

The Ingredients of a Marketing Plan

Ready to get it all down on paper, but not sure where to put it? We'll help you with the format and elements of your marketing plan.

Every how-to book on the market has a different take on the essential elements of a marketing plan. Those geared toward the big corporate crowd communicate in a language few human beings understand. However, the words you use are much less important than how seriously you approach the task.

This section outlines the key elements you need to include in your marketing plan. No matter how it's ultimately organized, your marketing plan should be a straightforward, easily understood company document. It should provide you with a clear direction for your marketing efforts for the coming year, and it should give an incisive look into your company for all readers.

Preparing to Write

Before you begin to write, pull together some information you'll need. Getting the information first avoids interruptions in the thinking and writing process. Have on hand:

- Your company's latest financial reports (profit and loss, operating budgets and so on) and latest sales figures by product and region for the current and the past three years or, if less, for however long you've been in business.
- A listing of each product or service in the current line, along with target markets
- An organization table (If you can count your employees on one hand, you can probably omit this.)
- Your understanding of your marketplace: your competitors, geographical boundaries, types of customers you sell to, existing distribution channels, latest and most useful demographic data, any information on trends in your markets (both demographic and product-related)
- Ask each of your salespeople and/or customer-relations people to list the most crucial points, in their opinion, that need to be included in the coming year's marketing plan. You don't have to include all of them, but you do have to take them into account.

Market Situation

The "market situation" section should contain your best and most clear-headed description of the current state of the marketplace (this is no place for hunches).

- What are your products/services or product/service lines?
- What is the dollar size of your markets?
- What is your sales and distribution setup?

- What geographic area do you sell to?
- Describe your audience in terms of population, demographics, income levels and so on.
- What competitors exist in this marketplace?
- Historically, how well have your products sold?

Your market situation section might read like this:

Sumners and Associates is a bookkeeping and accounting firm started in 1981. We provide tax services to individuals and to businesses under \$500,000 in annual sales. We provide bookkeeping and payroll support to those same businesses. Our market area is Boulder, Colorado, and its northern suburbs.

For the personal market, our clients typically are in the \$75,000 and higher income range, or they are retired with assets of \$200,000 or more. For the business market, most of our work is for restaurants, service stations, independent convenience stores and a large courier service. With the exception of a slump from 1988 through 1991, Sumners and Associates has grown steadily from its inception. Gross sales in 1997 were \$145,000.

Competition for our immediate market is a group of eight firms roughly comparable to our company. Only one of these firms, Acme Bookkeeping, has an interest in marketing itself. We believe we rank second in the group of competitors, behind Acme.

We have a strong position in the restaurant portion of our business.

Much of this information exists in the heads of the management team, the way it is at many companies. But now is when you write it down. For example, how much information do you have in your office--right now--on your competition? A marketing plan gives you a chance to pull all this relevant information together in one place, to spur ideas and justify actions. Consider each of your products or services up against the matching products or services of your competitors. How well do you stack up? Is there any significant market opportunity for you that neither you nor your competitors are currently exploiting?

You'll also find that the best thinkers in your company may well have different ideas about elements of the current situation. Your marketing plan will provide a good arena to test different snapshots of the market against each other.

Threats and Opportunities

This section is an extension of the "market situation" section, and it should focus on the bad and good implications of the current market:

- What trends in the marketplace are against you?
- Are there competitive trends that are ominous?
- Are your current products poised to succeed in the market as it now exists?
- What trends in the marketplace favor you?
- Are there competitive trends working to your benefit?

- Are the demographics of your market in your favor? Against you?

There are lots of places to go to get information on the trends in your market. City and state business publications frequently publish overview issues; you can talk to local business reporters; and local chambers of commerce publish projections, as do associations of manufacturers (the names are different in various parts of the country). Talk to your professional association and read your trade journals.

Here's an example of what a threats and opportunities section would look like for the Sumners and Associates firm:

Threats:

The company faces four identifiable threats in the coming year:

- Our computer system needs upgrading to the latest version of our accounting and tax software. To do this with all of our machines will be too costly. We'll need to work with the existing version of our software for another 10 months. This may put us at a service disadvantage with some clients.
- Two of our clients, Porkie's Carryout and the Magnus Group, are facing difficult business prospects in the short term. We will likely need to replace this business before the end of the year.
- Acme Bookkeeping, our major competitor, has hired one of our staff members. We have to assume they now have our current client list and will make solicitations based on their greater size and service capabilities.
- Growth on the south side of town is outstripping growth on the north side. We'll need to consider opening a south-side office or look into ways to use couriers or electronic communications to make ourselves fully competitive in providing our services.

Opportunities

- Morrissey's Inc., a long-time client, has purchased three significant restaurants in the adjoining county and has expressed an interest in having us take over the accounting work for these operations. This should provide us a great chance to hire one and perhaps two additional people.
- Changes in the tax laws have made many small businesses uneasy with handling the bookkeeping by themselves or through a one-person bookkeeping service. As the details of these revisions become more public, we anticipate increasing calls for help.
- We have been asked to participate in several educational venues in the coming year, which include three presentations at a small-business forum, an evening class at the university on starting a small business, and a role in the Boulder Entrepreneur Club. These will provide us good exposure and strong business prospects.

- The local economy continues to be strong, and we believe our typical clients will continue to flourish in this growth cycle.

In the "marketing objectives" section, you paint your picture of the future: What marketing objectives do you want to achieve over the course of the plan? Each of your marketing objectives should include both a narrative description of what you intend to accomplish along with numbers to give you something concrete to aim for. Just to say you want to make a first entry into the Swiss screw machine marketplace isn't providing much guidance. Saying you want to go from 0 percent to 8 percent of the local market in two years is easier to understand--and verifiable. If you're not sure of the size of the local market, then aim at a dollar figure in sales. Your accountant will let you know whether you've succeeded or not.

Goal for It

If you're new to the marketing plan racket, how do you set a quantifiable goal? Start with your past. Review your past sales numbers, your growth over the years in different markets, the size of typical new customers, and how new product introductions have fared. If over the last five years you've grown a cumulative 80 percent in gross revenues, projecting a 20 percent to 25 percent increase in the next year is reasonable; 45 percent is not. Make a low but reasonable projection for what you'll be able to accomplish with marketing support toward your new marketing objectives. Set modest goals to start, until you get a feel for the terrain. You should make it a point to limit the number of marketing objectives you take on in a given year. Let's face it, change can bring stress, disorient staff and sometimes even confuse your target market. Keep your objectives challenging but achievable. Better to motivate yourself with ambitious but worthy targets than to depress yourself by failing at too many enthusiastic goals.

Here are some typical marketing objective categories:

- Introduce new products
- Extend or regain market for existing product
- Enter new territories for the company
- Boost sales in a particular product, market or price range. Where will this business come from?
Be specific.
- Cross-sell (or bundle) one product with another
- Enter into long-term contracts with desirable clients
- Raise prices without cutting into sales figures
- Refine a product
- Enhance manufacturing/product delivery

This third section of your plan should include perhaps a half dozen such objectives, spelled out with specific goals. Some examples:

- Objective: Introduce our accounting and audit services to Blankville. By the end of the first year, we want to have six clients of significance and billed time of \$75,000.

- Objective: Reverse the decline in our package Caribbean winter tour sales in Chicago, Detroit and Minneapolis. Sales over the past three years have declined 11 percent. We intend to increase sales 4 percent this year and 8 percent next year.
- Objective: Introduce lunch fax business at the west side restaurant and deliver 420 lunches per week by June 1.
- Objective: Demo updated X-ray crystallography at selected trade exhibitions in the summer of 1999. Capture 250 leads per show and secure 75 on-site demos.

To repeat, make your objectives simple, concrete, countable, ambitious and achievable.

Marketing Goals: Where the Details Start

Here's where you come down out of the clouds and spell out how you're going to make things happen. While your spreadsheet has shown increasingly stunning profits each time you bump up the market gains, now you're in the real world. Gains must be made by brains and brawn. Each marketing objective should have several goals (subsets of objectives) and tactics for achieving those goals. In the objectives section of your marketing plan, you focus on the "what" and the "why" of the marketing tasks for the year ahead. In the implementation section, you focus on the practical, sweat-and-calluses areas of who, where, when and how. This is life in the marketing trenches.

When Eisenhower and the Allies decided to invade Normandy in 1944 to open up a mainland Europe offensive against the Axis powers, they developed detailed plans for victory. While successfully landing in Normandy and holding it were the overall objectives, many intermediate goals were set to make this possible: lining up the needed boats, air cover, behind-the-lines paratrooper drops to cut off communications, feints at a Calais landing to fool the enemy and so on. And, of course, each of those steps had its own list of details.

The key task is to take each objective and lay out the steps you intend to take to reach it. As an example, let's take the first marketing objective mentioned

Objective: Introduce our accounting and audit services to Blankville. By the end of the first year, we want to have six clients of significance and billed time of \$75,000.

How can you make this happen?

Let's suppose you've assigned this objective to a group of people, and they've worked up some plans on moving into Blankville. Here are what some of their goals might look like:

1. Since accounting and auditing services don't work well at a remote site (except for the very largest companies), we'll probably need a local office in Blankville. We should open this new office by July. (Always include target dates when possible.)
- If we're going to talk about our expertise, we need some of our professional staff there. We'll probably want to detail two or three of our experienced people in that new office, as well as hire local support staff.

- We may want to do some direct-mail advertising to companies in Blankville. Our message might talk about special expertise in certain areas of business. We'll target those types of businesses in Blankville.
- We'll talk to the business editor of the local paper and let him or her know we're coming to town. We might contribute a "tax tips" article or two for the exposure.
- We'll approach several business associations in town and offer to give a talk on some specialized topic in which we can offer some expertise.
- We'll ask our clients in other cities if they'd be willing to give us some referrals in Blankville.
- We may run some modest advertising in the Blankville Bugle (a fine and respected newspaper) announcing our arrival and explaining our special expertise.
- We'll have an open house and invite a number of local business celebrities, political people, potential clients and media.
- We might look to get our Blankville office involved in some high-profile charity or public service work.

You get the idea. If your objective is to build a business in Blankville, you have to put together concrete goals to make it happen. Each of these actions makes sense. You might come up with others (there's no limit to human creativity, after all--especially in marketing). The point is that each goal should consist of concrete actions.

Each of these goals needs to have its own series of steps formalized. Who's going to check on the advertising rates for the Blankville Bugle? And when should those ads run? Which professionals are moving to Blankville and how do they feel about it? How do we get a list of companies in Blankville? Lots of work to do.

One of the best ways to handle such details is through an activity matrix. A matrix is a grid table that lets you plot actions across time. When you're developing a marketing plan, you'll soon reach the point where you have to turn to your calendar and see when things should happen. A matrix provides you with a clear and very usable framework for such timeline plotting.

You can make the matrix as detailed or as big picture as you want. It should, however, include everything that's scheduled, when it's scheduled and who the responsible party is. Don't forget to delegate responsibility as you go.

Whether done well or poorly, business activity always costs money. Your marketing plan needs to have a section in which you allocate budgets for each activity planned. This information shouldn't appear on the activity matrix since there's enough detail there already. But it should be in writing with the individual carrying overall program responsibility. People responsible for portions of the marketing activity should know exactly what funds are available to them. In fact, you would be wise to involve them in planning those budgets.

Be as objective as you can about those costs you can anticipate. For things with which you have no budget experience, add 25 percent to your best estimate. Your budget should allocate separate accounting for internal hours (staff time) and external costs (out-of-pocket expenses). Make sure to enter the budget on a Lotus or Excel spreadsheet so you can manipulate it during construction to see which variant works best.

Your budget section might look like this:

Gross sales	\$142,000
Budget for annual marketing efforts.....	\$7,045
Yellow Pages.....	\$2,600
Sales letter mailing to prospects.....	\$625
Clerical help on mailing list.....	\$125
Advertising in local business magazine.....	\$500
Advertising in newspaper business section.....	\$1,200
Brochure design and copywriting.....	\$380
Brochure printing.....	\$315
Registration for business exhibitions.....	\$145
Attend training session in Chicago.....	\$930
Purchase new mailing label software.....	\$225

Controls: Tracking Effectiveness

To track progress on your marketing plan throughout the year, establish a regular schedule of meetings, and spell this out in writing. How will you make adjustments to your plan midstream? How will you monitor progress in sales/costs to make changes during the year? You can't leave yourself without this capability.

The reason you pick measurable marketing objectives is to have the ability to track your progress toward reaching them. Too many marketing efforts aren't quantifiable, with the result that the achievements of your marketing campaigns aren't satisfactory, or they're just plain illusory.

All your marketing efforts will benefit from the classic feedback loop: Act, observe, adjust, act again. Scheduling quarterly meetings is best. At these meetings, responsible individuals should report on what they've accomplished in the last quarter, including how much of the budget has been spent. Reports should be verbal, with a printed summary for the record.

As your activities move forward over time, you'll doubtless find the need to adjust the timing, the budget or the tasks themselves. At these points you must decide whether to intensify your efforts, add more tactical steps to pick up the pace, or scale back your objectives. Make your changes in an organized manner, adjusting all the dependent tasks so that the plan shifts as a whole. Whatever your decision, make sure to update your marketing plan document. Put in writing your understanding of why you didn't reach your goals. Keep the original, and date and number all changes. Your plan must be dynamic, but it shouldn't lose its sense of history. All this information will be extremely useful when you create next year's marketing plan.

Marketing isn't a science, but it is a skill in which you can make steady incremental improvement.

Your effectiveness section might look like this:

- A) Annual gross sales from the previous year.....\$865,000
- B) Marketing expenditures planned during the current year..... \$40,000
- C) Anticipated impact of marketing expenditures on gross sales..\$110,000
- D) Actual marketing expenses during the current year..... \$32,500
- E) Annual gross sales at the end of the current year..... \$971,000
- F) Percentage of the actual difference between this year's sales and last year's sales that can be fairly attributed to the marketing effort.....60%

Executive Summary

Put a brief summary at the front of your marketing plan binder. On a single page, sum up (with key financial numbers) in no more than a single page the contents of your marketing plan. Use bullet points, short sentences and bold type for major points, and stay focused on the big issues. What does someone have to know about your plan to have any sense of it?

This summary gives plan readers a concise description of what your company plans to do in the coming year. It also forces you to boil your thoughts down to their rich and flavorful essence, which is always a good thing.

Here's a sample marketing plan summary:

The year 2006 marketing plan for Sumners and Associates has four main elements:

- We review our existing competitive marketing situation. Overall, prospects look good for our company. Boulder is growing at a steady 4.2 percent rate, with new businesses starting at roughly 750 a year. No competitive bookkeeping and accounting firm has made significant marketing efforts, although Acme Bookkeeping did run a series of advertisements in the business section of the Boulder Bugle. Our gross sales were \$145,000. We'll have to upgrade our software sometime this year, and this will cost us about \$20,000, with associated hardware costs. Our supplier will let us spread these costs over three years.
- We plan on marketing ourselves aggressively in the coming year. In addition to speaking and training engagements, we will prepare a series of three half-page ads to run on a six-time schedule in late summer and early fall in the Boulder Business Bulletin. We'll also produce our first company brochure, which we'll use as a handout at the training venues. Costs for production of the ads, the brochure and placement of the ads will be \$8,500.
- We foresee the following results for the coming year:
 - Gross sales\$154,000
 - Net profit \$12,400

- In the long term, we'll explore the possibilities of opening a second office in the city. Over the next two to four years, we anticipate maintaining our historical growth of 5 percent to 7 percent per year. Toward the end of that period, we'll hire at least one other employee and consider expanding our leased space.

Your plan must address two different time frames: the short-term (one to 12 months) and the long-term (over 12 months). Most of your document should focus on the coming year, which is the most important for the majority of small and medium-size businesses. Marketing typically demands the performance of a number of short-term actions planned in unison, which together bring about change. Once you've outlined the major year-end goals, the analysis will largely focus on the mechanics of media, mailing and promotion. But you shouldn't stop your serious thinking at year-end. Stretch beyond your business's immediate needs and envision the next two or three years. What are you ultimately reaching for?

Write this down, briefly and in general terms. Questions you might answer could include: How many employees do you envision adding over the next few years? Will your need for office space stay the same? Will there be major equipment purchases? Will you be able to hire a manager? Do there exist specific training courses or certifications you'd like to put your staff through? Will your profit margin stay constant, or do you think you'll be able to better it? Will you become active in local, regional or national trade groups? How will market demographics affect your business in the coming years? Keep track of how your larger vision changes over time as well.

Source: The Small Business Encyclopedia and Knock-Out Marketing.