INDIAN INSTITUTE OF MANAGEMENT CALCUTTA

MARKETING PLANNING, EVALUATION AND CONTROL

An empirical study of current practices, in Indian Companies and Recommendations for Indian Managers

ZOEB H. BAXAMUSA

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ABSTRACT

Accurate assessments of marketing opportunity, careful planning, equitable evaluation and effective control of marketing activities are the bases for profitable business operation. Effective marketing programs depend on the skill, technical competence, and vision of the planning group, the efficiency of organisational efforts, and effective controls to achieve the established goals of the firm. This is a daunting challenge to the practicing manager. Formal marketing planning is an integrative process which blends corporate goals and resources with information on opportunities external to the firm. The object of planning is to develop creative and innovative policies to guide corporate efforts in the market place. Successful planing involves combining information management and creative leadership to achieve marketing excellence and corporate goals. The corporate strategic plan is the master plan that provides guidance to all managers about the direction and position the firm wants to achieve. This plan sets the boundaries for all other planning. Functional strategy is developed from grand strategy. Marketing strategy is based on corporate marketing objectives (discussed above), and a coordinated marketing action program is developed to implement the strategy. The ideal marketing strategy would achieve what military strategists refer to as a perfect economy of force. In economic terms, this would be the optimal strategy; that is, all resources of the firm, including personnel, would be utilized so that it would be impossible to improve the efficiency of one part of the operation without decreasing the effectiveness of others. With perfect economy of force the firm would correctly allocate resources, including money, to all marketing elements. But because of the nature of consumption and competition, particularly the uncertain human element, perfect economy of force represents an ideal, rather than a practical planning goal. The company objectives must not only be realistic and achievable but with short-, medium- and long-term goals shown separately. They should also be sufficiently challenging to stretch the capacity and capabilities of the executives responsible for their achievement. To be included in the marketing plan all objectives must be definable and therefore quantifiable and comparable for planning purposes. A forecast based on market sales potential is based on future customer requirements and is a measurement of the needs of the market for a definite period into the future. Every effort is made to predict changes in pattern of demand and on recent events of the immediate past which have not yet been sufficiently significant in total or over an adequate period of time for a trend to become clearly established. It will make full allowance for new applications in established markets and for innovations in new markets. In looking into the future it is necessary to disassociate the mind from traditional product concepts and to think more specifically about the product or service which the company can provide and which is consistent with the determiend business activity. No company or organisation in a free society operates in complete isolation, for even monopolies struggle against competition for available purchasing power. Opposition may

come from a substitute product or companies providing products or services which indirectly affect performance. With the customers' available funds as the target for suppliers ranging from paper clips to computers, establishing the cause and effect of the forces of competition becomes more and more critical as the degree of complexity of influential factors increases. In order to make an assessment of these factors it is necessary to isolate those which are likely to be most significant in their impact upon the market place. Once these assessments have been made it is possible for the company to make a full and realistic evaluation of the marketing budget which will be required to achieve the planned penetration. In some industries winning business from estblished suppliers may be easier to achieve than expanding the total market. In other industries development of the growth potential may be more feasible than a battle against established suppliers to win business. The marketing executive must endeavour to reconcile the needs of customers for a full service with the needs of his own company to provide a minimum level of service. If he should decide that the most appropriate means by which his company can win sales at the expense of competitors is by providing a distribution service superior to his competitors, then the cost of that service is a deliberate expense incurred in the marketing budget as an alternative to other marketing activities and expenditure. Because all forcasts are based on considered judgement the system enables executives to assess the likely alternative courses of action and spotlight the best opportunities. As all alternatives have been considered in advance, any change in operating conditions requiring remedial action becomes a matter of logical decision rather than pure hunch. Deviations from budget can be investigated and the cause isolated. At the time the budgets were set, certain environmental conditions must have been anticipated; investigations into actual conditions should highlight the cause of deviations. To ensure that the appropriate action is taken at a time calculated to produce best results, it is essential that a barometer of company and industrial performance is developed and steps are taken to monitor actual results against forecast company sales and forecast market shares. There are some specialist organisations providing performance comparisons within an industry at reasonable cost. A company using such an organisation will need to develop only an internal early warning system. This can be done effectively for the long term by plotting orders received by major product groups against the purchasing industry by standard industrial classification. Some constraints have been imposed, including policies, deadlines, the planning and payoff periods the resources that may be utilized, and the performance objectives. More descriptive guidelines on the position they hope marketing will achieve may have been issued. Within that many-sided framework, marketers search thier databases and experience hoping for clues on the ideal positions to seek and the creative marketing mix to design. Market targeting consists of the decision processes conducted to find the markets to serve, which are the two first steps above. It is often a complex task because of difficulties in developing accurate profiles of customers. The problem is worse in some rapidly changing industries where markets are dynamic and firms are expanding quickly.

The marketer does not have full latitude in deciding objectives. Rather, there are prior constraints in policies and in the objectives set for the corporation or SBU. Performance objectives always should have been set for strategy, and often market position objectives too. The latter should include a statement of the markets in which to participate and of the business of that unit. Another constraint would be word from the corporation on the funds available. In the absence of an explicit concept of strategy, members of the same organization can easily find themelves working at cross purposes. Functional perspectives can blur strategic priorities - as when the financial group vetoes new plant nvestment this year because interest rates are so high, leaving the door open to competitors to achieve real scale advantages. Similarly, the intentions of the corporate leadership can remain a mystery to people several levels down who are being depended upon for implementation. For example, one company trying very hard to penetrate an export shipments were consistently given lowest priority in the packing room. The most important strategic decision any firm makes is the selection of customers and markets to be served, the market segmentation and targeting decision. It is followed closely in importance by the choice of products to be offered to those markets. The customer, it has been argued throughout, it the "given" in marketing strategy, with the product being a "variable" that gets tailored to fit the chosen customers' needs. These market/product combinations define "businesses" in the strategic sense, and they define the business that the company is in. Here is another way of stressing that, especially in marketing firms, marketing must be a general management responsibility. Thus, while the distinction among corporate, business, and marketing strategies is an important one, it is also true that marketing management has a critical role to play in the planning process at each level of strategy. To avoid repetition and confusion, the discussion will not treat each level of strategic planning as a separate process, however. Instead, we will begin with an overview of the marketing planning process in general terms, making the necessary distinctions among the different levels of strategy at later stages in the discussion as appropriate. The planners often don't spend a lot of time on the answers to the strategic questions, for they are not in a good position to challenge the answers. Unless the business is clearly in trouble the staff will accept what the business had prepared. One consequence is that the business feel they can get away with a perfunctory update of last year's submission. The most obvious weakness is the reliance on operating management for the raw financial data. But these managers are advocates of their own position, and can't make informed judgements about investment opportunities outside their business. Since everyone knows the corporate financial standards, even the weakest business units feel compelled to submit projections showing they will eventually reach satisfactory returns. The responsibility for developing the initial strategy proposal is left to the multifunctional business teams. The line managers, who will have to accept and carry out changes in direction and new programs, meet under the leadership of their general manager to debate and resolve their strategic issues and decide which options for strategic action they want to propose. This is followed by a tough-minded corporate review of the assumptions and options identified by the planning team, as a prelude to making resource commitments. This is not the "show and tell" strategy review found in many companies, with elaborate presentations of a strategy advocated by the business team followed by perfunctory questioning. Instead, these reviews occur during the shaping of the strategy and concentrate on defining mutual expectations and flagging potential problems so later surprises are minimized. Once a marketing man has convinced everyone that a longer-term plan for the business is meaningful and has secured their involvement and commitment, much spadework remains to be done. The longer the planning period, the more rigorously must he examine the conventions used. He may, for example, be able to ignore the possible effects of inflation in the short run but this may be a vital factor in a ten-year plan. A company cannot set up a rush programme by putting all its top brand managers on the job for six months. Many marketing men seem to fear corporate planners. They perhaps see the planners as becoming the guardians of the long-term success of the enterprise, a role which has been rapidly assumed by the marketing director. I have already shown that this fear should be an unreasonable one and that corporate planning is something the marketing man should welcome, but much will depend on the way top management uses corporate planning. It is not a means of supplanting the marketing role in long range profit planning, but a means of ensuring the success of those plans. Marketing Planning is a living, adapting, and continuous process. Thus, the end of one cycle, including the iterative steps from situation assessment through strategic thinking about issues, to decisions about performance objectives and courses of action that culminate in implementation activities, signals the beginning of another cycle of the cycle. The bridge to the next cycle is provided by a monitoring and control system that tracks whether the strategy is one course to achieve the promised objectives and whether the underlying assumptions remain valid. The heart of this system is performance criteria and related measures that are derived from the objectives and key success requirements. For a strategy reqquiring new distribution methods an inventory control system would be a high priority. The main purpose would be to ensure that inventory levels at various stages were not excessive and likely to back up in the system, or if they started to balloon in size there would be ample warning so corrective action could be taken. Of course, if too many serious departures from the expected are flagged by the control system, it may be necessary to initiate a complete strategy review or pull together a project team to deal with the specific issue causing the problem.

Any plan involving a change from existing patterns usually encounters substantial resistance. The task of the marketing executive managing change is to recognize the inevitable obstacles, provide ways of overcoming them in his planning, and see that the organization needed to implement the plan is structured to capitalize on the opportunities the plan is designed to meet. This requires drive and persistence from market planers comparable to the drive and persistence required of line executives. Operational strategy includes the marketing planning that remains after determination of the firm's grand strategy and over-all marketing plans. Organization, goods and services, communication, and distribution planning fall into the category of operational strategy. Tactical planning in marketing directs the efforts of small groups or individuals and indicates the tactics and procedures to be used in a given marketing situation. A salesman may spend hours preparing his tactics for a half-hour sales interview. An advertising copywriter may spend several days on a particular piece of advertising copy. Anyone with management aspirations must first master the principles of tactical planning in his subfunction. In planning a future profit requirement it will be essential to predict the sales volume required to achieve that profit. Sales are the direct result of orders and orders themselves are a result of quotations or tenders. Inquiries have to be obtained before the company can implement the chain of events which lead to the transaction being recorded in the sales ledger. By investigating historical performance, the marketing executive should be able to establish conversion ratios for each step in the chain. Once the actual amount of planned profit is agreed, the conversion ratios can be applied to indicate the sales volume needed to achieve that profit and the inquiries, quotations and orders which must be obtained before the sales can be achieved. The period which Indian companies choose for their sales forecast may vary from five years to twenty years. For most companies five years is the most appropriate time span and, as many products which will be sold in five years' time are already established within the present product range, it is normally possible to use historical sales performance on which projections into the future can be based. Such a projection is dependent upon future events being similar to events which have happened in the past. Due allowance must be made for change in general economic conditions and for changes in competitive forces within the industry which serves the company's market. There is only element in the Indian business environment which has any marked degree of certainty and that is the certainty of change. It may be change in the size of a market or its structure, or among the firms operating within the market, or the markets with which it is concerned. Measurement of the total market should be undertaken only after the business activity of the company has been determined and a reasoned definition of the total market prepared. There is frequent confusion about the total market for a particular product. It is, in fact, the total amount of money spent in the satisfaction of a need, irrespective of the products, which satisfy that need. This means all types of food compete against each other; the many different types of transport are competitions; all aids to business efficiency are in competition. The manufacturer who supplies only one kind of product to satisfy a need has a market by penetration, in which similar products compete directly against each other. A marketing-orientated company will not only win business from competitors for similar products but will also expand the market by penetration at the expense of indirect competitors for the total market. Often, however, the Indian manufacturer will endeavour to supply the maximum service at minimum cost. This usually means providing immediate delivery, relatively speaking, for products in frequent demand but an extended delivery for less popular products. In the consumer goods field supermarket chains measure the performance of an individual outlet by comparing its performance in growth against the average for a previous period of sales per square foot of floor space or per employee or even per customer. A ratio of scales of different operating costs is kept in addition to staff lists and details of absenteeism. These are additional to the traditional measurements of retail effectiveness, such as rate of stock turnover and net profit as a percentage of capital employed. Though the actual implementation of a budgetary control system is essentially an accounting function, it is necessary for the marketing executive to understand fully its workings, functions and practical value. Not only will he be preparing the information fed in but also he will be responsible for its control and for reporting and recommending alternative courses of action should they become necessary. Occasionally a company can avoid the disasters of a temporarily poor market position by acquisition of another company. Study of the competitive profiles in the marketing plan, followed by a detailed investigation of suitable partners, may reveal a competitor which would supplement or, ideally, complement the company's own operation. The first consideration will always be to make a take-over bid, but realistic management must not discount the advantage of soliciting for a bid to be made for one's own company - this course of action may prove more prudent. The elements of marketing will not rise in the same proportion as he increase in output. A fullpage advertisement in a newspaper or magazine will cost the same, whatever the volume of business. Market research studies of the same scale will cost no more, whaever the size of firm, and salesmen are recruited normaly according to the number of customers and prospects rather than sales turnover or sales potential. In practice, larger firms do spend more on these marketing functions in order to achieve additional benefits. The bigger the advertising appropriation, the easier it is to find an agency with a wide range of skills and services. Advertising may be used more effectively as a result. A broader blanket study should bring more and better facts for decision making, so reducing the risk element and minimising the waste of resources. It could mean that the company would be able to promote, and then exploit, its product's potential more effectively. A larger firm may also be able to provide better training facilities for salesmen and, as a result, product an improvement in sales performance. When the evaluation has been made, planners should be prepared to set marketing objectives, whose performance is likely to win the desired market positions. Given these specific marketing objectives, planners turn to seeking stratagems that should achieve such results. Marketing objectives are what a strategist is trying to achieve, as distinguished from strategems, which are how a firm intends to achieve the objectives. There are chains of ends-means decisions that start with general objectives and keep focusing more specifically toward implementation of strategy. These decision chains start at the top of the organization and move level-by-level into marketing. In the absence of an explicit statement of strategy, obsolete patterns of corporate behaviour are extraordinarily difficult to modify. Where there is no clear concept of what current strategy is, the determination of what might be changed, and why, must rest on either subjective or intuitive assessment. This becomes increasingly unreliable as the pace of change accelerates. Most companies are engaged in a variety of businesses. Either they have a diversified product line, sell to widely different customer groups, or use a number of very different distribution channels (such as to both original equipment and replacement markets). Consequently, it is important to look at the range of business that the company is engaged in and to consider the strategic issues inherent in each. Only then can strategy, as it applies to the company itself, be discussed. Despite incessant complaints from managers that their planning systems stifle the creativity that is the essence of strategy, they persist in using excessively routinized systems that are burdensome, time-consuming, and geared to short-run budget preparation. The net result for many companies is that their weak units are allocated too much capital while the best opportunities are underfunded, because the financial forecasts don't discriminate their relative attractiveness. A further flaw is the loss of cohesion and integrated vision for the entire company. The strategy for the company is simply the sum of the parts, because the raw data and proposals are originated by the business units. Adaptive planning often forces changes in managerial roles. If strategy development is to be the province of line managers, then corporate staff planners should become facilitators and integrators rather than doers. In this type of role the most effective planners are senior line executives on rotation. They bring expertise and credibility no professional planner or consultant can match and they also learn to be better general managers. Such a shift in responsibility works only when the line managers are properly prepared. But many companies have not provided the right support and training. As a result, strategic planning is seen as just another burden imposed from above. Very human problems of real, creative, long range planning face the marketing man. Since he has to predict what will sell, when, and in what quantities, his head is seen as being clearly on the block! Faced with a sickening responsibility and experienced enough to know that his predictions will probably be wrong at least as often as they are right, he will be inclined to find reasons why longer range planning than he is used to should stay near the bottom of his work pile! However, it is the very uncertainty of prediction that makes some form of long range preparation all the more necessary. After all, your prediction that your present product will go on selling for twenty years is only a little more probable than the surmise that you might be selling a completely new product in an entirely new product field in twenty years' time! Any good corporate planner will tell that it is the process not the plan that is important. The detail of the plan could well be obsolete almost as soon as it is written, but the process which created it should not be obsolete. Hence the importance of review techniques. However, the marketing man must fulfil one absolutely fundamental role. The more programmed thinking there is in forward planning and the more companies make use of mathematical prediction, the greater will be the need for creative thought. The computer enables a far wider range of likely variables to be considered at great speed. This, combined with a growing conventionality in the responses of large companies to certain stimuli, inevitably increases the chances of different companies coming up with the same idea. In consequence it is becoming much more difficult to make the sort of breakthrough that gives one's company a healthy solo spot in a new field. This is where the questing mind of the marketing man comes in. A firm has a marketing problem when it faces uncertainty about vital marketing facts or about the reaction of the market to a marketing plan. Problems of the first type can be solved by providing a reliable answer to a question of fact or reaching a conslusion about some basic issues of marketing policy. This result is achieved by gathering evidence and evaluating it, employing the principles of decision theory.

DESIGN

Decision making relationship between the managements and the strategic plans were chosen as the empirical setting. Managers from three major groups (Multinationals, Traditional an Government) were included to limit extraneous sources of variation. The companies represent a wide variety of products and industries.

Visits and interviews confirmed our expectations that the type of process emplied in our hypotheses operated in those industries, and that the theoretical constructs in question could be measured satisfactorily. Data from the middle managers as well as from the top management were collected to assess the quality of the measures.

Drafts of the questionnaries were developed on the basis of available scales and preliminary investigations, and were administered at several head/corporate offices and branch offices in each group of companies.

The dissertain is an empirical study of Indian companies using a cross sectional design. A study of the top-level and the middle-level managers gives insights into the current corporate practices. The study generates strategic recommendations to assist decision makers in Indian companies.