

The Strategic Marketing Planning Process
Using **EXMAR**



The
**Marketing
Process**
COMPANY

*The
Strategic Marketing Planning Process
using
EXMAR*

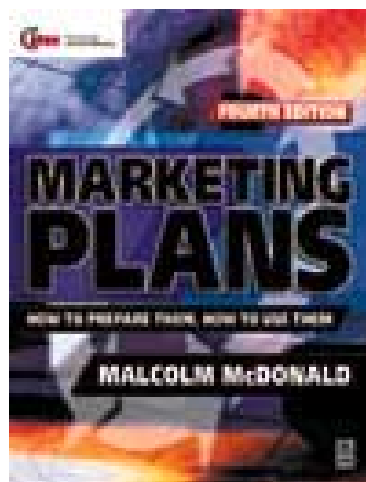
A product of



&



*Based on the methodology of
Professor Malcolm McDonald
of Cranfield School of Management*



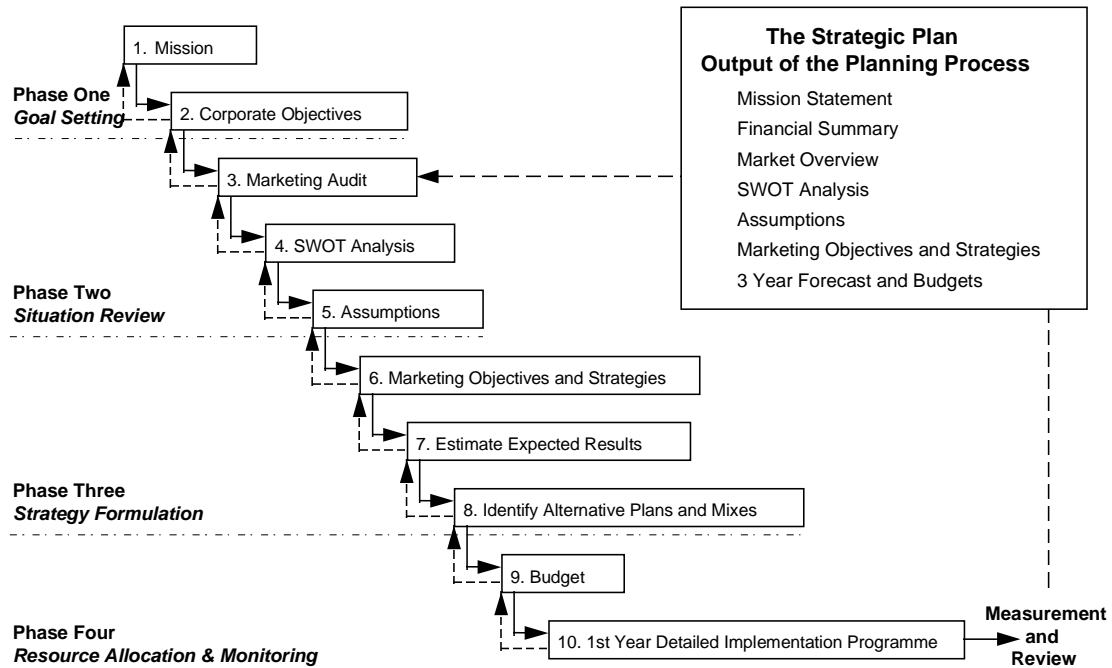
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1. BACKGROUND TO EXMAR

Professor Malcolm McDonald of Cranfield University School of Management, a world authority on marketing planning, has produced numerous publications on the marketing planning process over the last 10 years. His best selling book, **Marketing Plans - How to prepare them: How to use them**, now in the Fourth Edition, describes *The Ten Steps of the Strategic Marketing Planning Process* as follows:

The Ten Steps of The Strategic Marketing Planning Process



In order to assist companies with the implementation of an effective Strategic Marketing Planning Process many of the techniques were implemented in software programmes. Several prototypes were developed at the Cranfield School of Management, which were widely tested in a variety of commercial environments over a number of years, in order to produce a complete and robust specification of the requirement.

2. EXMAR

2.1. Product Description

EXMAR is a process, supported by a set of associated services, for developing Strategic Marketing Plans. It assists companies by:

- Guiding them through a logical marketing planning process
- Prompting and defining key data requirements
- Displaying information graphically to aid understanding of the business
- Providing advice at key stages
- Allowing 'what-if' analyses
- Automatically outputting the report resulting from the analysis.

There are a number of techniques and methodologies incorporated in **EXMAR** including:

- Gap Analysis
- SWOT Analysis
- Ansoff Matrix
- Boston Box
- Directional Policy Matrix
- Market Segmentation
- Perceptual Maps
- Porter Matrix
- Objective and Strategy setting.

2.2. Benefits of EXMAR

The competitive differentiation derived from **EXMAR** has been the subject of extensive research by Cranfield School of Management and can be summarised as follows:

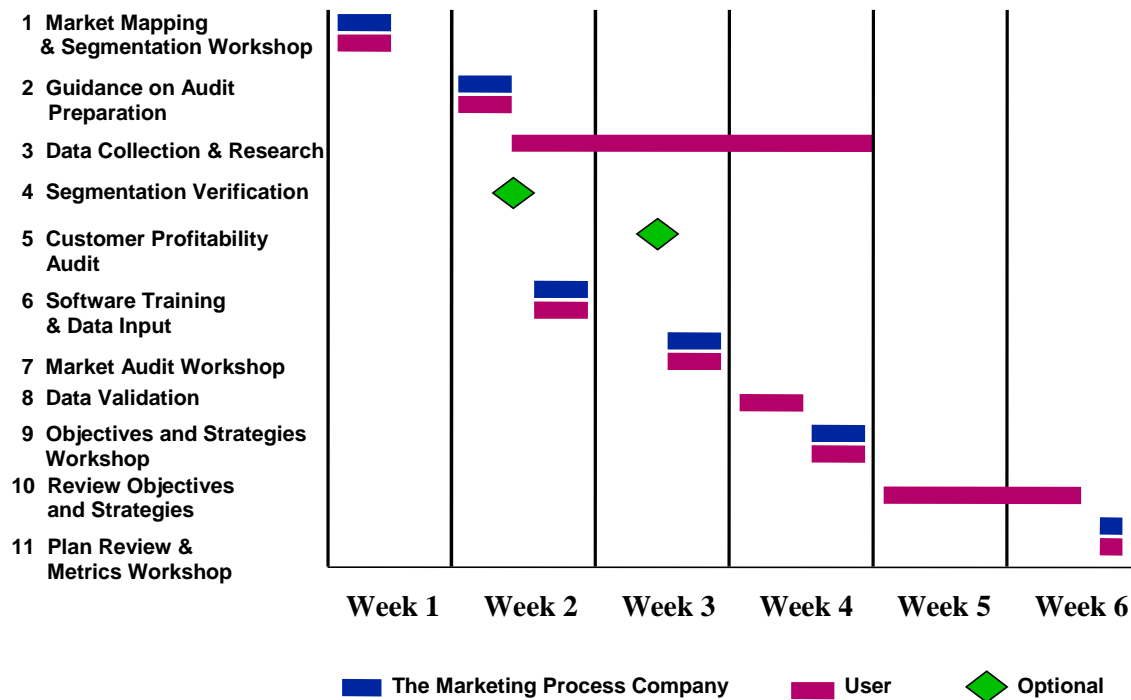
- Provides a planning framework which ensures consistency across divisions and each division covers all the key aspects of the planning process
- Takes the 'number crunching' out of marketing analysis
- Gives new insights into the markets particularly through the market segmentation techniques
- Gives powerful graphical display which makes large volumes of data understandable
- Enables easy 'what-if' iterations as strategy options are explored
- Facilitates team work and multidisciplinary involvement in the marketing planning process
- Improves marketing skills within the company
- Focuses planning on the customer
- Gives a clear vision of markets and the company's position in them
- Adds value to marketing database investment.

3. IMPLEMENTATION OF THE STRATEGIC MARKETING PLANNING PROCESS USING EXMAR

The successful introduction and implementation of the Strategic Marketing Planning Process within an organisation is dependent on management commitment and high quality process consultancy and training, as well as the EXMAR process support tools. This ensures that key members of staff are familiar with, and trained in, all the marketing processes and integrated techniques that have been developed in conjunction with Cranfield School of Management, and that a first class strategy is produced.

Experience has shown that the most efficient and beneficial method of implementing the Strategic Marketing Planning Process supported by the EXMAR software is to follow the steps shown below:

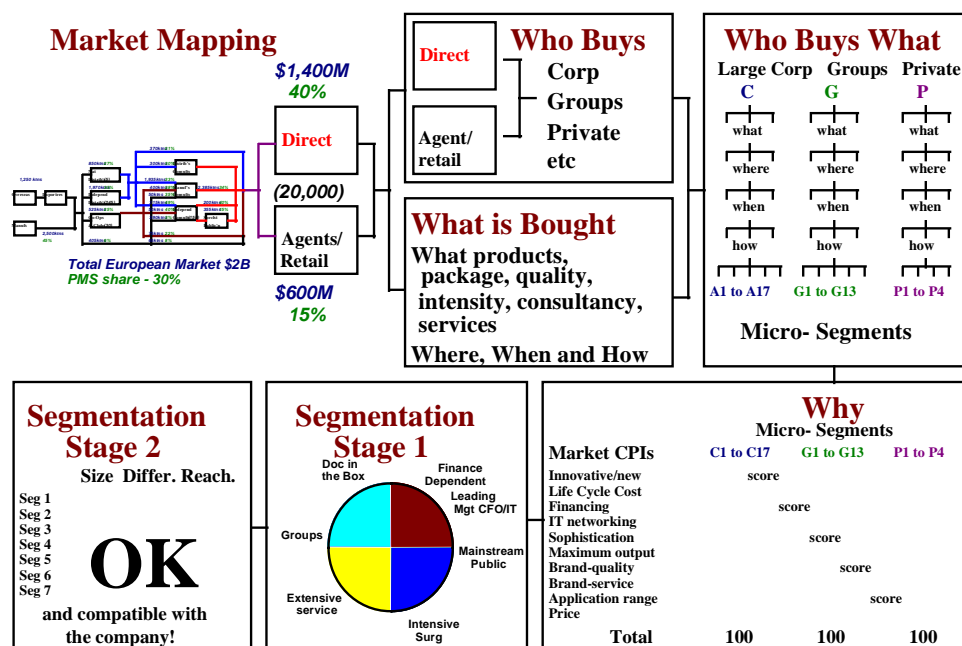
Project Plan for a Strategic Marketing Planning Process Implementation



3.1. Market Mapping and Segmentation Workshop

The objective of the workshop is to produce a structure for the defined market, which clearly identifies the different requirements that customers look to be satisfied. These different requirements can then be used to develop the alternative strategies that need to be implemented to better access the segments and tune the product offers to suit the customer requirements. A summary of the process appears on the following page.

It should be noted that most organisations do not have access to the information to produce a definitive segmentation structure that is 100% accurate. However most organisations do have sufficient internal knowledge to produce something that is 'roughly right' and a reasonable starting point. Where this is not the case, the process makes it very clear where the information holes are and the importance of that information. If research is required, the process ensures a rigorous and very targeted brief can be produced.



The Workshop is structured into three phases, which are as follows:

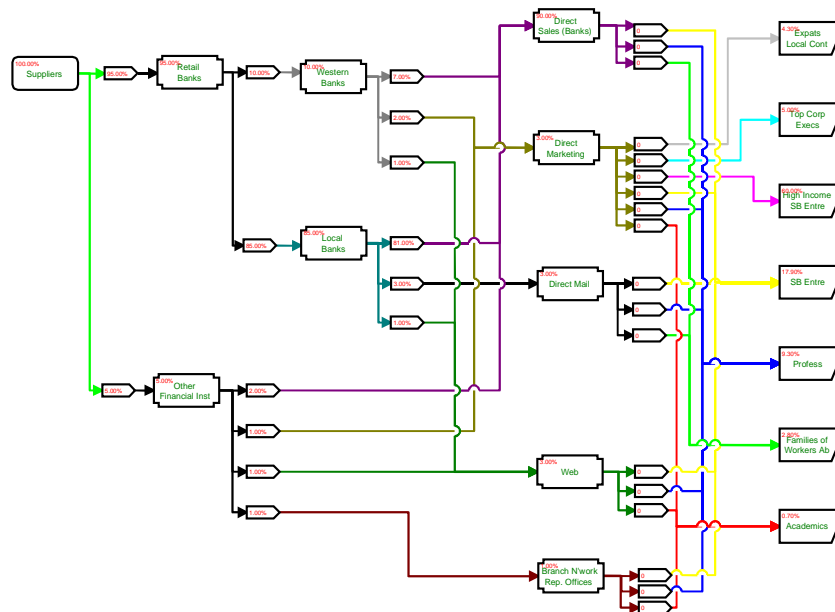
3.1.1 Market Definition

A market is defined in terms of a need that can be satisfied by the products or services customers' view as alternatives. Once this is clear, the boundaries for the segmentation project can be set.

3.1.2 Market Mapping

Market mapping is used to develop a clear understanding of how a market actually works, looking at both the routes to market and the role of influencers. A key stage in market mapping is to identify who makes the decision between alternative offers, as it is these individuals/departments the segmentation review will focus on.

Market Map – financial services example



3.1.3 Market Segmentation

Having identified the key junctions on the market map, these are analysed to arrive at a segmentation structure. This is achieved by answering the following questions:

3.1.3.1 Who buys?

Here the output of the market map is captured by identifying and defining the different types of decision makers, such as large corporates, small independents, individuals and so on, along with the revenue associated with their decisions.

3.1.3.2 What is bought, where? when? how?

The objective of this step is to clearly identify the Key Discriminating Features (KDFs) used by the decision-makers to choose between one offer and another. In an airline example this could involve class of travel, fare type, additional services (chauffeur drive, for example), schedule, airport, loyalty programmes, agency, direct and so on.

3.1.3.3 Who buys what?

The different types of decision makers identified earlier in the process are then broken down into a series of micro-segments to reflect the different 'purchase bundles' they put together.

3.1.3.4 Why do they buy?

As segmentation is about splitting customers, or potential customers, within a market into different groups, or segments, within which customers have the same, or similar requirements, understanding the real needs customers are trying to satisfy by the purchase bundle they put together is a crucial step. This information is converted into Critical Purchase Influences (CPIs). For example, some segments will be influenced by service and convenience, others by price and so on.

It should also be noted that CPIs might relate to how the micro-segment wishes to be served. For example some large customers may wish to be served by a single point of contact for all their needs, in which case they would be reached by the channel serving those needs; for other micro-segments the Internet may represent the best way to serve the customer.

3.1.4 Ansoff Matrix

The final part of this phase involves mapping product groups onto the identified segments to produce an Ansoff Matrix. This defines the **product-markets** on which the audit and strategy will focus.

Ansoff Matrix

		PRODUCT OR SERVICE	
		Existing	New
MARKET	Existing	Market Penetration	Product Development
	New	Market Extension	Diversification

EXMAR automatically constructs the Ansoff Matrix. A completed example is shown below:

	Bearings	HighPerf	Assemblies	Systems
Auto		Y		
Chemical				Y
Food	Y		H	
Electrical	Y			Y

3.2. Guidance on Audit Preparation

The objective of these two days is to ensure that the data required has been identified in detail and the format of the data is consistent.

3.3. Data Collection and Research

The following information needs to be collected and input into **EXMAR** for each product-market as defined in the Ansoff Matrix. This information is then used to drive the market audit. For each product-market the following information is required.

- Market size and growth (in volume and/or revenue terms)
- Volume
- Revenue
- Market share (in volume and/or revenue terms)

Current figures (latest budget for the current financial year) are requested. Historical data is also useful, as far back as available. If only some of these data items are known, the system will estimate data values where possible. In order for **EXMAR** to construct the Boston Box and the Directional Policy Matrix, it is necessary to define and gather the following information:

- Market Attractiveness Factors (MAFs) - defined once for the business unit
- MAF scores
- Critical Success Factors (CSFs)
- CSF scores for yourself and important competitors.

3.4. Segmentation Verification

This section of the project plan is not included in the Standard Implementation.

Often our clients sell products and services into **horizontal** segments. In these cases, the product-offer maps onto how the customers run their business, and segments are often hard to identify in a way that will give maximum leverage in the marketing plan. To help solve this problem, we have developed a set of tools and processes for analysing existing and potential customer data, and generating and sizing segments.

3.5. Customer Profitability Audit

This section of the project plan is not included in the Standard Implementation.

This is an optional audit and will develop a more realistic view of Customer/Segment Profitability as opposed to Product Profitability. It is often the case that a few segments generate **more than** 100% of the profit and it is important to identify which segments are actually profitable.

3.6. Software Training and Data Input

Two days of hands on training are provided on the **EXMAR** software including the use of the extensive help system. Data from your company can be entered into **EXMAR** at this stage.

3.7. Market Audit Workshop

The objective of this workshop is to produce the Market Audit and Trend Analysis, i.e. What will happen if we do nothing over the plan period? For each product-market the following information is analysed:

- Financial performance
- Market share
- Relative strengths and weaknesses
- Competitor strategy
- Relative costs
- Market attractiveness trends
- Opportunities and threats
- Assumptions and sensitivity analysis.

Additionally the portfolio of products and services is analysed using various tools including the Directional Policy Matrix (DPM) and the Boston Box.

3.8. Data Validation

The sensitivity analysis on assumptions, whether they be in terms of relative strength, market growth, or profitability are used to highlight those areas where it is most important to verify the data, as wrong assumptions could lead to inappropriate strategies being developed. This may require highly focused Market Research studies on the particular issues identified.

3.9. Objectives and Strategies Workshop

The objective of this workshop is to set the overall strategies and those that operate at the product-market level. Objectives are defined as the financial performance and market share required from each product market (which can of course include withdrawal).

Strategies are defined as the set of costed actions required to improve competitive performance in order to reach the objectives. It also includes assigning responsibility for the actions.

The process is iterative and can result for example in the identification of generic problem areas, where one set of actions and investments can affect competitive performance in several product-markets. These usually provide the best ROI.

Additionally the output of the workshop often results in several scenarios, each with its own investment profile, i.e. these are the anticipated results of this level of investment as opposed to a larger or smaller sum. These can highlight the implications of the spread of the investment and resources.

3.10. Review Objectives and Strategies

This phase of the project involves the Client in performing a 'sanity check' on the strategies. This can be both in terms of the viability of implementation, given the internal processes and constraints on the organisation and investment available, as well as a management review.

3.11. Plan Review and Metrics Workshop

On completion of the project, a day is set aside to review the Strategic Marketing Plan and to identify key metrics for monitoring the implementation and success of the strategies. For example, if 'service levels' are an important Critical Success Factor, then key performance indicators (KPIs) need to be defined that can be measured, such as 'response times to customer requests' or 'adherence to committed delivery schedules'.

If required we can offer our Clients further services to help them design and implement appropriate KPIs in their organisation.

4. CONTENTS OF THE STRATEGIC MARKETING PLAN

Following the analysis phase, **EXMAR** can automatically produce a Strategic Marketing Plan document. By default, the contents of the Strategic Marketing Plan report follow the format prescribed by Professor Malcolm McDonald of the Cranfield University School of Management.

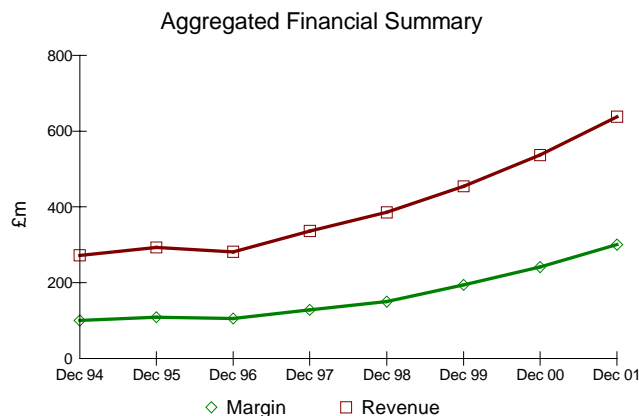
4.1. Mission Statement

This clearly sets out the reason for the existence of the Strategic Business Unit (SBU) and should briefly state:

- Role or contribution of the unit
- Definition of the business
- Distinctive competence
- Indications for future direction

4.2. Summary of Performance

The current and historical information can be easily represented in graphical form.



4.3. Financial Summary of Strategic Plan

Its purpose is to summarise the financial implications over the planning period. For example:

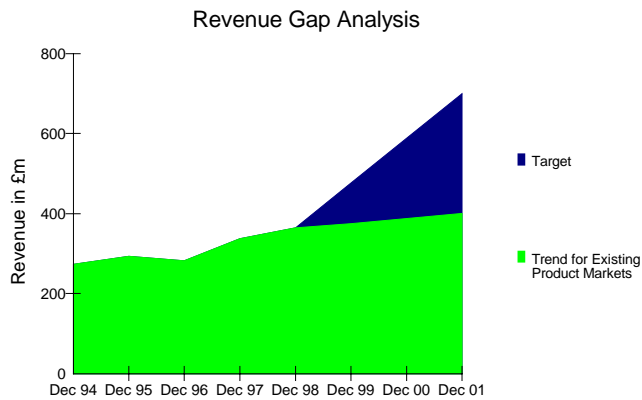
'This three-year business plan shows an increase in revenue from £85m to £302m and an increase in contribution from £37m to £163m.'

4.4. Market Overview

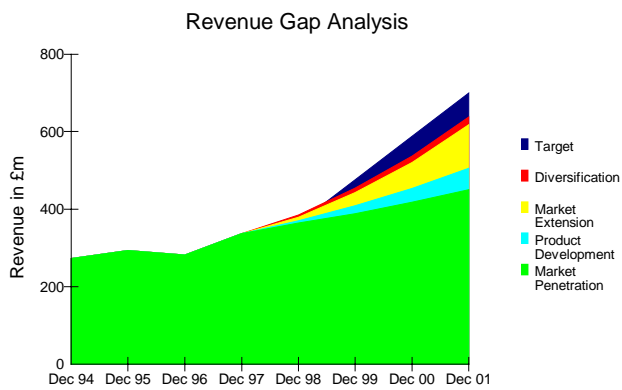
The Market Overview considers the following:

- Market structure
- Market trends
- Key Market Segments
- Gap Analysis
- Competitive Forces (Porter).

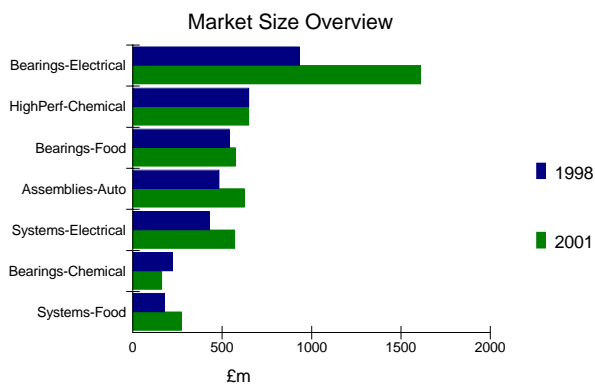
The Gap Analysis charts illustrate the trend situation and build up the results of the marketing objectives and strategies.



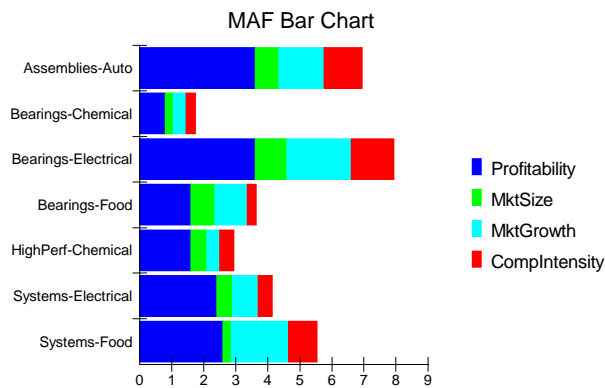
This chart illustrates how the shortfall will be closed or not, as the case may be. In the example below there is still a gap between the overall objective and what can be realistically achieved.



The following chart compares the size of the various market segments both now and in the future.



The chart below shows how attractive these markets are to your company.

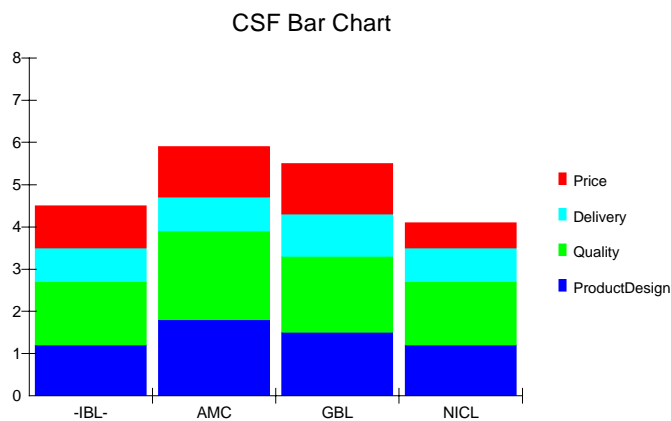


4.5. SWOT Analysis

The SWOT Analysis makes use of the Critical Success Factor (CSF) technique. This section takes into account how the following changes will affect business in the planning period:

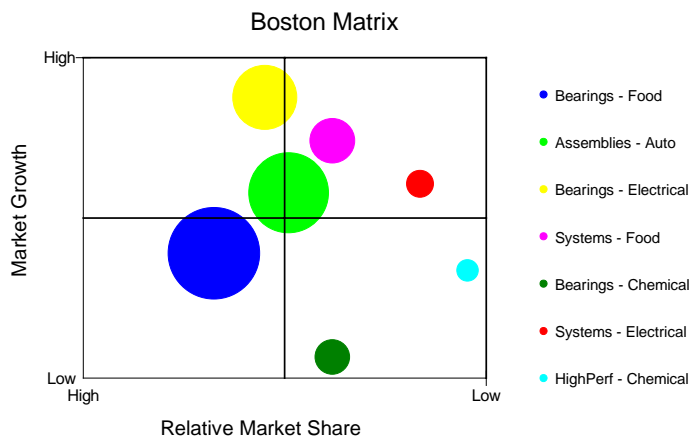
- Technology
- International trade
- General Economy
- Socio-political factors
- Demographics
- Market Factors
- Competition.

The chart below shows the results from the CSF analysis in a graphical form:

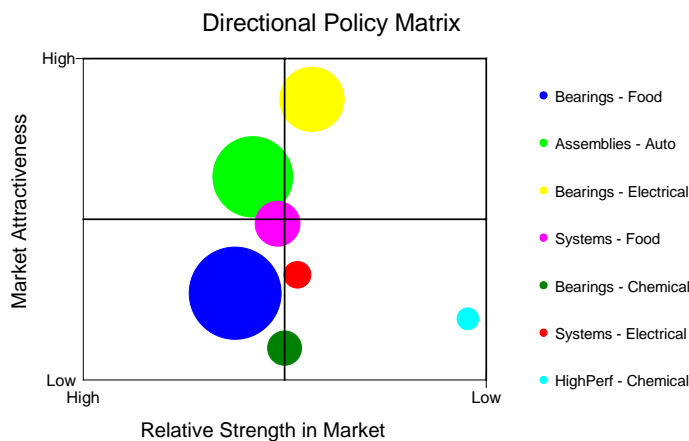


4.6. Portfolio Summary

This section evaluates the findings from the Boston Matrix and the Directional Policy Matrix calculated from the SWOT Analysis.



An example of a Directional Policy Matrix is shown below:



4.7. Overall Assumptions

The assumptions need to be:

- Explicit
- Few in number
- Agreed by key managers
- Related to issues in the SWOT Analysis.

4.8. Summary of Marketing Objectives and Strategies

4.8.1 Objectives

Marketing objectives can be defined for each product-market segment from the Ansoff Matrix in terms of revenue, volume or market share. A marketing objective should contain three elements:

- The chosen unit of measurement, e.g. sales, volume or market share
- The particular value selected, e.g. 25% market share
- For a given operating period, e.g. by the end of year three.

4.8.2 Strategies

Product, price, place and promotion define the marketing strategies. Typically they include actionable propositions such as:

Product

- Change product design, performance, quality, features, positioning
- Consolidate product lines
- Acquire and develop new products
- Withdraw product lines

Price

- Change price
- Change terms of purchase
- Penetration policy
- Skimming policy

Place

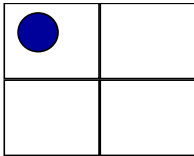
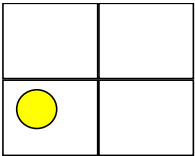
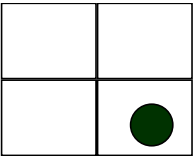
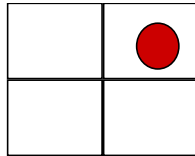


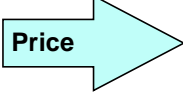


- Change channels
- Change delivery or distribution
- Change service levels
- Consolidate distribution

Promotion

- Change advertising
- Change promotion
- Change selling
- Improve sales mix

4.8.3 Suggested Strategies from a Portfolio Analysis

EXMAR will suggest which strategies to adopt based on the results of the Portfolio Analysis, as shown below:

	 Invest for Growth	 Maintain	 Manage for Cash	 Opportunistic Development
Market Share 	Maintain or Increase Dominance	Maintain or slightly milk for earnings	Forego share for profit	Invest selectively in share
Products 	Differentiation	Prune less successful differentiate for key segments	Aggressively prune	Differentiation line expansion
Price 	Lead - aggressive pricing for share	Hold prices or raise if possible	Raise	Aggressive - price for share
Promotion 	Aggressive marketing	Limit	Minimize	Aggressive marketing
Distribution 	Broaden distribution	Hold wide distribution pattern	Gradually withdraw distribution	Limited coverage

5. TECHNICAL REQUIREMENTS

EXMAR has been designed to be as open as possible without compromising functionality. This has been achieved by ensuring that EXMAR is Microsoft Office / Lotus SmartSuite compatible and exploiting Microsoft's well-supported development tools. The user interface is of a high quality with conventions that will already be familiar to the majority of Windows and Microsoft Office / Lotus SmartSuite users. By virtue of the design, integration with RDBMS, including Oracle, Informix, Sybase, and Ingres is possible.

	Version 3
Word Processor	Microsoft Word 8 (from Office 97) or Word 9 (from Office 2000)
	Lotus WordPro 97 or Millennium Edition
Presentation Package	Microsoft PowerPoint 8 (from Office 97) or PowerPoint 9 (from Office 2000)
	Lotus Freelance 97 or Millennium Edition
Browser	Microsoft Internet Explorer 4.02 (SP 2) or later
Operating System	Windows 95 Windows 98 Windows NT 4 Workstation or Server Windows 2000
Networkable	No
Hard Disk	20 Mb free hard disk space plus 2 Mb free disk space per plan
Memory	16Mb minimum (32Mb preferred)
Processor	minimum Pentium 166Mhz

Notice of updates are posted regularly on the web site at <http://www.TheMarketingProcessCo.com>

Users with current maintenance contracts can upgrade to the latest release.

6. A SELECTION OF OUR CLIENTS

The Strategic Marketing Planning Process using EXMAR is used in 40 countries around the world.

A selection of our clients, by industry sector, is shown below:

Financial services	Manufacturing	Energy	IT & Telecoms
American Express	Alpha Laval	BNFL	BT
J P Morgan	BMW	BP	Cable & Wireless
Halifax	BOC	British Gas	BT Cellnet
Norwich Union	GKN Westland	Calor Gas	IBM
Post Office	ICI	Castrol	Mitel
Zurich	Johnson Wax	Mobil	Nortel
	Kemira	Texaco	Oracle
	Pilkington	Yorkshire Electricity	Philips Medical
	Scania		Xerox

7. COSTS & DELIVERABLES OF THE STANDARD IMPLEMENTATION

The implementation of the Strategic Marketing Planning Process consists of a consultancy and training programme and the ongoing use of the EXMAR software.

7.1. Standard Implementation

The suggested components required for the Standard Implementation are shown below; all proposals are tailored to individual client requirements, and are costed appropriately.

	Item	Standard Implementation
1	Market Mapping and Segmentation Workshop for 8-10 staff – 2 consultants for 2 Days	✓
2	Guidance on Audit Preparation – 2 days	✓
3	Data Collection and Research	✓
4	Segmentation Verification	Not included in Standard Implementation
5	Customer Profitability Audit	Not included in Standard Implementation
6	Software Training and Data Input - 2 Days	✓
7	Market Audit Workshop for 8-10 staff - 2 Days	✓
8	Data Validation	✓
9	Objectives and Strategies Workshop for 8-10 staff – 2 Days	✓
10	Review Objectives and Strategies	✓
11	Plan Review and Metrics Workshop for 8-10 staff – 1 Day	✓
12	Workshop Material and User Manual	✓
13	Single User Licence for EXMAR	✓
14	Free technical support for one month for Version 3	✓
15	8-10 Copies of Marketing Plans-Fourth Edition by Professor Malcolm McDonald	✓