

2

Sales Strategies

Objectives

After studying this chapter, you should be able to:

- 1 Understand and appreciate the differences between sales and marketing strategies
- 2 Appreciate where the key marketing concepts fit into the planning process
- 3 Identify component parts of the communications mix
- 4 Differentiate between objectives, strategies and tactics

Key Concepts

- branding
- budget
- external audit
- internal audit
- promotional mix
- push and pull strategies
- PEST/PESTLE/STEEPLE analysis
- sales forecast
- sales planning process
- SWOT analysis
- TOWS matrix

2.1

Sales and Marketing Planning

To be effective, sales activities need to take place within the context of an overall strategic marketing plan. Only then can we ensure that our sales efforts complement, rather than compete with, other marketing activities. Accordingly, sales strategies and management are afforded a more holistic perspective and tend to cover the whole organisation. Hence, the current general consensus is that sales strategies

and tactics may only be arrived at, implemented and assessed against a framework of company-wide objectives and strategic planning processes. Before discussing sales strategies and tactics, the nature and purpose of strategic market plans and the place of selling in these plans is outlined and discussed.

2.2 The Planning Process

The nature of the **sales planning process** is outlined in Figure 2.1. This process can be likened to that of operating a domestic central heating system. We first determine the temperature required, timing, etc. (setting objectives) and procedures which must be followed to make sure that this is achieved (determining operations). Next we have to implement appropriate procedures, including ensuring that the necessary resources are available (organisation). At this stage we can commence operation of the system (implementation). Finally, we need to check how the system is operating, in particular the temperature level that has been reached (measuring results). Any deviations in required temperature are then reported and corrected through the thermostatic system (re-evaluation and control).

This planning process can be described through the acronym MOST which describes the process from the general to the specific: mission, objective, strategy, tactics.

2.3 Establishing Marketing Plans

There is no universal way of establishing an ideal marketing plan; neither is the process simple in practice because every planning situation is unique. Conceptually, however, the process is straightforward, consisting a series of logical steps. The marketing plan (Figure 2.2) can be portrayed as a hierarchy consisting of three levels:

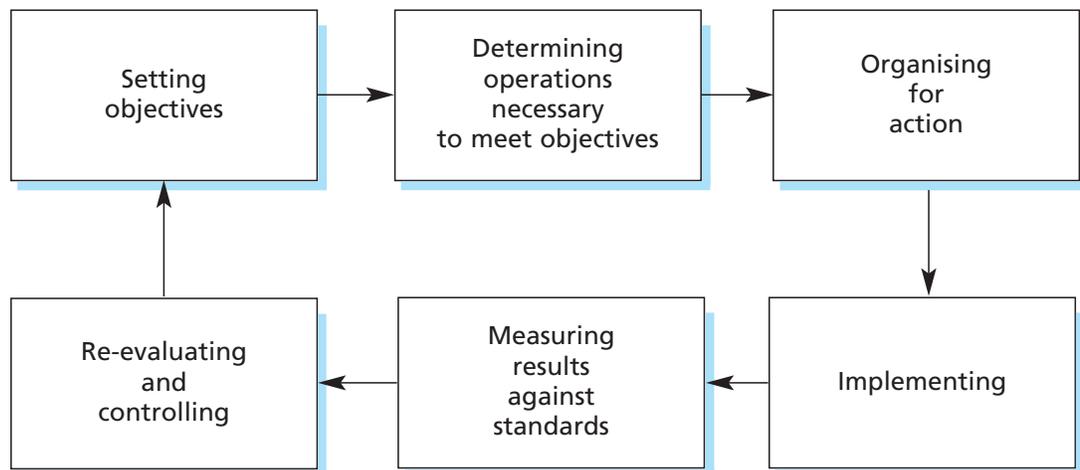


Figure 2.1 The planning process

- Objectives: Where do we intend to go? (*goals*)
- Strategies: How do we intend to get there? (*broadly descriptive*)
- Tactics: The precise route to be taken (*detailed*)

Business definition (corporate mission or goal)

As a prerequisite to the determination of marketing plans, careful consideration should be given to defining (or redefining) the overall role or mission of the business. This issue is best addressed by senior management's asking and answering the question: 'What business are we in?' The definition of the role of a business should be in terms of what customer needs are being served by a business rather than in terms of what products or services are being produced. For example, the manufacturer of microcomputers might define the company as being in the business of rapid problem-solving. In the automobile industry, companies might define their business as being the provision of transport, conferring status, etc., rather than manufacturing cars.

This process of business definition is important. Not only does it ensure that a company thinks in terms of its customers' wants and needs, but also in terms of the planning process, it forms a focusing mechanism for more detailed aspects that follow.

Situation analysis/marketing audit

The precise content of this step in preparing the marketing plan will vary from company to company, but will normally consist of a marketing analysis and an analysis of strengths/weaknesses, opportunities and threats (SWOT).

Market analysis (or marketing audit)

Examples of data and analysis required under the **internal audit** include:

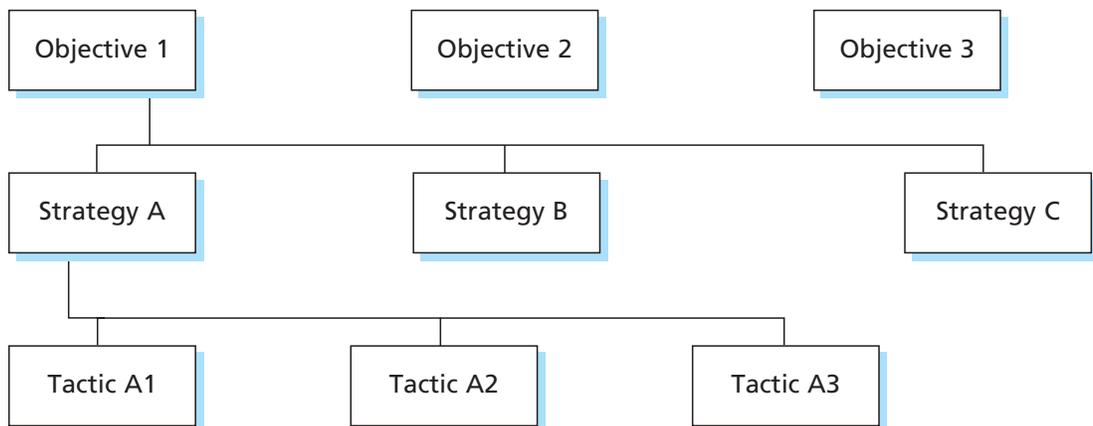


Figure 2.2 Hierarchy of the marketing plan

- 1 Current and recent size and growth of market. In the multi-product company this analysis needs to be made in total, by product/market and by geographical segment.
- 2 Analysis of customer needs, attitudes and trends in purchasing behaviour.
- 3 Current marketing mix.
- 4 Competitor analysis, including an appraisal of:
 - current strategy
 - current performance, including market share analysis
 - their strengths and weaknesses
 - expectations as to their future actions.

As well as analysing existing competition, potential new entrants should be appraised.

The **external audit** consists of an analysis of broad macro-environment trends – Political, Economic, Socio-cultural and Technological (**PEST**) – that might influence the future of the company's products. This original description was first extended to SLEPT with the introduction of Legal factors, and then to **PESTLE** with the introduction of Environmental factors and now to **STEEPLE** with the introduction of Ecological factors.

Application of PEST analysis to Corus

Corus examined its construction strategy in light of the external environment to identify future market needs. By linking Corus competencies and technical knowledge to future market needs, Corus aims to develop products that give the company a competitive advantage in construction. PEST analysis is a powerful tool that can be used to help analyse the external construction environment. This analysis involves examining the current situation with regard to the following factors:

Political

UK government policy and EU directives, for example, planning and environmental issues, including sustainability, affect the construction industry.

Economic

The health of the economy and interest rates affect demand for commercial and residential property. The UK government is using taxation as a means to encourage improving environmental performance, e.g. The Climate Change Levy, Aggregates and Landfill taxes. The construction industry is increasingly interested in whole life costs of buildings, which include initial capital costs, operating and maintenance costs – understanding how better design can improve all these costs.

Social

Changes in the birth/divorce rates and the average number of people living in a household affect the demand for housing. Increasing crime, ageing population,

(continued on following page)

and people's well-being are part of the social dimension. Research shows that the highest number of disagreements amongst neighbours is due to car parking.

Technology

New construction technologies affect working practices, for example in the building industry, constructing more component systems in factories rather than on building sites.

PEST analysis can be extended to SLEPT through the addition of Legal factors including legislation that regulates industry. A PESTLE analysis is extended further and includes two additional factors.

Legislation

UK and European governments believe the construction industry is highly fragmented and the only way to improve the performance of the industry in terms of safety and environmental performance is to increase legislation.

Environmental

Two of the main issues here are meeting the Kyoto Agreement in reduction of carbon dioxide from the burning of fossil fuels and waste going to land fill.

Note: When using PESTLE as a tool for analysis it is possible to get overlap between a specific issue which can be put into two sections. What is important is to identify the changes and to understand the impact those changes will have on the construction industry.

The factors identified in the analysis are concerned with the current situation. However, it is essential to plan for the future through forecasting events over the next 20 years using factors from the PESTLE analysis. This is partly due to the need to have accreditation for products. This is a testing regime carried out by an independent body against relevant UK/International standards and building regulations. On successful outcomes of the tests, a performance certification is issued for the specific product in the specific application – generally stating structural, fire, acoustic, thermal and durability performance of the product. This is important as the construction industry is generally conservative and hence, to introduce a new product, it is essential to have third party validation that the product will perform as the manufacturer states. Achieving this accreditation can take up to two years and it then takes a substantial amount of time to develop the product for today's construction industry.

The process of forecasting future events is known as Road Mapping. It allows Corus to understand changes in PESTLE factors over time and identify how these affect the construction industry and link product developments to these changes. It also allows Corus to identify market opportunities, develop products to meet these and identify which existing technologies can manufacture them.

Source: http://www.thetimes100.co.uk/case_study with permission

Both internal and external audits are deliberate and detailed coverage of the internal and external elements that have been described. It can be carried out by people within marketing or from other departments and, most importantly, they must have the backing of top management as they are central to both the marketing planning and corporate planning horizons of the company.

Analysis of strengths/weaknesses, opportunities and threats

Here management must make a realistic and objective appraisal of *internal* company strengths and weaknesses in the context of potential *external* opportunities and threats (**SWOT analysis**). Opportunities for the future of a business and threats to it stem primarily from factors outside the direct control of a company and in particular from trends and changes in those factors which were referred to earlier as the macro-environment – namely political, economic, socio-cultural and technological factors. It is important to recognise that the determination of what constitutes an opportunity/threat, and indeed the appraisal of strengths and weaknesses, must be carried out concurrently. An ‘apparent’ strength, for example, a reputation for quality, becomes a real strength only when it can be capitalised on in the marketplace.

A SWOT analysis is not a lengthy set of statements; it is simply a number of bullet points under each heading. It should be short and uncomplicated as it is from the SWOT that marketing strategies are generated.

Statement of objectives

On the basis of the preceding steps, the company can now determine specific objectives and goals that it wishes to achieve. These objectives, in turn, form the basis for the selection of marketing strategies and tactics.

A company may have several objectives. Although marketing objectives usually tend to support business objectives, business and marketing objectives may also be one and the same. It should be pointed out that there are several types of objectives, such as financial and corporate objectives. Additionally, objectives may be departmental or divisional. However, regardless of the type or format, each objective requires its own strategy.

Objectives are needed in a number of areas – production objectives, financial objectives, etc. In a market driven company, marketing objectives are the most important as they reflect customer needs and how the company can satisfy these. In a market driven company, marketing plans come first in the overall corporate planning process. The objectives of other areas must then be consistent with marketing objectives. In addition to this element of consistency, objectives should be expressed unambiguously, preferably quantitatively, and with an indication of the time span within which the objectives are planned to be achieved. The acronym SMART describes the requirement for such objectives: Specific, Measurable, Achievable, Realistic and Time related.

This time span of planned activities often gives rise to some confusion in planning literature. Marketing plans are often categorised as being short range, intermediate range and long range. The confusion arises from the fact that there is no accepted definition of what constitutes the appropriate time horizon for each of these categories. What is felt to comprise long-term planning in one company (say

five to ten years) may be considered intermediate in another. It is suggested that the different planning categories are identical in concept, although clearly different in detail. Furthermore, the different planning categories are ultimately related to each other – achieving long-term objectives requires first that intermediate and short-term objectives be met. The following criteria are necessary for setting objectives:

1 *Ensure objectives focus on results*

- Because the effects of marketing activity are essentially measurable, sales and marketing strategies should enable the quantification of marketing achievement.

2 *Establish measures against objectives*

- Return on investment.

3 *Where possible have a single theme for each objective*

- Imprecise objectives such as ‘reduce customer defections by 20 per cent through best-in-class service’ are not acceptable. There are at least two objectives here and each should be quantified.

4 *Ensure resources are realistic*

- Best practice: attempt to answer common marketing problems through the use of test and roll-out plans.
- Because testing enables roll-out costs to be estimated reasonably accurately, this should ensure that campaign running costs are realistic. (Of course, overheads or labour cost may not be.)

5 *Ensure marketing objectives are integral to corporate objectives*

- This is indisputable, because there will be a serious mismatch if corporate objectives differ from marketing objectives, e.g. general corporate objectives suggest expansion into new member countries of the European Union, and specific marketing objectives only include current members of the EU.

Example of establishing an objective

Saga Holidays – Meeting the needs of empty nesters

Saga Holidays was set up to provide holidays for people with a high proportion of leisure time, people defined as either ‘retired’ or ‘empty nesters’. The holidays would be outside school holidays and other peak periods.

Original objective: Sell long-stay holidays and cruises

Success: Negotiating strength

But what were their options for business expansion?

Either 1 Sell holidays to other market sectors.

Or 2 Sell other products and services to established customers.

So what did Saga do?

Instead of expanding out of a profitable market segment into less profitable segments, Saga met other needs of the retired/empty nester market by selling insurance, savings and other suitable products. The business is thus now defined as a *retired market service provider* rather than merely a *specialist holiday organisation*.

Saga followed what Michael Porter would term a Focus Business Strategy as opposed to a differentiation strategy or cost leadership strategy.

In today's competitive market, it is not uncommon for companies to diversify their product offering to an established customer base. With customer acquisition, customer service and database management costs already met, this may indeed be the most profitable expansion option.

Saga offers a practical example of 'WHAT WOULD OUR CUSTOMERS WANT TO BUY FROM US NEXT?'

A most important document in a company is the annual marketing plan, which the sales manager plays a key part in preparing. The remainder of this chapter discusses planning in the context of the preparation of this annual document.

Determine sales and market potential and forecast sales

A critical stage in the development of marketing plans is the assessment of market and sales potential followed by the preparation of a detailed **sales forecast**. Market potential is the maximum possible sales available for an entire industry during a stated period of time. Sales potential is the maximum possible portion of that market which a company could reasonably hope to achieve under the most favourable conditions. Finally, the sales forecast is the portion of the sales potential that the company estimates it will achieve. The sales forecast is an important step in the preparation of company plans. Not only are the marketing and sales functions directly affected in their planning considerations by this forecast, but other departments, including production, purchasing and human resource management, will use the sales forecast in their planning activities. Sales forecasting, therefore, is a prerequisite to successful planning and is considered in detail in Chapter 16.

Generating and selecting strategies

Once marketing objectives have been defined and market potential has been assessed, consideration should be given to the generation and selection of strategies. Broadly, strategies encompass the set of approaches that the company will use to achieve its objectives.

This step in the process is complicated by the fact that there are often many alternative ways in which each objective can be achieved. Although several strategies may be evaluated, only one strategy can be employed, hence giving rise to the formula: one strategy per objective. For example, an increase in sales revenue of

10 per cent can be achieved by increasing prices, increasing sales volume at the company level (increasing market share) or increasing industry sales. At this stage it is advisable, if time consuming, to generate as many alternative strategies as possible. In turn, each of these strategies can be further evaluated in terms of their detailed implications for resources and in the light of the market opportunities identified earlier. Finally, each strategy should be examined against the possibility of counter-strategies on the part of competitors.

The vignette that follows was provided by PR Artistry and concerns one of their clients, MCRL. It provides an illustration of how the planning process is implemented through the application of what the company has termed GOSPA.

GOSPA for MCRL

GOSPA is a corporate performance management process that implements and produces measurable results. It stands for *Goals, Objectives, Strategies, Plans and Actions*.

Using this process improves communication, control, morale, measurement and performance through a set of easy to implement steps. It gives management a structure for business planning, change, restructuring, measurement and consistent communication after an initial short training period. It is appropriate for organisations both large and small.

Goals in relation to press relations for MCRL in Europe

- G1 To build a strong brand and market for MCRL by raising awareness in the press and amongst potential customers within the retail sector in the UK, France, Italy and Germany
- G2 For MCRL to be an immediate shortlist choice as a supplier to the 'Enterprise Service Bus' in terms of content integration and digital media/store-innovation projects within retailers in the UK, France, Italy and Germany

Objectives

- O1 Implement a regular press release service, issuing a target of one release per month per country to a specific target press list concentrating on quality rather than volume starting January 2007
- O2 Produce articles and opinion pieces for the target press using James Pemberton, Michael Jaszczyk and Mike Camerling to position MCRL as the company that provides the technology for retailers to adopt what is next in retail starting January 2007
- O3 Produce additional case studies of customers to illustrate how MCRL applications can benefit customers, in-store staff, operations and IT departments starting January 2007
- O4 Monitor forward feature opportunities in target publications, contributing relevant and authoritative material whenever possible beginning December 2006
- O5 Provide a coordinated approach to the press in the UK, France, Italy and Germany

Strategies

- S1 To target three distinct audiences within retailers – marketing, operations and IT. To agree key messages for each of these audiences e.g. for IT to give advice and guidance as to how to provide the 'Enterprise Service Bus' concept

- S2 For Mary Phillips of PR Artistry to work with James Pemberton of MCRL to produce an opinion piece per quarter for proactive placement with the retail press
- S3 To build a selected list of target publications in each country and a target list of freelance writers in the retail sector. Possibly three sub-lists dealing with the three target audiences mentioned in S1
- S4 Proactively identify and target forward features in the target press on a continuous basis, making submissions wherever possible

Plans for January, February, March

- P1 Produce Media lists for each country
- P2 Prioritise the first six press releases for each country:
 - Metro – shopping list management
 - HIT – PSA in use since July at Dohle Retail Group
 - Wincor Nixdorf partner release regarding Retail Management System (RMS)
 - PSA uses Flash MX for the first time
 - Retail Framework to integrate with Portable Shopping Systems (PSS) to bypass Point of Sale (POS)
 - MCRL and RMS certified SIF (Store Integration Framework) by IBM
- P3 Write and issue the first three press releases
- P4 Agree and prioritise the first two opinion pieces – possible topics:
 - MCRL provide the infrastructure necessary for retailers to benefit from the next wave of in-store systems, including in-store digital media, kiosks, PSA, PDA and intelligent scales
 - Digital Signage – MCRL shows the right approach to get meaningful ROI metrics and a sustainable and manageable solution. ‘There’s more to it than just hanging a few screens with TV commercials’
 - Flash comes of age to make the shopping experience easier and more fun
- P5 Write and get the first two articles placed

Actions

- A1 Meeting in Paris on 9 December – MCRL, PRA and MN
- A2 PRA to write the first press release and then PRA and MN to introduce MCRL to the target press
- A3 Agree topic for the first opinion piece

Source: <http://www.gospaplanning.com> with permission

Examples of strategies

We begin by supposing that the objective is to maximise profit from dealings with established customers.

Strategy 1: Targeting

To the marketer, targeting is equivalent to segmentation. A segmentation/targeting strategy may be based on any or all of the following:

- value (high or low consumption, value of goods purchased)
- customer preference (telephone/email ordering service, type of products/services purchased)
- lifestyle (status of relationship between supplier and customer: active/lapsed/dormant customer/months since last purchase)

At this point it is important to emphasise that:

- segments must be potentially profitable
- segments are not mutually exclusive
- segments are not stable

Hence, a consumer may fall into more than one segment or different segments at different times. If the segment requires a special effort to reach or appeal to it, then it must have sufficient potential purchasing power to justify the effort.

Strategy 2: Pricing

In line with the classic marketer's approach, the following pricing strategies may be adopted:

- make short-term tactical reductions
- establish price premiums
- elevate perceived quality

Thus, the classic principle of elevating the perceived quality of a brand so that it can command a higher selling margin may be adopted. Additionally, a discount has more value if the worth of what is being discounted is understood.

Discounting is of course prevalent in all marketing. In Fast Moving Consumer Goods (FMCG) markets it tends to be driven by competitive or retailer pressures. Often, tactical cuts are seen as defensive.

Strategy 3: Customer retention

Because advanced technology enables suppliers to track the progress of an enquirer or customer, focus is increasingly shifting from mere product profitability to the profitability of customer relationships. However, customer profitability will be determined by:

- the cost of acquisition
- the losses of customers or would-be customers at various key stages in the relationship

Key stages in the customer relationship could be revised as:

- enquiry
- conversion to customer
- repeat purchase
- up-trade
- threatened dormancy
- recovery

The probability of loss usually declines with the length of the relationship. In consumer markets (but not in business markets) most often the duration of a relationship outweighs rate of spending in determining the lifetime value of the relationship. Here, a customer database will not only facilitate measurement of this relationship, but more importantly enable corrective action to be undertaken more easily. Thus, an offer may be triggered to prevent the customer 'going dormant'. Consequently, if the customer fails to respond and does go dormant, further offers may be made to recover the customer and re-start the relationship/recovery.

Additionally, there could be a customer development and retention strategy, which could provide the means to retain customers. There may be a retention strategy based on customer care and a development strategy based on sales promotion.

From this list of alternative strategies a choice must be made with regard to the broad marketing approach which the company considers will be the most effective in achieving objectives. This must then be translated into a strategy statement which must be communicated to and agreed with all those managers who will influence its likely degree of success or failure. Once again, the specific contents of such a strategy statement will vary between companies, but as an example a strategy statement might encompass the following areas:

- 1 A clear statement of marketing objectives.
- 2 A description of the choice of strategies for achieving these objectives.
- 3 An outline of the broad implications of the selected strategies with respect to the following key areas in marketing:
 - target market
 - positioning
 - marketing mix
 - marketing research.

At this stage the strategy statement should give a clear and concise indication of where the major marketing efforts of the company will be focused. Once this has been discussed and agreed we can progress to the next step of preparing a detailed plan of action.

There are many tools available for generating strategic options, the most popular of which are the Boston Matrix and the GE/McKinsey Matrix. A description and application of such tools is more appropriate to corporate strategy and strategic

marketing planning texts and not within the sphere of this text. However, analysis using the product life-cycle concept and diffusion of innovations is appropriate in this context and these have been discussed in Chapter 1. SWOT analysis is a useful method of generating strategies. A number of stages are necessary:

- 1 Evaluate the influence of environmental factors (STEEPLE/PEST) on the company.
- 2 Make a diagnosis about the future.
- 3 Consider company strengths and weaknesses in relation to all key areas of the company.
- 4 Develop strategic options.

For example, in Figure 2.3 let us consider the case of a specialist, low-volume UK sports car producer.

Strategic possibilities using SWOT analysis

As an illustration, here are two strategic possibilities for the sports car producer mentioned in Figure 2.3: use existing strong, well-established brand to raise production levels through automation to market to other European countries (S1, S2, W1, W2, O2, T2). Raise the basic price (S4, W3, O1, T1, T2).

This is an application of the use of SWOT matrix which in essence takes elements of SWOT and brings them together to form marketing strategies. It was first proposed by Weihrich in 1982.¹

Preparing the marketing programme

The strategy statement prepared in the previous section provides the input for the determination of the detailed programme required to implement these strategies. The first step in the preparation of this programme is the determination of the mar-

<p>Strengths</p> <ol style="list-style-type: none"> 1 Well-established brand name 2 In business since 1920 3 Cult following 4 Low price 5 Consistently good press reviews 	<p>Weaknesses</p> <ol style="list-style-type: none"> 1 Production only semi-automated 2 Maximum production 30 units per week 3 Long waiting list 4 Only sold in UK, USA, Germany, Holland, Belgium and Scandinavia
<p>Opportunities</p> <ol style="list-style-type: none"> 1 USA market can take twice their allocation 2 Other European countries would like to purchase 	<p>Threats</p> <ol style="list-style-type: none"> 1 Some purchasers not prepared to wait 2 Other volume manufacturers now producing niche models like this

Figure 2.3 SWOT matrix for a sports car producer

keting mix. Detailed decisions must be made with respect to product policy, pricing, promotion and distribution. Care should be exercised to ensure that the various elements of the marketing mix are integrated, i.e. that they work together to achieve company objectives in the most effective manner.

At this stage of the planning process what has previously been an outline plan for guiding decision-making becomes a detailed operational plan and this section is inevitably the lengthiest part of the planning document. It is on the basis of this part of the plan that day-to-day marketing activities and tactics of the company will be organised, implemented and assessed.

Allocating resources – budgeting

Having made detailed decisions with respect to the elements of the marketing mix, the next step is to assemble a **budget** for each of these elements. In most companies limited resources ensure that managers from the different functional areas have to compete for these scarce resources. It is likely that much discussion will take place between those responsible for each element of the marketing mix. In addition it may be found that initial marketing objectives, strategies and detailed plans for the marketing programme to achieve the forecast level of sales may, in the light of financial and other resource constraints, be unrealistic. In this event modifications to the original plan may have to be made.

It should be noted that at this stage an estimate can be made of both costs and revenues and a forecast profit and loss statement prepared.

Implementation

The procedure so far should have resulted in the preparation of a detailed document setting out what is to be done, when it will be done, who is responsible and estimated costs and revenues, as well as agreed time frames for the various activities in the plan. Once approved, details of the marketing plan should be communicated to everyone involved. This communication is an essential and sometimes neglected aspect of marketing planning. Many companies have elaborate marketing plans that are not implemented because key people have not been informed or have not agreed the proposed plan.

Control

Finally, the plan should contain an outline of the control mechanisms that will be applied. This should include details of major objectives and key parameters in the measurement of the degree of success in achieving the objectives, enabling corrections and modifications to be made as the plan unfolds. This control part of the marketing plan should specify what is to be measured, how it is to be measured and what data are required for measurement. It may also include details of what action is to be taken in the light of deviations from the plan. This contingency planning is a key feature of any planning process, recognising as it does that plans need to be flexible in order to accommodate possible unforeseen or unpredictable changes in the market. The overall marketing planning process is summarised in Figure 2.4.

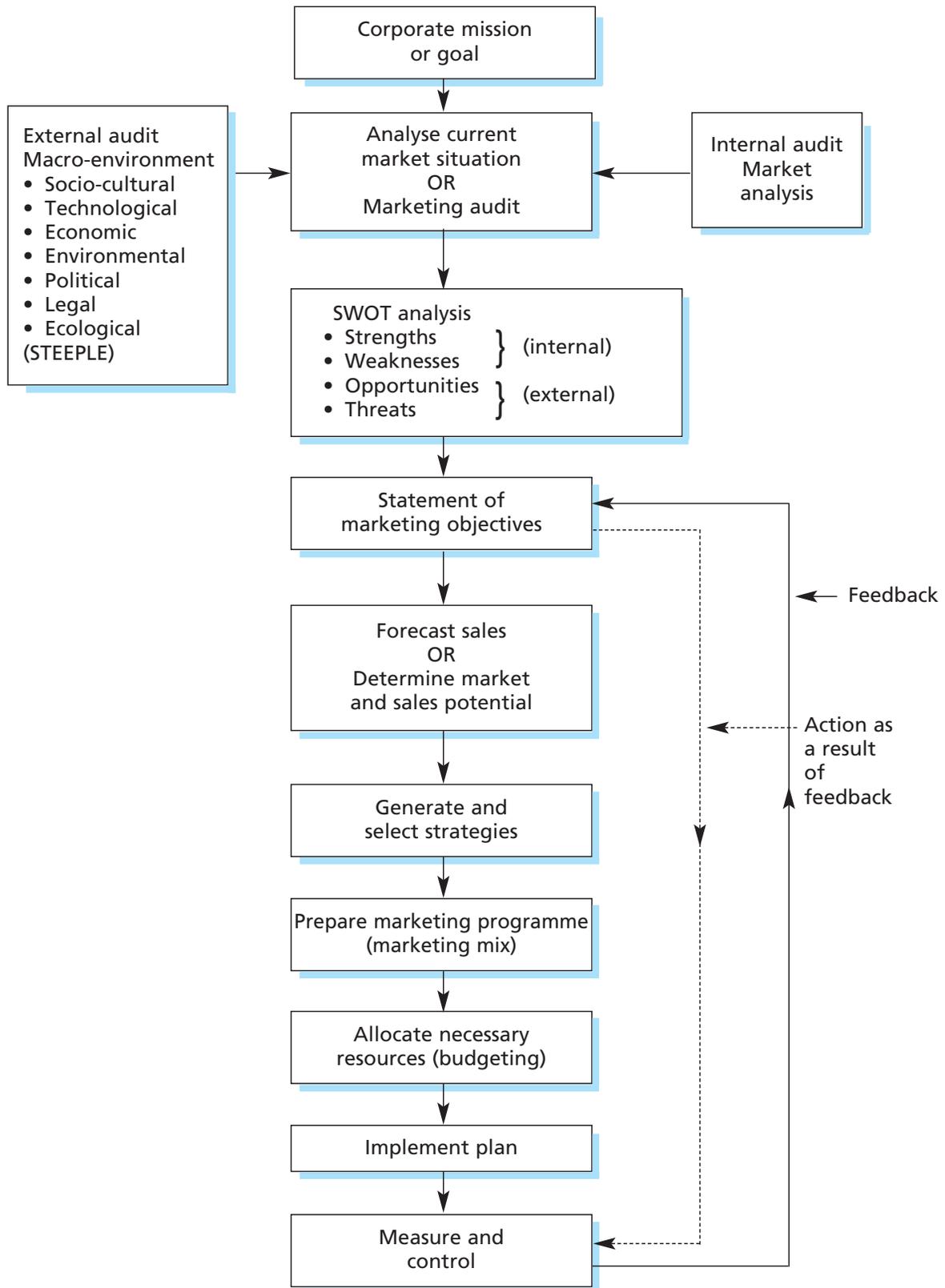


Figure 2.4 An overview of the marketing planning process

2.4 The Place of Selling in the Marketing Plan

We have examined how marketing plans are prepared. The sales function has an important role to play in this process and we now look at the nature of this role and, in particular, the contribution that the sales function makes to the preparation of the marketing plan and how the sales function itself is influenced by the marketing plan.

Contribution of the sales function

Throughout the planning process alternative courses of action need to be identified and decisions taken as to which of these alternatives is the most appropriate. Contingency planning measures like these involve identifying alternatives and choosing between them, which requires accurate and timely information. A key role of the sales function in the planning process is the provision of such information. This becomes clearer if we examine some of the stages in the planning process where the sales function can make a valuable contribution:

- (a) analysis of current market situation (marketing audit)
- (b) determining sales potential/sales forecasting
- (c) generating and selecting strategies
- (d) budgeting, implementation and control

Toyota

By constantly finding out what its customers will want to buy next, Toyota has achieved profitable line extension and replacement. In fact, by being able to make additional low-cost sales to its established customers, Toyota has not only achieved sustainable competitive advantage through customer retention, but is also in a stronger position to invest in expansion.

Analysis of current market situation (marketing audit)

The proximity of the sales function to the marketplace places it in a unique position to contribute to the analysis of the current market situation facing the company. In particular, sales is often well placed to contribute to the analysis of customer needs and trends in purchasing behaviour. The sales manager can also make a valuable contribution with respect to knowledge about competitors and their standing in the marketplace. This informational role of sales managers should not be ignored because, through the salesforce, they are ideally equipped to provide up-to-date, accurate information based on feedback from customers.

Determining sales potential/sales forecasting

As we later see in Chapter 16, an important responsibility of the sales manager is the preparation of sales forecasts for use as the starting point for business planning. Short-, medium- and long-term forecasts by the sales manager form the basis for allocating company resources in order to achieve anticipated sales.

Generating and selecting strategies

Although decisions about appropriate marketing strategies to adopt rest with marketing management, the sales manager must be consulted and should make an input to this decision. Again, the sales function is ideally placed to comment on the appropriateness of any suggested strategies.

The sales manager should actively encourage sales staff to comment upon the appropriateness of company marketing strategies. The field salesforce are at the forefront of tactical marketing and can more realistically assess how existing target markets will respond to company marketing initiatives. Indeed, the fact that there are front-line people who benefit from the most contact with customers should not be overlooked.

Budgeting, implementation and control

Preparation of the sales forecast is a necessary precursor to detailed marketing plans. The sales forecast is also used in the preparation of the sales budget.

On the basis of the sales forecast, the sales manager must determine what level of expenditure will be required to achieve the forecasted level of sales. The important thing to remember about this budget is that it is the cornerstone of the whole budgeting procedure in a company. Not only the activities of the sales department, but also production, human resource management, finance and research and development will be affected by this budget. Because of this importance, sales budgets are considered in detail in Chapter 16. At this stage it is sufficient to note that in preparing the sales budget the sales manager must prepare an outline of the essential sales activities required to meet the sales forecast, together with an estimate of their costs. The precise contents of the annual sales budget will vary between companies, but normally include details of salaries, direct selling expenses, administrative costs and commissions and bonuses.

Having agreed the sales budget for the department, the sales manager must assume responsibility for its implementation and control. In preparing future plans, an important input is information on past performance against budget and, in particular, any differences between actual and budgeted results. Such 'budget variances', both favourable and unfavourable, should be analysed and interpreted by the sales manager as an input to the planning process. The reasons for budget variances should be reported, together with details of any remedial actions that were taken and their effects.

Influence of marketing plan on sales activities: strategies and tactics

Any planning process is effective only to the extent that it influences action. An effective marketing planning system influences activities, both strategic and tactical, throughout the company. The classical marketing approach favours the inside-out planning model proposed by Schultz, Tannenbaum and Lauterborn² (Figure 2.5).

However, the reverse outside-in planning model is becoming more and more popular. Figure 2.6 shows an outside-in planning sequence, starting with a calculation of the cost per sale to current customers, then to lapsed customers and prospects on the database, and finally to new customers. The cost-per-sale calculations determine the sales target in each case.

This process is followed by a strategy for each discrete segment. A product may not, for example, be offered to each segment at the same price. Similarly, types of communication will be different for each segment.

Both the segment strategy and the content of communications will, ideally, be tested against reasonable alternatives. The most successful alternatives on testing will then be rolled out to the remaining population in each segment.

Although the inside-out model is financially driven, it is much less safe than the customer-oriented planning model. Perhaps this influence is most clearly seen through decisions relating to the marketing programme or marketing mix. Sales strategies are most directly influenced by planning decisions on the promotional element of the marketing mix. Here we will consider briefly the notion of a 'mix' of promotional tools, outlining the considerations in the choice of an appropriate mix and the implications for sales strategies. In particular, the important and often misunderstood relationship between advertising and selling is explained and discussed. We conclude this section by examining briefly the nature of sales tactics.

The promotional mix

Earlier in this chapter we suggested that an important facet of marketing planning is the preparation of a marketing programme, the most important step in this preparation being the determination of the marketing mix – product, price, distribution



Figure 2.5 Inside-out planning model

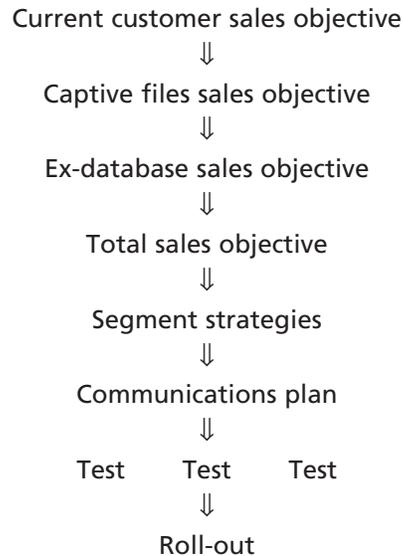


Figure 2.6 Outside-in planning model

and promotion. As selling is only one element in the promotion part of this mix, it is customary to refer to the **promotional mix** (or more correctly the communications mix) of a company. This traditional promotional mix is made up of four major elements:

- 1 Advertising.
- 2 Sales promotion.
- 3 Publicity/public relations.
- 4 Personal selling.

To these traditional elements can now be added:

- 5 Direct marketing.
- 6 Interactive/internet marketing.

In most companies all four traditional elements can contribute to company sales, but a decision has to be made as to where to place the emphasis. This decision is made at the planning stage. In addition, it is important that the elements of the promotional mix work together to achieve company objectives. An important planning task of management is the co-ordination of promotional activities.

Several factors influence the planning decision as to where to place emphasis within the promotional mix. In some firms the emphasis is placed on the salesforce with nearly all promotional budget being devoted to this element of the mix. In others, advertising or sales promotion is seen as being much more efficient and productive than personal selling. Perhaps the most striking aspect of the various promotional tools is the extent to which they can be substituted for each other. Companies within the same industry differ markedly in where they place the promotional emphasis. This makes it difficult to be specific about developing the promotional mix within a particular company. As a guide, some of the more important factors influencing this decision are now outlined.

- 1 *Type of market.* In general, advertising and sales promotion play a more important role in the marketing of consumer products, whereas personal selling plays the major role in industrial marketing. The reasons for this stem from differences between industrial and consumer marketing, which are outlined in Chapter 3. An obvious contrast is the marketing of fast-moving consumer goods (FMCG) with the marketing of often highly technical, expensive capital goods to industry. Despite this, it is a mistake to conclude that advertising does not have a role to play in the marketing of industrial products. Indeed, the contribution of advertising is often undervalued by sales personnel and discounted as a waste of company resources. The relationship between advertising and sales is considered later in this chapter.

The 'new' promotional mix increasingly involves e-commerce possibilities and this is highlighted through developments in this field and numbers of companies using this facility. In addition, the use of freephone facilities is also making communication easier and cost-free to the potential customer. These more contemporary issues are highlighted in the two vignettes that follow.

E-commerce is made e-asy with new site

PSICommerce is a new e-commerce package designed by PSINet to open up the world of global trading to small and medium businesses. It claims to make merchandising on the web a simple and cost-effective process.

The PSICommerce basic package costs from £125 for SMEs to register and get the package components to be connected to the internet. An ongoing connection charge starts at £100 a month.

A Government Competitiveness White Paper says UK e-commerce transactions are currently worth around \$US4.5 billion. Growth over the next three years could reach \$US47 billion, with 70–80 per cent of e-commerce revenues expected to involve small and medium sized enterprises, either in business-to-business or business-to-consumer roles.

Valerie Holt, Managing Director of PSINet UK and Vice President of Europe, said SMEs' appetite for e-commerce was rapidly developing. But adoption of it was being throttled because of fear of costs related to the technical complexities of developing and building an internet 'shop' and integrating to the credit card payment systems.

'The benefits of the package will allow any small business to instantly trade globally on the internet. They may have only 2 or 30 clients worldwide but the internet enables them, by negating location, to overcome the physical barrier to trade,' said Holt.

Source: www.psi.commerce.com

Benefits to business of marketing numbers

Many companies do not realise that telephone numbers can be an effective marketing tool in terms of generating revenue and increasing customer bases. Research shows that marketing numbers can increase calls by up to 300 per cent. Patrick Naughton of Telecom One has suggested a number of benefits when using marketing numbers and has given a number of questions to be asked when weighing up the pros and cons:

- Are you trying to increase awareness of the company, products and services?
- Are you trying to improve the quality of your customer service?
- Are you trying to broaden the reach of your business?
- Do you already have a solid customer base and want to generate a new revenue stream?

The facilities that are available include:

Freephone (0800/0808) – customers can reach you free of charge; you pay 8p per minute.

Local rate or Lo-call (0845/0844) – customers pay 8p per minute weekdays, 4p evenings, and 2p at weekends, regardless of where in the country they call from.

National rate (0870/0871) – a single, location independent number. Calls are the same cost as local rate calls. Customers pay national rate charges and your business benefits by revenue generated from every call you receive.

Gold numbers – a memorable number that will stick in a customer's memory. It is likely to be used more frequently than others and thus generate more business.

Alphanumeric numbers – dialling a word in place of a number, e.g. 0800 BUSINESS (can only be used in countries that have this facility).

Websites www.theidm.com (Institute of Direct Marketing) www.telecom1.com and www.oftel.com.

Source: www.whattobuyforbusiness.co.uk Edition 252, March 2002

- 2 *Stage in the buying process.* In Chapter 3 it is suggested that for both industrial and consumer products it is useful to consider the stages through which the prospective purchaser passes en route to making a purchase decision. Although there are a number of ways in which this process may be conceptualised, essentially it consists of the potential purchaser moving from a position of being unaware of a company and/or its products, to being convinced that its products or services are the most appropriate to the buyer's needs. The sequential nature of this process is shown in Figure 2.7.

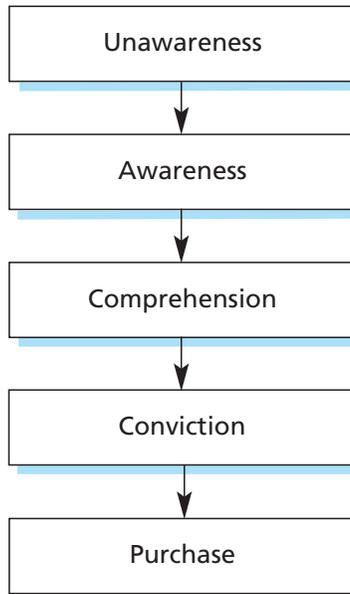


Figure 2.7 Stages in the buying process

For a given outlay, advertising and publicity are more effective in the earlier stages of moving potential purchasers through from unawareness to comprehension. Personal selling is more cost effective than other forms of promotional activity at the conviction and purchase stages. This is not to suggest that 'cold calling' is not an important area of sales activity but, as we see later, such cold calling is rendered much more effective if the customer is already aware of the company's products.

- 3 *Push versus pull strategies.* One of the most important determinants in the choice of promotional mix is the extent to which a company decides to concentrate its efforts in terms of its channels of distribution. This can perhaps be best illustrated if we contrast a push strategy with that of a pull strategy:

A **push strategy** is one in which the focus of marketing effort is aimed at pushing the product through the channel of distribution. The emphasis is to ensure that wholesalers and retailers stock the product in question. The idea is that if channel members can be induced to stock a product they in turn will be active in ensuring that your product is brought to the attention of the final customer. In general a push strategy entails a much greater emphasis on personal selling and trade promotion in the promotional mix.

A **pull strategy** relies much more heavily on advertising to promote the product to the final consumer. The essence of this approach is based on the notion that if sufficient consumer demand can be generated for a product this will result in final consumers asking retailers for the product. Retailers will then ask wholesalers for the product, who will contact the producer. In this way the product is 'pulled' through the channel by creating consumer demand via assertive advertising. (Channel management is considered in detail in Chapter 10 and in particular the diminishing role of wholesalers is examined.)

- 4 *Stage in the product life-cycle.* Chapter 1 introduced the concept of the product life-cycle. There is evidence to suggest that different promotional tools vary in their relative effectiveness over the various stages of this cycle. In general,

advertising and sales promotion are most effective in the introduction and growth stages of the life-cycle, whereas it is suggested that the emphasis on personal selling needs to increase as the market matures and eventually declines.

Co-ordinating promotional efforts: the relationship between advertising and selling

In discussing factors affecting choice of promotional tools, it may have appeared that to some extent these tools are mutually exclusive – for example, one chooses to concentrate either on advertising or personal selling. This is not the case. The relationship between the various promotional tools, including personal selling, should be complementary and co-ordinated. Perhaps this obvious point would not need to be stressed were it not for the fact that often this complementary relationship is misunderstood. Nowhere is this misunderstanding more evident than in the relationship between advertising and selling.

It is unfortunate that many sales managers and their salesforces believe that expenditure on advertising is a waste of company resources. Very rarely, they argue, does a customer purchase simply because a product is advertised, particularly where that customer is an industrial purchaser. Because of this, the argument continues, the money ‘wasted’ on advertising would be better spent where it will have a direct and immediate effect – on the salesforce. Increasingly, evidence suggests the notion that advertising money is wasted in industrial markets is misplaced. Among the functions that advertising can perform in such markets are the following:

- 1 Corporate advertising can help to build the reputation of a company and its products.
- 2 Advertising is particularly effective in creating awareness among prospective clients. The sales representative facing a prospect who is unaware of the company or product faces a much more difficult selling task than the representative who can build on an initial awareness.
- 3 Advertising can aid the sales representative in marketing new products by shouldering some of the burden of explaining new product features and building comprehension.
- 4 Advertising using return coupons may be used to open up new leads for the salesforce.

Overall, by far the greatest benefit of advertising in industrial markets is seen, not through a direct effect on sales revenue, but in the reduction of overall selling costs. Evidence suggests that, given adequate frequency, this reduction in selling costs to customers exposed to advertising may be as high as 30 per cent. Conversely, non-advertisers may find themselves at a disadvantage. The cost of selling to customers exposed to competitors’ advertising may be increased by as much as 40 per cent.

In marketing consumer goods, **branding** and brand image are very important and advertising is generally thought to be the most effective promotional tool. However, personal selling and a well-trained salesforce can contribute significantly to increased market penetration by influencing stockists to allocate more shelf space to company products and persuading new dealers to stock them.

At all times, sales and advertising should be co-ordinated to achieve company objectives. It is important for sales personnel to be informed about company advertising campaigns. This advertising should be utilised in selling, the advertising theme being reinforced in the sales presentation.

From sales strategies to tactics

We have seen that a number of factors influence the setting for sales strategies. It was suggested that this influence is most direct in determining the relative emphasis to be given to sales activities in overall company and promotional strategy. Sales strategies are of course also influenced by the marketing and sales objectives specified in the marketing plan. As an illustration, a marketing objective of increased market share may mean that the sales manager has to ensure that sales in the forthcoming year increase by 10 per cent. Furthermore, the planning document should specify the route or strategy by which this objective will be accomplished, e.g. 'Additional sales effort is to be targeted on the opening of new accounts'. Sales objectives and strategies, therefore, also stem directly from the planning process, after consultation and agreement with relevant personnel.

However, not all researchers support the merits of relationship marketing, and opposing this outlook, Shaw³ argues: 'Marketers must stop their obsession with loving customers since it has become a distraction from the basics of selling and tracking the origins of sale success.' Having agreed these strategic guidelines, a more detailed set of activities must be built into the planning process. The sales manager must determine the specific actions required to achieve sales goals, i.e. tactics.

Tactics encompass the day-to-day activities of the sales function in the achievement of marketing and sales objectives. Tactics also include actions which need to be taken in response to unexpected short-term events in the marketplace, for example, a special promotional effort by a competitor. The relationship between objectives, strategies and tactics is shown in Figure 2.8.

Tactical decisions represent the 'fine tuning' of sales activities and encompass many decision areas covered in greater detail elsewhere; for example, the deployment of sales personnel – territory design and planning (Chapter 15) – can be considered a tactical aspect of sales. Similarly, the design of incentive systems (Chapter 15) should form part of a tactical plan, designed to accomplish sales goals within the framework of sales strategies.

The importance of tactics should not be underestimated; even the best-formed strategies fail for want of proper tactics. As an example of the use and importance

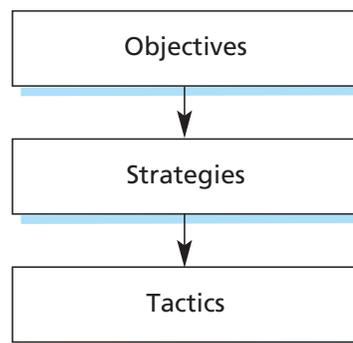


Figure 2.8 The relationship between objectives, strategies and tactics

of tactics in selling, we consider briefly an aspect of purchasing which is of vital interest to many companies, namely brand/supplier loyalty.

Brand/supplier loyalty

If we examine the purchase of products and services over time, we find that often the purchasing sequence of individuals indicates that they repeatedly buy the same brand of a product or, if the product is an industrial one, they consistently buy from a particular supplier. For such individuals, if we imagine that the brand or supplier in question is called X, the purchasing sequence would be as shown below:

<i>Purchase occasion</i>	1	2	3	4	5	6
<i>Brand purchased/supplier</i>	X	X	X	X	X	X

There is no doubt that brand/supplier loyalty does exist. Moreover, the cultivation of such loyalty among customers often accounts for a significant part of tactical marketing and sales effort, representing, as it does, a substantial market asset to a company.

By favouring a longer term perspective, such a cultivation of customer loyalty complements traditional brand-building techniques. Indeed, as Martin⁴ insists, customer relationships with brands help insulate brands from competitors, 'the customer-brand linkage can be viewed as an important subset of relationship marketing'.

Additionally, while Reichheld and Scheffer⁵ also support this theory when they claim 'a large group of customers are influenced primarily by brand' and that these customers 'are looking for stable long-term relationships', Curtis⁶ succinctly summarises that 'customers need to feel that they are part of a brand's crusade'.

Before considering the part that sales tactics can play in this process of cultivating brand loyalty, it is important to explain precisely what is meant by brand loyalty. This apparently simple notion gives rise to some misunderstanding.

Let us return to the purchasing sequence just shown. Although we have suggested that such a sequence is associated with a brand-loyal customer, the existence of such an array of purchases for a customer does not, of itself, constitute evidence that this customer *is* brand loyal. There are a number of possible explanations for this purchasing behaviour. One such explanation might be that this customer concentrates much of his or her purchasing in one particular retail outlet and it so happens that this particular retail outlet only stocks brand X of this product, i.e. the customer exhibits loyalty, but to the store, rather than the brand. Another possible explanation is that this customer pays little regard to the particular brand or supplier; s/he is not consciously brand loyal at all, but rather has simply slipped into the habit of purchasing this brand and cannot be bothered to switch. In this second example it is true to say that the customer must be reasonably satisfied with the brand being purchased consistently. If this were not the case, or the customer became dissatisfied, s/he would then make the decision to switch. Nevertheless, the fact is that this is not true brand loyalty.

True brand or supplier loyalty exists when customers make a conscious decision to concentrate their purchases on a particular brand because they consider that supplier or brand superior to others. There may be a number of reasons/bases for such perceived superiority, e.g. superior quality, better delivery and after-sales services,

the availability of credit, or some combination of these or other factors. In discussing possible reasons for brand/supplier loyalty, we enter the realms of motives, perceptions, attitudes, etc, and more complex behavioural areas discussed in Chapter 3.

The concept of brand/supplier loyalty is a difficult one and care should be taken in interpreting the often conflicting evidence for its causes. Nevertheless, there are some indications that the salesperson can play a key role in helping to establish brand/supplier loyalty amongst a company's customers. One of the reasons for this is that learning theory suggests we have a tendency to repeat experiences that give us pleasure and to avoid those that do not. Among the most powerful and lasting impressions that serve as a source of pleasure or displeasure in purchasing activities are experiences in the face-to-face encounters with sales staff. Favourable attitudes and behaviour of sales personnel in dealing with their customers can contribute significantly to the creation of brand/supplier loyalty.

2.5 Conclusions

A framework for sales strategies and tactics has been established. We have seen that these are developed and operated within the framework of marketing planning. The sales function makes a valuable contribution to the establishment of marketing plans, providing, as it does, key data on customers, markets, competitors, sales forecasts and budgets. In turn, selling activities are directly influenced by decisions taken at the marketing planning stage. In the meantime, the increasingly essential role of databases should not be ignored.

We have looked at planning decisions for the marketing programme or marketing mix and, specifically, at the communications mix in a company. Factors such as type-of-product market, steps in the buying process, push versus pull strategies and stage in the product life-cycle have all been shown to influence promotional and consequently sales strategies.

Finally, we examined sales tactics, the relationship between advertising and selling, and the important area of brand/supplier loyalty. It was shown that advertising plays a key role in aiding the sales effort, reducing selling costs and easing the sales task. Brand/supplier-loyal customers are a valuable asset to any company and the salesforce is central to the establishment and maintenance of such customer loyalty.

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Practical Exercise

Welsh Lamb & Beef Promotions Ltd

Welsh Lamb & Beef Promotions Ltd (WLBP) was established by a group of like-minded Welsh livestock farmers who believe that Welsh lamb and beef have a reputation for excellence that needs to be promoted to a wide consumer audience.

The company is now one of the UK's largest farmer co-operatives with over 7,500 farmer members, and is dedicated to the promotion and marketing of branded, farm-assured Welsh lamb and beef in target markets worldwide. WLBP believes that livestock farming is of significant commercial importance to rural Wales, with the preservation of the family farm critical to the maintenance of Welsh culture and the scenic beauty of the Welsh countryside.

Wales is a land famous for its mountains, lakes, valleys, history, legends and song. For centuries it has been home to native Welsh sheep breeds. They have thrived on natural grassland available all year round. Welsh lamb is considered to have a good colour and a sweet, succulent flavour. The unique reputation and qualities enjoyed by the product worldwide come from traditional husbandry methods and feeding the animals on abundant grazing. The character of Welsh lamb arises from the influence of the traditional hardy Welsh breeds from the mountains, providing good quality breeding stock that forms the basis of lowland flocks.

Welsh lamb provides the consumer with a natural, versatile, tender, succulent meat with the distinct flavour of Wales. Welsh lamb (Cig Oen Cymru) together with the Welsh lamb dragon logo, is a guarantee of consistent high quality.

Welsh beef, however, is the hidden treasure of Wales and has now established its own identity (Cig Eidion Cymru). The foundation of this brand is the high quality of Welsh stock. With over 86 per cent of the land down to grass, Welsh beef farmers are renowned for their ability to convert quality grassland into top quality beef. The alluvial soils of the Welsh valleys are rich in minerals that are perfect for producing the finest quality beef. Cattle thrive in this unspoilt environment, producing beef that is succulent and of the highest standard. Its unique character arises from the influence of traditional beef breeds that dominate Welsh herds and from the topography of the country, coupled with the expertise of livestock farmers that has been handed down over generations.

Welsh producers were hit hard by the ban imposed during the foot-and-mouth crisis, but WLBP are confident that old markets are being reclaimed and new ones

created. 'The export market has always been very important,' says Linda Jones, spokeswoman for WLBP. 'Before foot-and-mouth we were exporting £100 million of Welsh branded lamb, mainly to Spain and Southern Europe, and added to this was £10 million worth of beef, mainly to the Netherlands.'

Despite the heavy blow of the export ban, consumers and buyers on the continent have retained their enthusiasm for Welsh meat, if events since the ban was lifted towards the end of 2001 are anything to go by. 'We've been out of the market for a year, but within a week after the ban had been lifted they wanted Welsh lamb,' says Linda Jones. 'In December 2001 we met the Eroski group of Spanish buyers and they want Welsh beef as well as lamb.' The recovery of Welsh beef into export markets will take longer than Welsh lamb as a result of the 'Date Based Export Scheme'.

An application has been lodged with the EU to give Welsh lamb and beef the status of 'Protected Geographical Indication' – similar to that given to champagne.

Meanwhile, representatives of the group have been meeting with buyers across Europe to promote Welsh meat. Don Thomas, managing director of WLBP, said, 'The effort placed on the recovery of our valuable export markets must not be underestimated. It is vital for the long term commercial security of rural Wales that we re-establish the export of Welsh meat in key European countries as soon as possible. The reputation of Welsh meat in these target European markets needs to be reaffirmed.' He went on to say, 'A branded product will prevail in the export market, not a commodity. It is now important that the industry works together to exploit these opportunities with vigour. We can now positively implement our commercial strategies with existing and new customers to recover these vital export markets.'

In a UK context, Safeway's latest promotion for Welsh lamb backs up suggestions that supermarkets are taking home-produced meat more seriously following the foot-and-mouth crisis. A ten-week campaign, launched on 6 June 2002, specifically promotes Welsh lamb in-store. Dennis Hobbs, Sales Director of Safeway's dedicated lamb supplier, H M Bennett, says, 'We hope this major initiative will give Safeway customers the opportunity to support farmers by buying more lamb and the rural economy by visiting the countryside.'

Four years after Safeway's launch of Welsh mountain lamb, the first of the regional meat marketing campaigns by the multiples, it is clear that consumer demand has been more enthusiastic than anticipated. The campaign was more than just an in-store promotion. It required the creation of a new supply chain as the Welsh industry's infrastructure for procurement, killing and distribution of hill lambs to major retailers was inadequate and unstable. But according to Safeway category manager, Kelly Hathway, 'Our lamb initiatives have gone from strength to strength since we launched Welsh mountain lamb.'

Source: Adapted from articles by Paul Carey and Thomos Livingstone in *The Western Mail*, 17/5/02, pp. 3, 5; a news item in *The Grocer*, 15/6/02, p. 23; www.welshlambandbeef.co.uk

Discussion Questions

Acting as an external marketing consultant to WLBP, prepare a report for management that:

- 1 Provides strategic guidelines for promoting WLBP products both in the UK and internationally following the foot-and-mouth crisis. Justify reasons for including the various elements of the communications mix that you have suggested.
- 2 Suggest how other multiples like Safeway, which is now actively promoting WLBP products, can now be persuaded to promote WLBP products.

Practical Exercise

Auckland Engineering plc

Jim Withey, Sales Manager for Auckland Engineering plc, a well-established engineering company in the Midlands, received the following memo from D C Duncan, his recently appointed Marketing Director.

Memo

To: J Withey, Sales Manager

From: D C Duncan, Marketing Director

Date: 16 January 2006

Subject: Preparation of annual marketing plan

You will recall that at our series of preliminary meetings to discuss future marketing plans for the company I suggested that I was unhappy with the seemingly haphazard approach to planning. Accordingly, you will recall it was agreed between departmental heads that each would undertake to prepare a formal input to next month's planning meeting.

At this stage I am not seeking detailed plans for each product market, rather I am concerned that you give thought to how your department can contribute to the planning process. Being new to the company and its product/markets, I am not fully up to date on what has been happening to the market for our products, although as we all know our market share at 35 per cent is down on last year. I would particularly like to know what information your department could contribute to the analysis of the situation.

To help in your analysis I have summarised below what came out of our first planning meetings.

- 1 **Business definition.** It was agreed that the business needs redefining in customer terms. An appropriate definition for our company would be: 'Solutions to engine component design and manufacturing problems'.
- 2 **SWOT analysis**

Our main *strengths* are:

- Excellent customer awareness and an image of reliability and quality.
- Salesforce is technically well qualified.

- Manufacturing flexibility second to none – we respond quickly and effectively to individual customer needs.

Our main *weaknesses* are:

- Prices approximately 10 per cent above industry average.
- Spending higher proportion of turnover on advertising than most main competitors.
- Salesforce not skilled in generating new leads.

Our major *opportunities* are:

- Some major competitors having difficulty keeping customers because of quality and delivery problems.
- Recent legislation means research and development programme on new TDIX component, emphasising lower exhaust emission levels, should prove advantageous.
- Recent and forecast trends in the exchange rate should help export marketing efforts.
- Buyers in the industry seem prone to switching suppliers.

Our major *threats* are:

- Our largest customer threatening to switch owing to our higher average prices.
- Apart from TDIX programme, we have not been keeping pace with rapid technological change in the industry.
- Some major export markets are threatened by possibility of import restrictions.

3 Objectives

Financial

- To increase return on capital employed by 5 per cent.
- Net profit in the forthcoming year to be £4 million.

Marketing

- Sales revenue to be increased to £35 million in the forthcoming year.

4 Marketing strategy

Target markets

- Major manufacturers of diesel engines worldwide.

Positioning

- Highest engineering quality and after-sales service in supply of specialist low-volume diesel engine components.

I would welcome your comments on my analysis, together with any views on the appropriateness of the objectives I have set.

For the next meeting I suggest that as sales manager you give some thought as to where the relative emphasis should be placed in our promotional effort. As I have mentioned, we seem to be spending an excessive amount on advertising compared with our competitors. Perhaps you could give me your thoughts on this, as I understand you were in favour of raising our advertising budget from 1 per cent to 2 per cent of turnover last year. As you are aware, from a limited budget, we must decide where to place the relative emphasis in our communications mix. Perhaps you can indicate what you feel are the major considerations in this decision.

Discussion Questions

- 1 Give a brief outline of ways the sales manager can contribute to the marketing planning process at Auckland Engineering.
- 2 Looking at Duncan's analysis of the previous meeting, what issues/problems do you see that are of relevance to the activities of the salesforce?
- 3 How would you respond to Duncan's comments on the promotional mix and in particular to his comments about the level of advertising expenditure?
- 4 What is the logic in conducting a SWOT analysis in this context?

Practical Exercise

Flying high

Graham Keddie, appointed Managing Director late 2004, believes the magnetic effect of attracting two low-cost airlines has now succeeded in putting East Midlands Airport (EMA) firmly on the map. It has been a long-held view that EMA suffered from an identity problem; situated on the fringes of three major cities – Birmingham, Nottingham and Leicester. However, the announcement that 210,545 people flew from the airport in April 2005 – an incredible increase of 47.4 per cent on the previous year – shows that a point has clearly been proved.

Many passengers came from outside the region and one of the attractions has been the cheap flights with Go and bmibaby. Graham Keddie has started to fulfill the seemingly unlimited potential of EMA. Those living in the huge catchment area can now fly from their local airport to the destination of their choice. There is more than enough room for Go and bmibaby to thrive at EMA. There has been no need for a winner in the battle for supremacy and both airlines report that sales have exceeded expectations.

It has been a challenge for the airport because the dramatic increase in passengers came virtually overnight, but the workforce has put in a tremendous amount

of work to make things go smoothly. In the long term a new terminal will need to be built, and plans are being worked upon but will take years to complete the entire project.

Keddie has said that the breakthrough has been made and proved what people have been claiming for many years. However, he feels there is still a lot more potential to be fulfilled. Suddenly people want to do business with the airport and that is good news for the many people who want to travel from EMA.

The international scheduled market showed an increase of 135.3 per cent in April 2005 compared to 12 months ago, with Malaga as the most popular destination. Domestic scheduled flights also experienced a large upturn with passengers increasing 30.6 per cent year on year – due entirely to the launch of the Go service between EMA and Edinburgh.

Source: Adapted from article originally in *Flightscene News Magazine of East Midlands Airport*, 50, Summer 2002.

Discussion Questions

- 1 Suggest a general outline marketing planning strategy for 12 months ahead for Graham Keddie.
- 2 What part should the sales function play when drawing up a detailed 12 months operational marketing plan for EMA?
- 3 Discuss the pros and cons of providing a long-term marketing plan, given the relative volatility of the market.

Examination Questions

- 1 Explain the differences between marketing strategies and sales strategies.
- 2 What is the relationship between objectives, strategies and tactics?
- 3 Discuss the component parts of the communications mix.
- 4 What is the relationship between SWOT analysis and the SWOT matrix?
- 5 What is meant by contingency planning and when is it required in the marketing planning process?

