

## **GUIDELINES FOR MARKETING PLANS**

This Booklet which was prepared by Marketing Consultants at the Saudi Industrial Development Fund, aims to help industrial investors to prepare their Marketing Plans. An attempt is made to formulate general guidelines, taking into consideration that the plan format should be applicable to all industries.

A legitimate question is then; “What is a Marketing Plan”?

The most general definition of a Marketing Plan is “a plan of activities involved in directing the flow of goods from producers to consumers”.

A good Marketing Plan describes how these activities serve the overall objective of the company. It typically sets out to answer these four questions;

- Where are you now, and how did you get there?
- Where do you want to go?
- When do you want to get there?
- How can you get there?

### **THE IMPORTANCE OF A MARKETING PLAN:**

The Marketing Plan is part of the overall corporate strategic Business Plan. It expresses the company’s hopes and wishes for succeeding in the market place. It becomes a working document containing the operational tools, procedures and the overall business control mechanisms for those involved in the marketing of the company’s products.

The Marketing Plan is the means of planning ahead. It establishes the key guidelines for directing the company’s resources towards its objectives of achieving profitable sales and consumer satisfaction. It also becomes the principal means through which top company management delegates responsibility to the Marketing Management for the achievement of the fiscal year objectives.

The Marketing Plan will define the Product, its Price, its Promotion and its Place or channel of distribution. It will influence all business functions within the company such as manufacturing, finance, quality control, inventory management, packaging, purchasing etc., It will also affect outside organizations such as suppliers, advertising and research agencies etc., A well constructed plan will focus the energies of all these diverse groups towards achievement of the planned goals.

In the process of preparing the Plan, the company analyses the factors that have influenced the business in the past, or can affect it in the future. This allows the company to examine all the opportunities and risks that it could face. Thus, a better path is constructed to lead the company towards the successful accomplishment of its objectives. Without this critical analysis, the company may omit certain possible risks or overlook some opportunities.

In addition to providing the outline planning for the longer term, the Marketing Plan will also include monthly sales and spending forecasts for the next fiscal year – this becomes the Annual Marketing Plan. This is in-depth planning is critical because it breaks down the objectives into manageable monthly targets. These targets then become the yardsticks against which everyone can gauge his performance. Furthermore, monthly and quarterly reviews of progress versus the plan can highlight problems and allow management to take timely remedial action.

## **TIMING OF THE MARKETING PLAN**

A good Marketing Plan will contain (a) outline planning for the next three years (or possibly five years for particular industries and (b) detailed planning for the next annual fiscal year, known as the annual Marketing Plan.

Since the Annual Marketing Plan must forecast, as accurately as possible, the sales and market development over the next twelve months, the Marketing Manager should not start the planning process too far in advance. He has to have the latest market and sales information to be able to predict the company achievements in the current fiscal year and over the following twelve months.

On the other hand, the Marketing Manager cannot wait until the last month to start. The Marketing Plan will require discussions with the various groups within the company and those outside the company that will influence or be influenced by the Plan. Management approval will be required. All these matters will require reasonable advance time in order to be concluded effectively.

It is recommended that the initial phase of the Marketing Plan should be started during the third quarter of the current fiscal year, when hard estimates can be made of the company performance for the first 9 months of the year. These estimates can then be used to construct the forecast for the current fiscal year before progressing to detailed planning for the next fiscal year. New companies will have had a general marketing plan as a part of their original decision making process, but an Annual Marketing Plan should be prepared at least three months prior to the start of commercial production.

The Marketing Plan should be completed at the latest, by the end of the 9<sup>th</sup> month and approved by the end of the 10<sup>th</sup> month of the fiscal year to allow adequate time for preparations for the coming fiscal year. This will give management and the marketing group a total of about 3 months to prepare the Marketing Plan. In general, this is adequate time for most companies. The final amount of time needed will depend on the amount of detailed planning required and the time available to concerned managers to concentrate on the preparation of the Marketing Plan.

## **PRESENTATION OF A MARKETING PLAN**

There is no best way to develop a Marketing Plan which would be suitable for all industries. However, a well constructed Plan will greatly improve the success rate of your products. The remaining parts of this booklet are intended to assist you in presenting your written Marketing Plan. Remember that a well-presented Plan will include both good content and a persuasive writing style.

A good Marketing Plan is presented under two headings;

### **1. EXECUTIVE SUMMARY**

The first part is a summary of the Marketing Plan ( 2 to 4 pages). It includes the following;

#### **RECOMMENDATION**

This is where you tell the reader what your proposal is all about i.e., what you are recommending and how the company will benefit from your recommendation.

#### **BASIS FOR RECOMMENDATION**

This consists of 4 to 8 good reasons that back up your recommendation. You may also mention in this section one or two other alternatives that you may have considered but rejected and the reasons for rejecting them.

### **2. THE PLAN DETAILS**

The Executive Summary is then followed by the full Marketing Plan which should contain the following;

Section-1	-	Mission Statement
Section-2	-	Target Market(s)
section-3	-	Market Analysis
Section-4	-	Objectives and Strategies
Section-5	-	The Marketing Mix
Section-6	-	Sales forecast
Section-7	-	Implementation and Control
Section-8	-	Contingencies

The following guidelines will assist the Marketing Manager in completing this detailed plan.

#### **Guidelines:**

1. The MISSION STATEMENT is the statement of the overall objectives set by the company.

2. Define your TARGET MARKET(S) and give your reasons for selecting it (them).
3. The MARKET ANALYSIS phase involves the detailed examination of the company's distinct target markets in order to understand the dynamics of each market and the opportunities that are available to the company. For an existing business, this knowledge will normally be available within the company. For a new company or for a totally new project in an existing company the market analysis would be conducted through desk research, trade and customer interviews, market research and possibly consultant's reports.

This analysis will help you establish several important factors, such as, total market and market segment sizes and trends, the leading brands and their products specifications, the critical pricing considerations, the level of customer satisfaction and unexploited market opportunities etc., Suggestions on how to approach this important analytical phase are given in detail in the next section of this booklet.

4. Define Marketing OBJECTIVES AND STRATEGIES for each product, in harmony with the overall company objectives. An objective is a specific goal, and a strategy is the means of achieving that goal.
5. The MARKETING MIX is the creative phase of the Marketing Plan. It is very often the main determinant of success or failure in the market place. It is centered around the 4 Ps (i.e., Product, Price, Place & Promotion). You must select the right product type, size, packaging etc., for the target market (local and export). You must justify your pricing in terms of trade margins and profitability etc., You should show how you plan to address the appropriate channels of distribution. Finally, a detailed 12 month market support program should be outlined – publicity, exhibitions, promotions and advertising etc., as appropriate for your industry. More information on this important phase is given later in the booklet, under the heading "Design Phase".
6. Present the SALE FORECAST by month for the next 12 months and by year for the next five years in volume and value. Show your planned market share and give justifications for your forecast.
7. Design the IMPLEMENTATION AND CONTROL procedures necessary for successful monitoring of actual performance versus the plan. Routine procedures should be followed at the end of each month and major reviews should be conducted at the end of each quarter. Forecast revisions should be implemented when required by the sales trends.
8. THE CONTINGENCIES section highlights to senior management any potential external or internal constraints that could influence the

achievement of the plan. The likely impact of each constraint should be evaluated and possible alternative courses of action should be proposed.

## **CONSTRUCTING YOUR MARKETING PLAN**

The construction of the more detailed parts of your Marketing Plan can be separated conveniently into two phases, the Analytical Phase and the Design Phase. The Analytical Phase involves the evaluation of the existing status of the market of your own company and of your competitors. The Design Phase describes in detail your own plans for developing your position in the market, giving full details of your own strategies, activities and budgets. These phases are discussed in detail following, but they must be integrated into the total presentation of the Plan as described earlier in this booklet.

### **A. Analytical Phase**

This is a critical stage of the planning process as it will establish the groundwork upon which you will develop your business plan. It can be broken down into a number of distinct parts as follows;

1. Market Assessment
2. Competitive Assessment
3. Constraints Assessment

In the course of conducting these assessments, which are discussed in details below, two analytical techniques will assist in focusing your attention on key factors influencing your business. These are Environmental Analysis and the SWOT Analysis.

ENVIRONMENTAL ANALYSIS can be divided into two parts – the macro and the micro environments

- a. The Macro Environment: This will include analysis of the economic environment, business developments, demographic changes, the political environment, legal requirements and official standards etc.,
- b. The Micro Environment: This will include influences affecting the target markets, changes in the supply and demand situation, competitive activities and actual company performance etc.,

SWOT ANALYSIS enables you to construct a profile of your company and of its marketplace;

- Strengths of your company
- Weaknesses of your company
- Opportunities that may come your way
- Threats to your business

1. MARKET ASSESSMENT (the past 3 years, the current year and future 5 years).

In analyzing the market, you should attempt, insofar as is possible, to gather the following information;

- a. Total market size:
  - i. Volume in units, tonnage or any other physical measurement which is an industry standard.
  - ii. Market size in value (Saudi Riyals)
  - iii. Give sales volume and value forecasts by the main regions of the country, or by other regional configurations as appropriate to your business.
  - iv. Give sales volume and value forecast by major channels of distribution
  - v. If appropriate, break down the market forecast separating the local market and the export markets.
- b. Your sales for the total market and, if possible, by region and by channel of distribution.
  - i. Volume in physical measurement (industry standard)
    - Local
    - Export
  - ii. In value
- c. Your market share
- d. Year to year percentage change in physical volume
- e. Year to year percentage change in value
- f. Cost in SR, and as a percentage of Sales
- g. Profitability in SR and as percentage of Sales

In assessing market prospects, you should consider the following;

**A. Demand**

- The size of the overall market
- Domestic and export opportunities
- Are there any changes taking place that may suggest that historical trends will no longer be appropriate?
- What factors will influence the size of the market?
- What changes are taking place in the product (technology etc.,) that could affect demand?

## **B. Supply**

- Local production versus imports
- Number and location of local producers
- Local producers installed capacity
- Utilization rate (actual production versus installed capacity)
- Local producers' expansion plans (if any)

## **C. Target Market**

- How do customers buy the product?
- In what quantities?
- What criteria influence the decision making process?
- What product attributes/functions are important to them?
- When and where do they buy the product and why?
- How best to reach your customer with your advertising and promotional activities?

## **D. Market Structure**

- What are the main market segments and the main channels of distribution?
  - in the Local market, and
  - in the Export markets
- What are the relative sizes of each of these markets in relation to your products?
- Are there any buying characteristics that could limit your ability to sell in these markets such as companies which buy products only from associate companies or subsidiaries?
- What other cost of entry may your company face trying to enter into this market? This is relevant to new companies or new products.

## **E. Pricing**

- What are the market prices?
  - for locally made products, and
  - for imported products
- What are the prices of substitute products?
- What are existing import duties and other import barriers, and can a protective duty be sought?
- What is the cost of product on FOB basis?
- Cost of Freight to customers?
- What are the pricing trends in this market?
- What factors influence price?
- How important is price in the buying decision process?
- What factors could influence the market price in the short to medium term resulting from the supply/demand equation?

## **2. COMPETITIVE ASSESSMENT**

Try to complete the following data;

- a. (i) If available, state the competitors sales in volume and value.
- (ii) If not available, estimate competitors sales in volume and value.

This information should cover the same 9 year period as your product(s) forecast.

- b. Market share.
- c. Year to year changes in volume.
- d. Year to year changes in value.
- e. Cost in SR and as percentage of Sales.
- f. Profitability in SR and as percentage of Sales.

Give reasons for any major year to year changers in volume, value and market shares.

*A complete competitive situation analysis will include:*

- an understanding of how the customer views your product vis-à-vis your competitors' products.
- as assessment of the strengths and weaknesses of your key competitors compared to your company.
- a determination of your competitors future direction.

Keeping a close tab on the performance of the competition is very important to any company.

## **3. CONSTRAINTS ASSESSMENT**

- Potential external constraints that could influence the achievement of the Plan should be highlighted. Examples of such constraints could be a pending currency devaluation, changes in the government budget, changes in government policy on subsidies and duties etc.,
- Internal company constraints that could influence the achievement of the plan should also be highlighted. Examples could be factory capacity, cash flow or personnel needs.
- A good Marketing Plan will then analyze and evaluate the consequences of these constraints and will recommend viable alternative actions to help the company overcome them.

## **(B) DESIGN PHASE**

This is the second phase of the planning process. You will use your market knowledge obtained from the analytical phase to construct a total itemization of your own market plans.

### **1. PRODUCT**

- When possible each product should be specified in terms of content, quality, size and packaging etc.,
- If the product line is too complex to list individually, then logical classifications of groups of products should be used.
- The company sales forecast should be provided by individual product or by groups of products, whichever is the most appropriate, given the nature of the industry and the complexity of the company's product line.
- Information should be given on any major new products which might be introduced over the planning period.

### **2. PRICE**

- The pricing decided for the company's products should be given in industry standards e.g., per pack, per tone, per metre, per square meter, etc.,
- Pricing should be specified in as much detail as is practicable, depending on the complexity of the product line.
- The company's pricing strategy should be explained – high price/mid price/low price, etc., relative to the existing market pricing. Justification for the price positioning should also be given e.g., higher quality, different formulation and cheaper raw material sourcing.
- Any discounts offered off the list prices should be shown e.g., quantity discounts, year end discounts and early payment discounts. The overall average impact of such discounts should be estimated.

### **3. PLACE**

- The channels of distribution chosen and the means of reaching them should be explained. Reasons should be given for any channels which will not be utilized.
- The selling organization of the company should be shown e.g., direct sales, indirect sales, agents and distributors etc., Regional or area break downs should also be given: numbers and locations of regions, numbers of salesmen/agents/distributors etc.,
- If your industry has only a very small number of customers, e.g., some high-tech products, specialized applications or intermediate raw materials,

you should explain in detail how each of these customers will be addressed by your selling operation.

#### **4. PROMOTION**

- You should show which marketing activities will be used by your company, and the reasons for choosing them. For example, in some industries advertising is the most important activity, but in other industries publicity or even exhibitions are the main methods of communicating with potential customers.
- The annual budget devoted to marketing support i.e., promotion, publicity and advertising etc., should be shown for the full forecast period. Additionally, the next year's budget should be broken down by the various major marketing activities.
- Points of difference or points of similarity with the programs of your major competitors should be highlighted and discussed.

#### **5. MARKETING ORGANIZATION**

- The structure proposed for the Marketing Department should be described e.g., positions, reporting relationship and number of people.
- If a new company is being formed or if new positions are being created, outline job descriptions and necessary qualifications should be specified for each senior position.
- A timetable should be provide giving the target dates for filling all important positions.

In the course of writing this Design Phase, you should also highlight any major constraints which might impact upon your planned marketing program. Examples of such constraints might be the approval of a new product by concerned authorities, a planned price increase or difficulty in filling a senior position. Such constraints, and other general constraints identified earlier in the Analysis Phase, should be summarized and presented to company management in a concise form under Section 8 of the Marketing Plan format entitled "CONTINGENCIES".

Your Marketing Plan should now be about complete if you have followed the approach recommended in this booklet. However, you also need to ensure that you have suitably qualified personnel who can implement the plan properly. Finally, remember that your Marketing Plan can change when circumstances demand it – it is a dynamic document, a not a static one.

Gook Luck!