

BUSINESS-TO-BUSINESS MARKETING

WEEK 11

MARKET PLANNING, IMPLEMENTATION AND CONTROL IN BUSINESS MARKETS

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WEEK ELEVEN

MARKET PLANNING, IMPLEMENTATION AND CONTROL IN BUSINESS MARKETS

11.1 Introduction

Welcome to week 11 lecture! This is our second last session and I wish to congratulate you for making it so far! In the last few weeks, we have looked at development of business markets strategy. We have examined the strategy at product, price, place, and promotion as well as at e-commerce. Once the strategy is developed, the next step is implementation. In this chapter we shall focus on strategy implementation and how business marketers evaluate it to determine whether strategic objectives are being realized.

11.2 Intended Learning Outcomes

At the end of this lecture, you will be able to:

1. Describe the planning process in business markets
2. Discuss ways in which marketing plans are implemented
3. Examine some of the problems of implementing marketing plans
4. Critically analyze ways of developing control systems for marketing plans.

11.3 Market Planning

The success of any business strategy is based on the effectiveness of the plan developed. The business marketer must therefore create a viable business strategy based on well thought plan. The marketing plan is the central instrument for directing and coordinating the marketing effort. Planning is the establishment of objectives and the formulation, evaluation and selection of policies, strategies, tactics and actions required to achieve them. Strategic planning operates at two levels: strategic and tactical. The strategic marketing plan lays out the target markets and the firm's value proposition, based on an analysis of the best market opportunities while the tactical marketing plan specifies the marketing tactics, including product features, promotion, merchandising, pricing, sales channels, and service (Kotler, 2003).

The planning process may take different forms and this lecture will focus on Kotler (2003) approach to market planning as presented in figure 11.1.

At the corporate and division level of strategic planning the firm will focus on 1. Defining the corporate mission 2. Establishing strategic business units 3. Assigning resources to each strategic business unit and 4. Assessing growth opportunities

In step one, the firm must establish its corporate mission, vision and strategic goals. A good mission statement will: 1. Focus on a limited number of goals; 2. Stress the company's major policies and values; 3. Define the major competitive spheres within which the company will operate. 4 developing of mission takes a long-term view and the statement is generally short, memorable, and made to be as meaningful as possible.

Step two is to determine the firm's strategic business units (SBUs). An SBU has three characteristics: 1. It is a single business, or a collection of related businesses, that can be planned

separately from the rest of the company. 2. It has its own set of competitors. 3. It has a manager responsible for strategic planning and profit performance, who controls most of the factors affecting profit. The purpose of identifying the company's strategic business units is to develop separate strategies and assign appropriate funding.

Figure 11.1 Strategic Planning Process

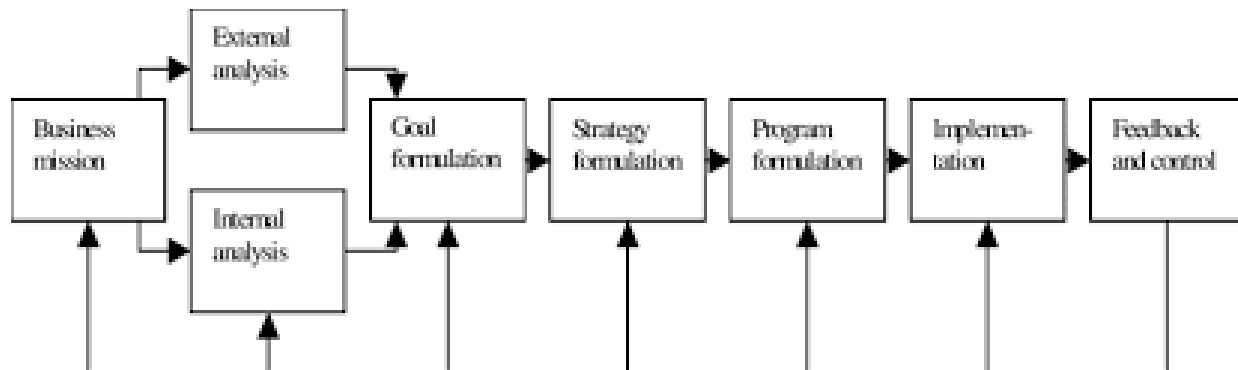


Once it has defined SBUs, is step three where management must decide how to allocate corporate resources to each. This will be guided by portfolio-planning models such as GE/McKinsey and BCG consulting group matrix. The final step in corporate planning is the assessing of growth opportunities that includes planning new businesses, downsizing, and terminating older businesses.

Source: adopted from Philip Kotler strategic planning (2003)

From the corporate and division strategic planning, the next phase is in strategic business unit. Planning at the strategic unit is demonstrated in figure 11.2. This course will not discuss the nitty gritty issues in SBU planning process but will focus on the market planning.

Figure 11.2 Strategic business planning process



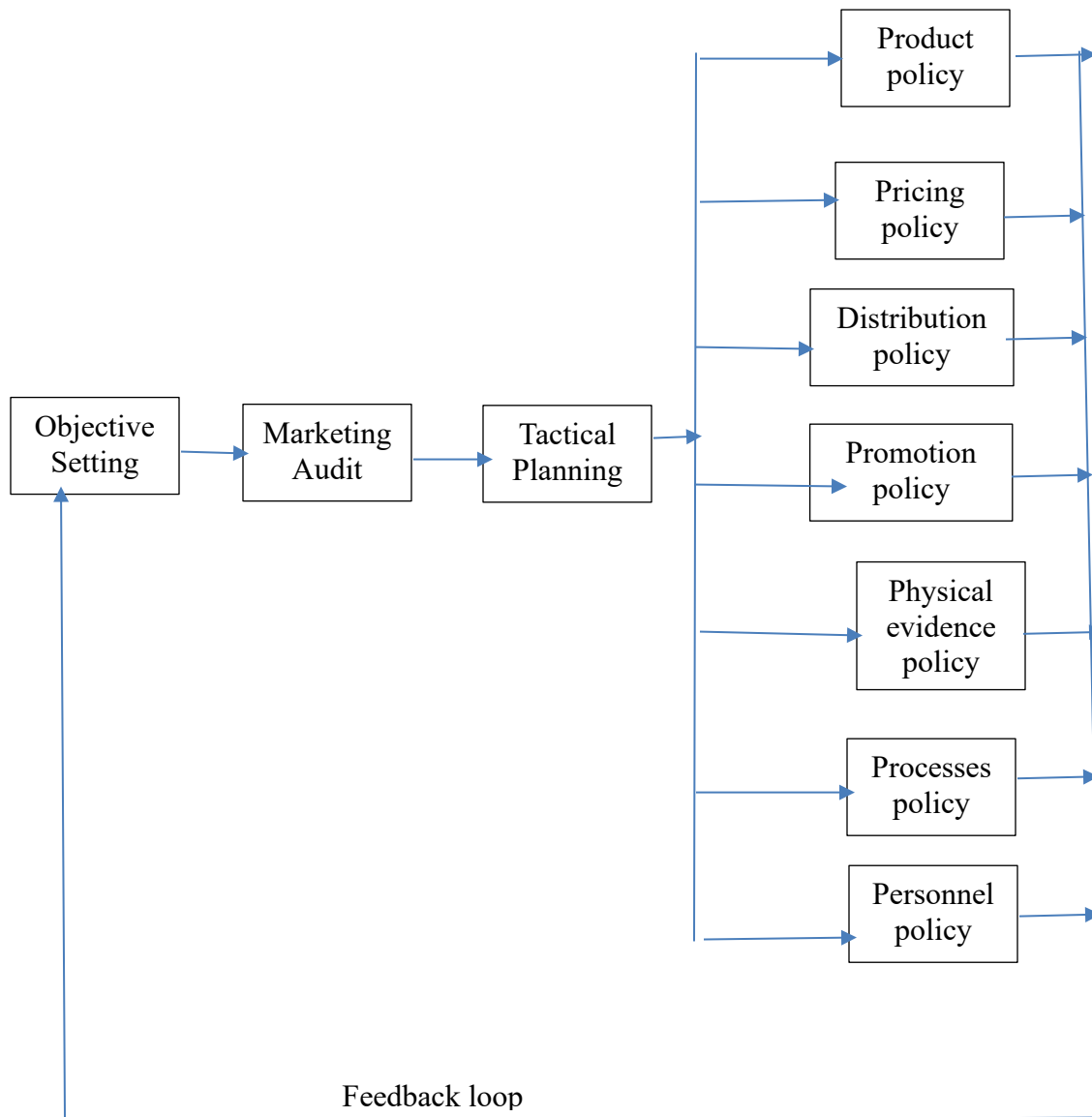
Source: adopted from Kotler (2003)

From the strategic business planning, the business marketer develops a marketing plan for the different strategic units or specific product. This marketing plan is the subject of discussion in this topic. Figure 11.3 represents the diagram on market planning for the business marketer and each aspect is discussed as follows:

1. Objective setting: Objective setting is the first step in developing the marketing plan. These are corporate objectives that inform the marketing plan. The corporate objective helps the firm to know the market in which the firm should be; the strengths and weaknesses the firm is bringing to the marketplace; how the firm's networks can help it achieve its goals, where the firm intend to be in

5 to 30 years' time; what the firm's competitors will do in response to the market and the firm's activities and also whether the firm has sufficient resources to achieve the objectives decided upon.

Figure 11.3 Market planning process



Source: adopted from Blythe and Zimmerman (2013) .

2. Marketing audit: Once the objective is set the next step is a marketing audit. The marketing audit is a review of the firm's current objectives, strategies, organization, performance and activities, and its primary purpose is to pick out the firm's strengths and weaknesses so that managers can improve on them in future. It evaluates how effectively the organization is performing its marketing tasks within the context of the seven Ps –products, price, place, promotion, people, processes, and physical evidence (Band, 1984). This is a comprehensive review of the firm's current position in terms of its marketing activities. The audit should be done periodically considering factors such as the amount of time that can be spared from

carrying out marketing tasks, the cost of carrying out the audit, in both man-hours and resources, the volatility of the market and the nature of the corporate objectives (Taghian and Shaw, 2008). They further point out that the audit breaks down into seven main areas, with several sub-sections in each. The main areas are presented in Table 11.1

Table 11.1 The marketing audit process

	Type of audit	Explanation
1.	The macro environment audit	This takes account of all the factors which impact on the industry, including the economy, technology, political-legal, cultural, and ecological factors.
2.	The task environment audit	This is concerned with factors which impact on the company itself, for example, markets, customers, competitors, distribution and dealers, suppliers, facilitators, and publics.
3.	The market strategy audit	This area is concerned with the appropriateness of the business mission, marketing objectives, and strategic aim.
4.	The marketing organization audit	This area is about the formal structure of the marketing function, functional efficiency, and interface efficiency.
5.	The marketing systems audit	This is concerned with the marketing information systems, marketing planning systems, control systems, and new product development systems
6.	The marketing productivity audit.	This section brings in financial measures such as profitability analysis and cost-effectiveness analysis.
7	The marketing function audit.	This audit the seven Ps and determines how effectively the company stands in each of those areas

Source: adopted from Blythe and Zimmerman (2013)

Challenges of conducting marketing audit

1. The marketing audit can be time-consuming: it involves a degree of subjectivity, and a considerable amount of introspection.
2. It is an expensive exercise, both in time and in emotional labor. For the audit to be effective, it must be more than a simple “tick the box” exercise.
3. Marketing audits tend to lead people into the trap of thinking of all the activities as being separate from each other, whereas of course everything impacts on everything else.
4. The marketing audit implies that each activity is separate and can be treated in isolation which leads to “wicked” problem.
5. Marketing audits tend to view the company as a discrete entity, mainly surrounded by a hostile environment which may not be so in the case of business marketing.

3. Tactical planning: The third step in the market planning process is tactical planning. The business marketer must determine appropriate tactics to make him more competitive. Marketers are usually looking for a competitive edge as they try to offer their customers something that is

unavailable elsewhere. They will have to think through as they have to serve different segments each requiring different tactics. The business marketer will either apply differentiation or focus strategy in conducting their business. Differentiation means distinguishing the firm and its products from all competitors and focus which is about concentrating on specific segments of the market (Porter, 1980). There is no one way of determining the most appropriate tactic but the following guidelines can be used (Blythe and Zimmerman 2013):

1. Try to do something that the competition has not thought of yet.
2. Always consult everybody who is involved in the day-to-day application of the plans as salespeople do not like to be told what to do by somebody back at Head Office.
3. Do not expect instant results from anything you do – but monitor the results anyway.
4. Ensure that the messages you give the consumers, the middlemen, the suppliers and all your other publics are consistent.
5. Be prepared for a response from your competitors – try to anticipate what it might be when you are formulating your plans.
6. Communication tools cannot be used to achieve marketing objectives but can only achieve communications objectives.

11.4 Implementing Market Plan

The beauty of any plan lies in implementation. After developing the plan, the business marketer must go ahead and implement it. First, this requires appropriate structures, personnel, and resources. There are various structures that marketers can choose from which are outlined by Desmond (2004):

1. Functional organization: Each marketing activity has a specialist in charge of it. This structure would have an advertising manager, a product development manager, a market research manager and so forth.
2. Product organization: Each manager is responsible for all the marketing decisions concerning a particular product. The firm may also employ specialists to advise and assist, but each product manager would have overall responsibility.
3. Regional organization: This approach is usually used in international markets but can also be used elsewhere. The regional managers are each responsible for all the marketing activities within their own geographical region.
4. Segmental organization: Here each manager is responsible for a given market segment. For example, a glass manufacturer might have one manager in charge of marketing to the automotive industry, another for marketing to the building trade, another marketing to the bottling industry, and so forth. Each manager would thus be able to develop specialist knowledge of the customers' needs.
5. Matrix: Here there is joint decision-making between the specialist market researchers, sales managers, etc. and the product managers. No one manager is in overall control, and

decisions are made by balancing each person's role and demands. This method is surprisingly effective in decision-making since it pools the available expertise.

The second consideration in strategy implementation is availability of required resources. The business marketer must consider both tangible and intangible resources. Tangible resources include financial, physical, technological, and organizational categories (Peng, 2009). They include the ability to raise money or generate external funds, machinery, buildings, vehicles, raw materials, work in progress, possession of patents trademarks and copyrights, planning, command-and-control systems, and management information systems which can be measured. Intangible resources include human, innovation and reputation resources and capabilities. Intangible resources also include relational resources and competences. Relational resources are all of the means available to the firm derived from its relationship with its environment (Lowendahl,1997). Eng (2008) notes, "managers must develop skills and knowledge of their business networks, combine both tangible and intangible resources, and integrate resources and processes . . . to enhance performance."

The business marketer can do resource audits to determine whether he has what it takes to implement a marketing plan. The auditor would cover the following areas as highlighted by Blythe and Zimmerman (2013):

1. Financial: This should include the sources of money (whether internal or external), the resources and liabilities the organization has and the possible availability of capital or loans should it become necessary to acquire more funding. This is essentially the firm's credit rating.
2. Physical: A list of the fixed assets of the organization, for example machinery, buildings resources and equipment. The audit needs to include the age and condition of the assets, their location, and their capability as well as their financial value (which is often calculated in an arbitrary manner in any case). This is to determine their usefulness in achieving strategic advantages.
3. Technological: This includes patents, trademarks, copyrights, and trade secrets. Lists of these resources can be made but establishing future value for each can be quite difficult.
4. Human: This can be a problematical area, since much of the value of staff depends on their resources, motivation and commitment rather than on their paper qualifications and the numbers of them within the organization.
5. Innovation: This relates to research and development capabilities and the capacity for the organization to innovate and change. Obviously, this is extremely difficult to measure.
6. Reputation: This includes customer perceptions of product quality and reliability, and company reputation as a good employee and responsible corporate citizen.

In business markets, effective implementation of strategy requires that every process combines the following four resources:

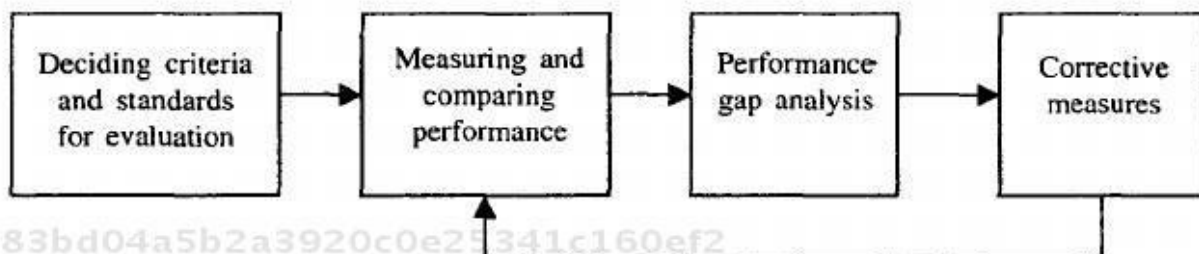
- a) Basic assets. These are the tangible and intangible assets of the business, as expressed in the financial reporting systems.
- b) Explicit knowledge. This is knowledge which can be written down or otherwise recorded. Such as the legal restrictions that companies in the industry need, the technical problems associated with the industry, the published market research etc.
- c) Tacit knowledge. This is knowledge, which is difficult or impossible to codify, and usually resides in the heads of employees.
- d) Procedure. This is the mechanism by which the basic assets, explicit knowledge, and tacit knowledge are brought together.

11.5 Monitoring and Evaluation

This is also referred to as market control. Control refers to the process of monitoring and measuring performance, identifying the shortfalls in the predetermined achievement levels and taking the required measures to ensure the achievement of the targets. The control process involves four main steps:

1. Establish criteria and standards: These could be quantitative such as profitability, market share, return on investment or qualitative such as company image, employee motivation and customer satisfaction. Standard is the planned level of performance which must be realistic.
2. Measure and compare performance: The actual performance is measured and compared with the planned performance to determine if the standards are met. If there is shortfall, it constitutes performance gap.
3. Performance gap analysis: This is the difference between the planned performance and the actual performance. It must be diagnosed to determine the actual cause to necessitate the correct measures of correction.
4. Taking corrective measures.: This could be modification of objectives, reviewing of performance standards among others.

Figure 11.3 Control process



Source: Cherunilam, Francis (n.d). *Marketing of Industrial Goods. Global Media. p 207*

Types of control

There are several types of control of control as highlighted by Kotler (2003). These include:

1. Annual plan control: Its purpose is to monitor the marketing performance by identifying deviations from the plan, if any, and take corrective measures to ensure progress as planned. Annual plan control may take different approaches such as sales analysis, market share analysis, sales to expense ratio, financial analysis, and market based-score card analysis.
2. Profitability control: This examines where the company is making and losing money. This is usually done with reference to products, territories, customers, segments, trade channels order size among others.
3. Efficiency control: It seeks to evaluate and improve the spending, efficiency, and impact of marketing expenditures. Usually done in respect to sales force, advertising, sales promotion, and distribution.
4. Strategic control: It is concerned with tracking the strategy as it is being implemented, detecting problems or changes in underlying premises and making necessary adjustments. It may take different forms such as premise control, implementation control, strategic surveillance, and special alert control (Cherunilam, n.d).
 - Premise control is designed to check systematically and continuously whether the premises (assumptions and conditions) set during the planning and implementation process are still valid)
 - Implementation control is designed to assess whether the overall strategy should be changed in the light of unfolding events and results associated with incremental steps, and actions that implement the overall strategy.
 - Strategic surveillance is designed to monitor a broad range of events inside and outside the company that are likely to threaten the course of the firm's strategy. It is the need to thoroughly and often suddenly reconsider the firm's basic strategy based on a sudden unexpected event.
5. Balance scorecard: It was developed by Kaplan and Norton (1992) and considers four measures of performance. These include:
 - Financial measures. These would include return on capital employed, cash flow, growth in share value and so forth.
 - Customers. These measures would include perceived value for money (not necessarily cheapness), competitive benefits package, and so forth.
 - Internal processes. These might be enquiry response time, conversion rate from enquiry to order.
 - Growth and improvement. This would include the number of new products on offer, the extent of employee involvement and empowerment, employee attitudes to the firm, and so forth.

6. Administrative control: Based on systems, rules and procedures, administrative control is typical in hierarchical organizations which often have large numbers of rules and regulations.
7. Social control: The control exercised by workmates and the organizational culture. This is common in organismic organizations and smaller organizations.
8. Self-control: Control exercised by individuals on themselves, based on their own interpretation of correct behavior. This is common in organizations composed of professional people, who may be working to a professional code of ethics rather than a set of rules laid down by the employer.

Difficulties with control systems:

Control concepts are mainly borrowed from the engineering world and may not apply well in the world of management. This is because managers deal with humans who don't behave like machines. Finlay (2000) notes that there are four assumptions borrowed from engineering which do not transfer to management. These assumptions include:

1. Objectives can be devised and can be stated precisely: Most organizations do not have clear objectives, but rather have broad goals. For example, it is almost impossible to see objectives for a personnel department or a legal department, and in many cases, it is difficult to do so for a marketing department. Companies led by visionaries neither have nor need objectives – the vision is sufficient.
2. Achievement can be measured, and a measure of variance measured: Without measurable objectives, achievement cannot be easily measured. Even if there is a measurable objective, the reason for variance may be difficult to calculate – a fall in sales may be due to a great many factors, some of which are beyond the marketer's control.
3. Variance information can be fed back.: Unstructured activities involve judgment and are often unique, so feedback for one activity is unlikely to be directly applicable to another. Indirect feedback is about accumulating knowledge and extrapolating from it, not about applying a set, known correction.
4. The feedback is sufficient to maintain control. The system will only work if the applied feedback is bigger than the environmental shift. For example, a company selling carburetors might decide that a fall-off in business should be followed by a major advertising campaign, but if the fall-off has been caused by a dramatic fall in the demand for cars, the campaign is unlikely to be effective.

Essential features of an effective evaluation and control system:

Cherunilam, F. (n.d.) identify several features of an effective evaluation and control system that need to be considered in the system development process and are discussed below:

1. **Objective based:** The business marketer must clarify purpose of evaluation. This enables him to obtain adequate, useful, and timely information for effective control.

2. **Economical:** Costs must be justifiable with utility. Too many controls can be harmful.
3. **Objectivity:** Evaluation system must be reality oriented.
4. **Pervasiveness:** The system must be appreciated throughout the organization, by functional departments and people directly associated with it. The system should foster mutual understanding, trust, and common sense.
5. **Simplicity:** The evaluation system should be simple to the extent possible strategy evaluation should be simple, not too cumbersome, and too restrictive. The test of an effective evaluation system is its usefulness not complexity.
6. **Communication and involvement:** The system must build confidence and foster positive and active involvement at both mental and active level of participants.
7. **Congruence:** Measurements must be in congruence with the events measured. The scope range, magnitude and accuracy of measurement should be related to the objective and usefulness.
8. **Operational:** Controls must be focused on action. The findings of the control must reach the people responsible for taking needed action in time.

Review question

1. Describe how one develops a business-to-business marketing plan.
2. Critically analyze challenges of conducting a marketing audit
3. Critically evaluate features of an effective control system
4. Why do some business firms avoid developing control systems?
5. Differentiate between tactical and strategic planning.
6. Discuss factors that influence implementation of marketing plans.

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