

# Creating a Marketing Plan

An American Marketing Association Best Practices Tutorial  
by Linda Lee and Denise Hayes

## CREATING A MARKETING PLAN

**By Linda Lee and Denise Hayes**

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### 1. INTRODUCTION

Any organization that sells a product or service to customers needs a formal marketing plan.

Depending on the size and sophistication of your organization, your marketing plan may be just a few pages or, with supporting material, run into the hundreds of pages.

However, even in the largest and most sophisticated organizations, the core marketing plan document should be clear, concise, and state the few key strategies that the organization will be undertaking.

This article is intended to give the reader a basic grounding in how to create a marketing plan and will cover:

- What a marketing plan does
- How to structure a marketing plan, with key headings and what should go under each heading
- How to get started

### **What a Marketing Plan Does**

A marketing plan is a document that is one part of the marketing planning process. A formal marketing planning process provides structure and rigor to decision-making. It culminates in a written plan that typically is prepared once a year or prior to a significant new marketing initiative that requires an investment of budget and/or internal resources.

The marketing plan gathers and distills the learning of the organization in one document and charts a path to achieve business objectives. Specifically, the marketing plan answers the following questions:

- What economic and business environment are you experiencing?
- What opportunities and problems are you facing?
- What business objectives do you expect to achieve?
- What exactly do you sell?
- Who are your customers?
- Why should they buy your product or service rather than your competitors'?
- How will you communicate your product or service to your customers?
- Who will do what, when?
- How are you going to measure your progress so you can learn from the experience?

The reason to create a marketing plan could be any or all of the following:

- To provide greater discipline in the planning process
- To provide strategic direction for an organization or business unit
- To provide an action plan for marketing-related activities
- To provide a formal record of marketing-related decisions
- To request budget
- To request internal resources
- To create dialogue with senior management
- To communicate marketing priorities to other parts of the organization
- To obtain buy-in from other parts of the organization

### **The Marketing Planning Cycle**

While the marketing plan is written at a particular point in time, typically prior to budget approvals, it is also a year-round

process. Certain times of the year may be more active than others.

## **2. MARKETING PLAN STRUCTURE**

There are two key components of the marketing plan:

1. The situation analysis
2. The marketing plan.

The situation analysis is a factual document and analyzes the information that you have gathered in preparation for writing the marketing plan. It answers two key questions:

1. What economic and business environments are you experiencing?
2. What opportunities and problems are you facing?

The marketing plan lays out the objectives, strategies, and sub-strategies for a specific timeframe, usually a year. It answers the following questions:

- What business objectives do you expect to achieve?
- What exactly do you sell?
- Who are your customers?
- Why should they buy your product or service rather than your competitors'?
- How will you communicate your product or service to your customers?
- Who will do what, when?
- How are you going to measure your progress so you can learn from the experience?

The marketing plan is not complete or credible without the situation analysis as the situation analysis provides the rationale for the decisions being made in the marketing plan. A comprehensive situation analysis is especially important in an organization that is sceptical about marketing.

The key headings in a situation analysis may include the following:

- Macro environment (the big picture)
- Market (size, share, growth, segmentation, seasonality trends, etc.)
- Internal Trends (sales volume by month and annually, revenue, profits)
- Product or Service (description of the products or services you are selling)
- Competition
- Consumer or Customer (segmentation, attitudes and behaviour)
- Distribution Channels (direct and indirect channels)
- Evaluation of Previous Marketing Initiatives
- Strengths, Weaknesses, Opportunities, and Threats
- Issues Analysis

The key headings in a marketing plan may include the following:

- Objectives
- Strategies
- Tactics
  - Product
  - Price
  - Distribution
  - Advertising and Promotion
- Research and Evaluation
- Financials (budget and profit & loss statements)

The headings and the types of information that should be included under each heading are listed in the next section. Remember that the situation analysis is a factual document so you should use quantifiable information wherever possible and always state your sources (so you can find them again next year or delve deeper into the information at a later date).

### **3. THE SITUATION ANALYSIS**

#### **Situation Analysis: Macro Environment**

This section should present pertinent facts related to economic, demographic, cultural, technological, and/or political forces that are outside your control but will have an effect on your business. In addition to presenting the facts, answer the question, "what does this mean to my business?"

This type of information should be readily available through secondary sources such as government, census information, public bodies and published reports.

#### **Situation Analysis: Market**

This section defines and describes your market. The question of "what market are you in" is quite simple but requires some thought.

What is your geographic market – specific regions of a country, nationwide, several countries, or global? What market or industry are you in? If your organization makes pencils, are you in the pencil industry, the writing instrument industry, or the communication tools industry?

Your answers will determine the amount and type of analysis that you will do in this section. Once you have defined your market, you should gather the facts to answer the following questions to describe your market. If you are operating in several geographic markets that are sufficiently different, it may be helpful to answer these questions for each geographic market.

- How is your industry structured? In the pencil example, let's say you define your industry as the pencil industry. You would describe the concentration or fragmentation of

the competitors (other pencil manufacturers), the suppliers (those who supply the lead, the casing, the erasers, etc.), and the buyers (wholesalers and retailers). This analysis indicates the amount of power that each player can exert on others.

- How big is your market?
- Are there segments in your market? In the pencil example, you may have mechanical pencils, all purpose pencils, art pencils, and novelty pencils. Each of these segments should be analyzed separately.
- What are the overall trends and developments in your industry?
- What is the rate of market growth or shrinkage over time?
- Are there any differences in market growth by time of year?
- How big are your competitors? A market share table should be included here.
- What are the key factors for success in the market?
- For each of these questions, ask the additional questions "why" and "what are the implications for my business."

This information can be found in association publications, industry publications and research firms that track your industry.

#### **Situation Analysis: Internal Trends**

This section analyzes internal sales and profitability trends of each product or service, grouped by market segment as defined in the Market section.

Depending on how quickly your industry changes, the timeframe you use for trending may be as short as a few months but organizations commonly use three to five years. The specific questions to answer include the following:

- What are the volume and profitability trends by product or service? What are the volume and profitability trends by market segment?
- What are the volume and profitability trends by type of customer?
- What are the market shares for each product or service?
- For each of these questions, remember to ask the additional questions “why” and “what are the implications for my business.”

This information can be found in the internal sales and financial system and supplemented by industry tracking research.

### **Situation Analysis: Product or Service**

This section describes and analyzes your organization’s products or services. The specific questions to answer include the following:

- What products or services do you currently provide?
- What are the strengths and weaknesses of your current products or services compared to your competition?
- What new products or services are you considering providing?
- What are your organization’s capabilities of providing these new products or services?
- How would these new products or services compare to your competitors’?
- For each of these questions, remember to ask the additional questions “why” and “what are the implications for my business”.

This information comes from internal sources and competitive information.

### **Situation Analysis: Competition**

This section reviews and analyzes each key competitor and organizations that are considered leaders in the market (key competitors and leader organizations may be the same in many instances).

Key competitors are those organizations that provide a similar product or service as your organization and target the same customer or consumer. Leader organizations are those that are the most successful (largest, more profitable, and/or most innovative). Analyzing leader organizations may generate ideas to help your organization improve.

The specific questions to answer include the following:

- What products or services do they offer? How do they differ from yours?
- How does their pricing compare to yours?
- How are they positioned?
- What marketing activities do they use? How successful have they been?
- What are their strengths and weaknesses compared to yours?
- For each of these questions, remember to ask the additional questions “why” and “what are the implications for my business”.

This information can be found in the competitive intelligence system if you have one or you may need to gather this information specifically for the marketing plan.

### **Situation Analysis: Consumer or Customer**

This section reviews and analyzes your consumers and/or customers.

If you sell your product or service to a business and that business is the end-

user, you would call this section "Customer" (for example, if you are selling office furniture). If you sell your product or service directly to consumers, you would call this section "Consumer" (for example, if you are in retail).

If you sell your product or service to businesses that then re-sell it to consumers, call this section "Consumer" (for example, if you are selling pencils to retailers who in turn sell them to consumers). Then, in the following section "Distribution Channels", analyze those businesses that distribution your product or service to the consumer.

The specific questions to answer include the following:

- Can your consumers or customers be segmented based on common characteristics? For example, you could segment by usage such as heavy user, medium user, or light user. You could segment consumers by demographics such as age group, gender, urban versus rural, income, family size, etc. You could segment customers by industry group such as the North America Industry Classification System or by a grouping that is specific to your market.
- Quantify each consumer or customer segment by size, frequency, profitability, and any other grouping that makes sense in your industry.
- For each segment, especially the largest and/or most profitable segments, ask these further questions about the consumers or customers within them (if you have some very important customers who make up a large percentage of your business: analyze their key characteristics individually)
- Who are they? What are the demographics of your consumers?

- What products or services does each buy?
- How do they buy your products and services?
- Where do they buy your products and services?
- Why do they buy your products and services? What are their attitudes toward your product or service versus your competitors'?
- For each of these questions, remember to ask the additional questions "why" and "what are the implications for my business".

This information comes from internal sales information and research (a research report on the industry that you can purchase and/or your own commissioned consumer/customer research).

### **Situation Analysis: Distribution Channels**

This section lists and analyzes each distribution channel you currently use or are considering using.

The distribution channels could include direct sales channels (such as sales force, direct mail, Internet and direct response television) and indirect distribution channels (such as wholesalers and retailers).

The specific questions to answer include the following:

- What are the characteristics of each distribution channel?
- What are the trends and new developments in each distribution channel?
- What are the strengths and weaknesses in each distribution channel?
- How successful is your organization in each distribution channel?
- What percentage of sales does each distribution channel contribute to your business?

- How cost-effective is each distribution channel?
- What is your share within each distribution channel compared to your key competitors?
- For each of these questions, remember to ask the additional questions “why” and “what are the implications for my business.”

If you use indirect distribution channels, analyze your business within each key wholesaler and retailer. In many organizations, this analysis is part of a separate sales plan.

This information can be found in the internal sales and financial system and supplemented with industry reports and internal sources.

### **Situation Analysis: Evaluation of Previous Marketing Initiatives**

This section analyzes the successes and failures of previous marketing activities to apply the learning to the marketing plan.

For each initiative, the specific questions to answer include the following:

- What were the quantifiable objectives for this initiative?
- Briefly describe the initiative.
- How did the initiative perform against the objectives?
- What was the key learning from this initiative?
- What are the recommendations about continuing, discontinuing, or changing this initiative?

This information can be found in the internal sales and financial system.

### **Situation Analysis: Strengths, Weaknesses, Opportunities, and Threats**

This section is often the result of a group planning session.

Prior to this planning session, the individuals participating review the previous sections of the situation analysis. At the planning session, participants discuss and prioritize the strengths, weaknesses, opportunities, and threats.

The questions to answer in this section include the following:

- What internal strengths do your organization or product/service have, compared to your competition, which will improve sales?
- What internal weaknesses do your organization or product/service have, compared to your competition, which will hinder sales?
- What external opportunities are open to your organization or product/service that will improve sales?
- What external threats (over which your organization may have no control) are facing your organization or product/service that you may have to react to?

## **4. THE MARKETING PLAN**

### **Marketing Plan: Issues Analysis and Objectives**

This section analyzes all the learning from the previous sections and lays out the few key issues that your organization or product/service needs to address in the marketing plan.

Remember, as the situation analysis is a factual document, the issues analysis should not presume a particular course of action. Rather, it should include only the major problems that need to be addressed.

The objectives are the quantifiable results that you expect your marketing plan to achieve.

Objectives are typically stated as sales volume, market share, profitability, or consumer awareness to be achieved by a specific timeframe, compared to a previous timeframe.

When setting objectives, choose ones that are realistic and achievable, yet challenging. Make sure that the objectives you set can actually be measured. For example, do not choose market share as an objective if you do not have a method of measuring it.

A sample objective could read as follows:

To achieve sales of 35,500 cases of pencils in 2001, an increase of 5.4% over 2000.

Most marketing plans have one to three overall objectives. Within the plan, each tactic may have its own objectives that contribute to the overall objectives.

### Marketing Plan: Strategies

Strategies describe the broad direction the organization will take to achieve the stated objectives. Strategies look longer term while tactics are short-term actions to achieve the implementation of a strategy. The questions your strategies should be answering include the following:

- What market or industry will your organization be competing in?
- Who are your target customers or consumers?
- How will your organization or product/service be positioned? Why

should consumers or customers buy your product or service rather than your competitors'?

- What broad changes do you plan to make to your product, price, distribution, advertising and promotion, and research and evaluation?

Sample strategies to achieve the above objective could read as follows:

**Market definition:** Pencil industry in U.S. and Canada.

**Target consumers:**

**Primary:** Artists 18 to 65 years of age, living in cities with populations of 100,000 or more

**Secondary:** Those 12 to 65 years of age with an interest in art, living in rural and urban environments.

**Positioning:** The smoothest and most reliable art pencils.

**Product:** Add large packs of pencils to product mix.

**Price:** Price competitive to similar quality pencils.

**Distribution:** Add direct distribution to current method of selling in select retail stores to reach non-urban consumers.

**Advertising and Promotion:** Increase advertising and promotion budget by 40% to launch new distribution channel.

Those people whose areas of responsibility will be affected by the marketing strategies should be involved in helping develop these strategies. They will make the difference between a successful marketing plan and one that is a failure.

### Marketing Plan: Tactics

This section describes in detail the tactics or short-term actions you will use to implement the strategies outlined in the



Strategies section. The categories for your tactics should include:

- Product
- Price
- Distribution
- Advertising and Promotion

You may have several tactics in each category. Each tactic in each category should be described in enough detail to answer the following questions:

- What quantifiable objectives do you plan to achieve? (If there are any that can be quantified separately from the overall objectives)
- What exactly do you plan to do?
- Why do you plan to do this? How will this improve the organization?
- Who will be responsible for each action?
- How long will it take and when will it be done?
- How much will it cost?
- What evaluation mechanisms will you use? Use common sense to track the effectiveness of each tactic – the measurement should be dependent on the size and importance of the tactic. In other words, do not measure a tactic if it will cost more to track than it will to implement in the first place.

## **Marketing Plan: Research and Evaluation**

This section describes the ways you will measure the overall objectives, summarizes the evaluation tools you will use to track the effectiveness of the strategies and tactics, and describes the research you will use to obtain any information that you were unable to obtain for the situation analysis of this marketing plan.

List the research and evaluation methods, responsibility, timing, and cost.

## **Marketing Plan: Financials**

The financials should include two documents:

1. A marketing budget
2. A profit and loss statement.

The marketing budget includes all the costs associated with the strategies and tactics that fall in the marketing area of responsibility.

The profit and loss statement essentially demonstrates the financial effect of the initiatives in the marketing plan. It covers the business unit or product category that is the subject of the marketing plan. Revenues include forecasted volume times average price. Expenses include cost of sales, distribution, and marketing expenses (from the marketing budget).

## **5. GETTING STARTED**

If this is the first time your organization has prepared a marketing plan, it may seem daunting. You may not have all of the pieces of information that are listed in this article. Remember that this is a process and the information and analysis will improve over time.

First, find out what you information you already have and what you need to obtain. Then, gather all the information you can for this year. If necessary, pay for information that is important to you.

For the information that you are not able to obtain, either because of budget or because it would require a research study, include it as a planned tactic in the research and evaluation section of the marketing plan.

The person who writes the marketing plan and leads the marketing planning process could be the brand manager, product manager, or business unit manager in a larger organization. In a smaller organization, this person could be the

marketing manager, director, or vice president and in some cases may also have other areas of responsibility such as sales.

The people to involve in the marketing planning process are those whose areas of responsibility will be impacted by the marketing plan. Their involvement will increase the success of the marketing plan.

Writing a well thought-out marketing plan is not easy but it will increase the success of your organization.

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The Strategex Consulting Group helps clients identify the most critical strategic issues for success in their industry, structure their organizations to achieve success, develop and launch innovative new products and programs, anticipate and respond to competitors' actions, form strategic alliances, and thrive in a fast-changing environment.

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