, designing business processes, and setting the implementation schedule.

Business Infrastructure

The business infrastructure reflects the organizational structure and the relationship among relevant entities involved in creating and managing the offering. For example, a company can form the business unit managing the offering by organizing employees based on their function (e.g., research and development, manufacturing, marketing, accounting/finance, and human resources). Alternatively, a company might organize employees based on the type of product or market involved, such that each division is responsible for a certain product or market and is represented by different functions. Finally, a company might use a matrix approach by combining the functional and divisional approaches in a way that preserves the functional structure while simultaneously creating specialized teams responsible for a particular product or market

Business Processes

The business processes depict the specific actions needed to implement an offering's strategy and tactics. These processes involve managing the flow of information, goods, services, and money. In this context, there are three common types of implementation processes: market planning, resource management, and marketing mix management.

Performance Evaluation

Performance evaluation involves evaluating the outcomes of the company's actions vis-à-vis its goals. Performance can be evaluated on a variety of metrics, such as net income, market share, and unit sales. Performance evaluation can lead to one of two outcomes: either a company is making adequate goal progress or there is a discrepancy (performance gap) between the desired and the actual performance. In cases when performance evaluation reveals a gap, the existing action plan needs to be modified to put the company back on track toward achieving its goal. The key principle in modifying a company's action plan is that the changes should be directly linked to the cause of the performance gap.

Environmental Analysis

Environmental analysis involves monitoring the environment in which the company operates to ensure that the company's action plan remains optimal, and adjusting the action plan as necessary to take advantage of new opportunities (e.g., favorable government regulations, a decrease in competition, or an increase in consumer demand) and counteract potential threats (e.g., unfavorable government regulations, an increase in competition, or a decline in consumer demand). Once the key opportunities and threats have been identified, the next step involves modifying the current action plan to take advantage of the opportunities and counteract the impact of threats. The basic principle in modifying the action plan is that the changes should directly address the identified opportunities and threats.

Writing a Marketing Plan

The marketing plan can be formalized as a written document that effectively communicates the proposed course of action to relevant stakeholders: company employees, collaborators, shareholders, and investors. Writing a marketing plan is different from market planning. Market planning is the process of identifying a goal and developing a course of action to achieve this goal. The marketing plan is the tangible outcome of a company's market planning process that documents an already identified goal and the decided-on course of action.

Most marketing plans follow a similar structure: They start with an executive summary, followed by a situation analysis; they then set a goal, formulate a value-creation strategy, delineate the tactical aspects of the offering, articulate a plan to implement the offering's tactics, define a set of control measures to monitor the offering's progress toward its goals, and conclude with a set of relevant exhibits. The key components of the marketing plan are illustrated in Figure 3 and summarized below.

Figure 3. The Marketing Plan

- The **executive summary** is the "elevator pitch" for the marketing plan—a streamlined and succinct overview of the company's goal and the proposed course of action. The typical executive summary is one or two pages long, outlining the key problem faced by the company (e.g., a market opportunity/threat or a performance gap) and the proposed action plan.
- The **situation analysis** section of the marketing plan aims to provide an overall evaluation of the company and the environment in which it operates, as well as identify the markets in which it will compete. Accordingly, the situation analysis involves two sections: (1) the company overview, which outlines the company's strategic goals and current progress toward these goals, its core competencies and strategic assets, and its portfolio of offerings, and (2) the market overview, which outlines markets in which the company operates and/or could potentially target.
- The **G-STIC** section is the core of the marketing plan. It identifies (1) the *goal* the company aims to achieve, (2) the offering's *strategy*, which defines its target market and value proposition, (3) the offering's *tactics* which define the product, service, brand, price, incentives, communication, and distribution aspects of the offering, (4) the implementation aspects of executing an offering's strategy and tactics, and (5) control procedures employed in evaluating the company's performance and analyzing the environment in which it operates.
- **Exhibits** help streamline the logic of the marketing plan by separating the less important and/or more technical aspects of the plan into a distinct section in the form of tables, charts, and appendices.

The ultimate goal of the marketing plan is to guide a company's actions. Accordingly, the core of the marketing plan is defined by the key elements of the G-STIC framework delineating the company's goal and the proposed course of action. The other elements of the marketing plan—the executive summary, situation analysis, and exhibits—aim to facilitate an understanding of the logic underlying the plan and provide specifics for the proposed course of action.

In addition to developing an overall marketing plan, companies often develop more specialized plans. Such plans include a product development plan, service management plan, brand management plan, sales plan, promotions plan, and communication plan. Some of these plans can, in turn, encompass even more specific plans. For example, a company's communication plan often comprises a series of activity-specific plans, such as an advertising plan, public relations plan, Internet plan, and social media plan. The ultimate success of each of these individual plans depends on the degree to which they are aligned with the overall marketing plan.

Updating the Marketing Plan

Once developed, marketing plans need updating in order to remain relevant. The dynamic nature of marketing plans is ingrained in the structure of the G-STIC framework, whereby the control aspect of planning (the "C" in the G-STIC framework) is explicitly designed to provide the company with feedback on the effectiveness of its actions and the relevant changes in the target market.

There are two common reasons to consider updating the marketing plan: (1) the presence of a performance gap reflecting a discrepancy between the company's expected and desired performance and (2) changes in the target market.

- **Performance gaps** involve a discrepancy between a company's desired and actual performance on a key metric, such as net income, profit margins, and sales revenues. Performance gaps typically stem from three main sources: (1) inaccurate information and/or assumptions about the target market, including unforeseen market changes, (2) logic flaws in the marketing plan, and (3) implementation errors, which involve poor execution of a viable marketing plan.

  Inaccurate information/assumptions. When developing the marketing plan, managers rarely have all the necessary information at their fingertips. It is often the case that, despite the voluminous amount of available information, certain strategically important pieces of information are not readily available (e.g., information about competitors' strategies, technological developments, and forthcoming government regulations). As a result, managers must fill in the information gaps by making certain assumptions. Because assumptions reflect uncertainty, updating the plan to reduce the uncertainty can increase its effectiveness.

  Logic flaws. Another common source of performance gaps is the presence of logic flaws in the design of the marketing plan. For example, the proposed strategy might be inconsistent with the set goal, whereby an otherwise viable strategy might not produce desired results. In the same vein, the offering's tactics might be inconsistent with the desired strategy, whereby pany's actions and defining the specific quantitative and temporal performance *benchmarks* to be achieved. A company's goals can be represented as a hierarchy headed by a company's ultimate goal, which is implemented through a set of more specific goals, referred to as market objectives, which delineate specific changes in the behavior of the relevant market factors—customers, the company, collaborators, competitors, and context—that will enable the company to achieve its ultimate goal.

The *strategy* outlines the logic of the company's value-creation model. Defining the strategy involves two decisions: identifying the *target market* and developing the offering's *value proposition*. Identifying the target market involves identifying five key factors (the Five Cs): customers, collaborators, company, competitors, and context. The *value proposition* defines the value that an offering aims to create for the relevant participants in the market—target customers, the company, and its collaborators.

The *tactics* outline a set of specific activities employed to execute a given strategy. The tactics define the key aspects of the company's offering (the seven Ts): product, service, brand, price, incentives, communication, and distribution. These seven tactics are the means that managers have at their disposal to execute a company's strategy and create the optimal value proposition for the target market.

The *implementation* outlines the logistics of executing the company's strategy and tactics, and involves three key components: defining the business infrastructure, designing business processes, and setting the implementation schedule.

The *control* defines criteria for evaluating the company's goal progress and involves two key processes: evaluating the company's progress toward its goal and analyzing the changes in the environment in which the company operates.

In addition to structuring the managerial decision process, the G-STIC framework also serves as the basis for *writing a marketing plan*. The marketing plan identifies a specific goal and outlines a course of action to achieve this goal. The primary purpose of a marketing plan is to effectively communicate the company's goal and the desired course of action to relevant stakeholders. The marketing plan typically comprises four key components: (1) an *executive summary* that outlines the highlights of the marketing plan, (2) a *situation analysis* that examines the environment in which the company operates and identifies the target market(s) in which it competes, (3) a *G-STIC action plan* that outlines the proposed course of action to create value for its target customers, and (4) *exhibits* that provide additional information about specific aspects of the marketing plan.

ADDITIONAL READINGS

Chernev, Alexander (2011), *The Marketing Plan Handbook* (3rd ed.). Chicago, IL: Cerebellum Press.

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Lehmann, Donald R. and Russell S. Winer (2007), *Analysis for Marketing Planning* (7th ed.). Boston, MA: McGraw-Hill/Irvin.