

Lecture Notes

Class - B. Com Hons Sem VI

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Sub – New Venture Planning

Topic – Marketing Planning

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Learning outcome from this lecture note

- Meaning and definition of Marketing Planning
- Importance of Marketing Planning
- Benefits of Marketing Planning
- Characteristics of Marketing Planning
- Marketing Planning Process
- Essentials of Marketing Planning
- Scope of Marketing Planning

Marketing Planning – Meaning

Planning is deciding in advance what to do, how to do it, when to do it and who is to do it. It bridges the gap from where we are & where we want to go. Planning is the first management function to be performed in the process of management. **Marketing plan governs survival, growth and prosperity of any enterprise in a competitive and ever changing environment.**

Planning is an analytical process which covers:

1. Analysis of the situation or environment,
2. Assessment of the future opportunities and threats,
3. Determination of objectives and goals in the light of the future environmental forces and
4. Selection of the best strategy or the course of action from among the alternative strategies to achieve the objectives.

Planning is the first and the foremost function of management. Planning precedes all the functions. Marketing planning is the starting point of all marketing and business activities of an enterprise. Because of the dynamism of the environment, the role of marketing planning has increased a lot.

Many experts today consider marketing planning as synonymous with overall business planning because the purpose of any business is the successful management of its markets (marketing resources).

A business firm has to make various marketing decisions. These decisions actually emerge from the complex interaction of a large number of persons carrying out diverse responsibilities in the marketing organisation. Being part and parcel of the over-all management, the marketing executives are deeply involved in the process of planning. **Marketing planning defines the role and responsibilities of marketing executives in such a way as to achieve the goals of the firm.**

It lays emphasis on the allocation of marketing resources in the best and most economical way. It gives an intelligent direction of marketing operations. **Marketing planning involves the preparation of policies, programmes, budgets etc., in advance for carrying out the various activities and functions of marketing to attain the marketing goals.**

Marketing has been described as the railway engine which pulls all the other departmental carriages along. Marketing planning is the interface between the enterprise and its market. Any firm practising marketing in the proper sense has to identify correctly the needs of the consumer, translate the needs into suitable products and services, deliver those products and services to the total satisfaction of the consumer and through the process generate profits for the firm.

Importance of Marketing Planning

Marketing planning is a systematic and disciplined exercise to formulate marketing strategies. Marketing planning can be related to the organisation as a whole or to strategic business units (SBU). Marketing planning is a forward looking exercise, which determines the future strategies of an organisation with

special reference to its product development, market development, channel design, sales promotion and profitability.

We may now summaries the importance of marketing planning in the following points:

1. It helps in avoiding future uncertainties.
2. It helps in management by objectives.
3. It helps in achieving objectives.
4. It helps in coordination and communication among the departments.
5. It helps in control.
6. It helps the customers in getting full satisfaction.

Benefits of Marketing Planning

1. Marketing planning promotes successful marketing operations.
2. Planning helps to co-ordinate activities which can facilitate the attainment of objectives over time.
3. It forces management to reflect upon the future in a systematic way.
4. Resources can be better balanced in relation to identified market opportunities.
5. A plan provides a frame work for a continuing review of operations. It will make the firm to give more attention to market enlargement rather than market maintenance.
6. Marketing planning helps to appraise performance, capitalize on strength, minimize weaknesses and threats and finally open up new opportunities.
7. Planning can be advocated to minimize the risk of failure.
8. Marketing planning reduces the adverse consequences of unfavourable circumstances beyond the influence of management.
9. A marketing plan promotes a comprehensive view of the business firm and acts as a process of communication and co-ordination between marketing department and other departments.
10. A greater preparedness to accommodate change can be stimulated.

Marketing Strategy = The marketing logic by which the business unit hopes to achieve its marketing objectives.

Characteristics of Marketing Planning

Marketing planning has the following characteristic features:

1. The success depends to a large extent upon human behaviour and response.
2. They are complicated in nature.
3. Marketing decisions have long term effects on efficiency, profitability and market standing of the firm.
4. Marketing planning is a formal and systematic approach towards planning of all marketing activities-product positioning, price setting, distribution channels etc.
5. Marketing planning, as a rational activity, requires thinking; imagination and foresight. Market analysis, market projection, consumer behaviour analysis and marketing-guided conclusions are based on data and measurements drawn from internal and external environments.
6. Marketing planning is a forward-looking and dynamic process designed to promote market- oriented or consumer-oriented business actions.
7. **Planning is concerned with two things:**
 - i. Avoiding incorrect actions and
 - ii. Reducing frequency of failure to exploit opportunities.

Thus, marketing planning has both an optimistic and a pessimistic component.

8. Marketing planning is done by the marketing department. Various sub-divisions and sections under the department give their proposals based on which the overall company marketing plans are developed and designed.
9. Planning is a process of deciding in advance what to do and how to do it. If the marketing planner desires to achieve a target market at some future date and if he needs some time to decide what to do and how to do it, he must make the necessary marketing decisions before taking action.
10. Planning is basically a decision-making process. Marketing planning is a programme of marketing-based actions regarding the future with the object of minimizing risk and uncertainty and producing a set of interrelated decisions.

Marketing planning process

Marketing planning is a process that consists of analysing current situation and information about marketing opportunities, forecasting and establishing planning premises, selecting target market(s), determining marketing objectives, designing and developing marketing strategy or courses of action for achieving these objectives and allocating resources to the ingredients of marketing effort i.e. marketing mix and developing procedure and policies.

Every company must look ahead and determine when it wants to go and how to get there. Its future should not be left to chance. To meet this need, companies use two systems — a strategic planning system and marketing planning system. Strategic planning provides the route map for the firm. Strategic planning serves as the hedge against risk and uncertainty.

Strategic planning is a stream of decisions and actions which lead to effective strategies and which in term help the firm to achieve its objectives. Strategy is not something that can be taken out of one's packet and pushed into the market all of a sudden. No magic formula exists to prepare for the future.

The requirements are excellent insight to understand changing consumer needs, clear planning to focus our efforts on meeting those needs, and flexibility, because change is the only constant. Most important, we must always offer products of quality and value to the consumers.

Marketing planning is the process of anticipating future events and developing strategies to achieve organisational objectives. It involves designing activities relating to marketing objectives. Marketing planning of an organisation is planning for that organisation's revenue-generating activities.

- I. The first step in marketing planning process is setting down marketing objectives and policies.
- II. The second step is designing the marketing system. In the marketing system, a company has to design/define each function with its contribution.
- III. The third step is to develop separate objectives, programmes, and strategies of each function, so that they can be assessed for the target purpose and the broad objectives. If any function cannot meet its objectives, have to be modified for that functional area.

- IV. The fourth step is drawing of detailed plans for each function for a shorter period, i.e., a quarter, half a year or a year. It will be helpful in defining responsibilities, timing and costs needed to achieve the short-term objectives.
- V. The fifth step is merging the marketing plans into organisational plans.

Essentials of marketing planning

Organizations operate in increasingly fragmented, complex and fast-changing markets. Meeting the challenges presented by a highly competitive environment normally means experiencing conflicting pressures between business objectives.

For example:

- (i) Enhancing customer service versus increasing profitability.
- (ii) Short-term profit versus long-term value creation.
- (iii) Maximization of revenue versus minimization of costs.

Marketing planning is an effective aid to management because of its integral role in identifying and clarifying the priorities for the business. Without a clear statement of priorities, the company is vulnerable to internal confusion and lost opportunities.

An effective marketing planning system should offer more than immunity against these operational problems- it should deliver clearer and more widely understood objectives and priorities, higher levels of usable market information, improved inter-functional coordination, less waste and duplication of resources, and greater overall business control.

Scope of Marketing Planning

The activities of marketing planning are generally divided into two divisions according to time—(a) Long term Marketing Planning; and (b) Short term or annual Marketing Planning.

Scope 1. Long Term Marketing Planning:

Long range planning involves developing the basic objectives and strategy to guide future company efforts. The long range plan provides the frame work within which the other plans of the company are prepared.

Long run planning may involve a time horizontal of two or more years, although it uses even a longer horizon of five to twenty years. Long range planning is done by the top management with the help of specialised planning authorities.

Philip Kotler has pointed out that while preparing long term marketing plan the following situations should be considered:

(i) Diagnosis:

The planning process begins with an attempt by the company to size up the present market situation and the factors responsible for it. In short, diagnosis consists of where the company stands and why. The size up requires developing data on absolute levels of company sales and market shares and their receive trends, by product, territory and other breakdowns.

Supplementary data on marketing costs, plant utilisation, profit levels and other variables are also required. Plans must be taken to make a careful analysis of the recent trends instead of being relying simply of impressions.

(ii) Prognosis:

In addition to diagnosing its present position, the company must also estimate where but is likely to go if present market trend continues. What sales and profits can the company make in the long period.

A systematic sales and profit prognosis consists of five steps—(a) Projection of industry sales over the planning period; (b) Forecasts of company sales; (c) Forecast of company revenues, costs and profits; (d) Forecast of investment; and (e) Forecast of rate of return on the investment (R.O.I.) Prognosis indicates that if the company's future seems to be bright, its present policies should be continued but if the future is dark and doubtful then the planning needs modification so that the objectives may be achieved.

(iii) Objectives:

If the prognosis indicates that the company has no future, then the company should decide upon fresh objectives as to the amount of sales.

(iv) Strategy:

Strategy lays down the broad principles which the company hopes to secure an advantage over competition attractiveness to buyers and a full exploitation of company resources.

Marketing strategy might consist of the following :

1. To develop the highest quality product possible.
2. To charge a premium price.
3. To advertise more heavily than competitors.
4. To use salesmen who feel and exhibit a missionary drive.

There may be several alternatives of the strategy. The company should carefully study these alternatives and choose the best possible alternative strategy under the circumstances.

The control section of a long range plan should contain performance targets. They should be checked periodically. In short, control is necessary. If at any stage the variations are not favourable the underlying causes are discovered and then changes are introduced to remedy the shortfalls and profits in the changed circumstances.

(v) Tactics:

Tactics suggest how to use the company's strategies to achieve its objectives. In other words tactics are the methods for carrying out the strategies. Philip Kotler has very interestingly distinguished objectives, strategies, and tactics in the following words—"The objectives of a company indicate where it wants to be, the strategy indicates the intended route; the tactical decisions are not primary, they nevertheless are very important."

(vi) Control:

The long range plan represents the best vision of management at the time of planning of a proper set of objectives, strategies and tactics. It is based on a detailed set of assumptions and expectation whose validity will be revealed only in the course of time. More often, then not new events will occur that challenge some of the basic assumptions in the plan.

This means two things- first the plan must include a control section that specifies the type of monitoring that will go on to check the plan's effectiveness; second the company might prepare one or more contingency plans to meet new challenges.

Scope 2. Short Term or Annual Marketing Planning:

Each year companies prepare annual plan. In principle, the annual plan is developed in the context of the company's long range plan. Short range plan, of course, is not possible where the company has no long range plan.

A long range plan is necessary if the short range plans are not to be chaotic series of expedient solution to short run crisis. Sometimes annual plans only reflect over reactions to previous year's result and next year's problems rather than the progressive implementations of long range plan.

Three different approaches are generally taken to annual planning:

(i) Goal Planning:

Management sets sales and profit goals for the year that if achieved, would satisfy the shareholders. It is left to goers for whom the goals are set to find ways of achieving them.

(ii) Optimisation Planning:

Management considers major alternative strategies and their likely impacts on profits, sales, market shares and future investment opportunities. The management selects the strategy with the most attractive consequences. This sort of planning is most logical of the three approaches.

(iii) External Planning:

Management considers continuing its current strategy and estimates the likely profits and sales it could achieve. If these are satisfactory, they are established as the company goals.

In companies, "marketing plan" is used to describe the section within the larger business plan that deals specifically with marketing issues and strategies, in contrast to the financial and manufacturing sections of the same plan.

In still other companies, it is used to describe a special marketing document of retaining some marketing goal, such as a successful new-product launch or an orderly development of a new market.

Following marketing sub-plans are prepared for the successful implementation of marketing programme & strategies:

1. Product Mix Plan:

Product mix determination is very important in industries with complex and changing technologies. It is an especially effective instrument in market where the consumer is affluent and has an elaborate system of preference. The decisions relating to product elimination, dropping, adding or developing are included in it.

2. Distribution Channel Plan:

This sub-plan involves the future course of action with regards to distribution channels – their number, forms, management and remuneration, etc.

3. Marketing Research Plan:

Marketing research is the gathering, reduction and analysis of market data. Because it describes and evaluates demand, the behaviour of buyers and intermediaries, and competition, it allows more rational and efficient decision making. Research is the key to an optimum allocation of marketing resources.

4. Marketing Organisation Plan:

Considering only physical distribution of goods and products is only half way to success in marketing efforts. The firm should chalk out a proper plan regarding the organisation structure of marketing department, communication policies and procedures, co-ordination of marketing activities to that of other departments of the firm, etc. Hence, a marketing organisation plan is also to be developed.

5. Sales Force Plan:

The plan signifies the efficiency of salesmen and other personnel engaged in selling the goods. The decisions relating to hiring and training salesmen, motivating them, and assignment of sales quotas, determining sales territories, compensating salesmen and introducing the incentive plans are included in it.

6. Advertising and Sales Promotion Plan:

The sub plan incorporates the selection of advertising media, channels of distribution, sales promotion techniques, advertising strategies, and tactics, etc. Thus, this plan is mainly concerned with promotion mix.

7. Pricing Plan:

Pricing is theoretically the single most important instrument of competition in a market economy. The firms have to consider different pricing policies, strategies, legal constraints relating to pricing and so on.
