



# MARKETING PLANS

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# A value-based approach to marketing plans

Marketing is a process for:

- Defining markets and understanding customer needs
- Identifying customer groups (segments) with shared needs
- Coordinating value propositions to meet these needs
- Bringing the voice of the customer into the business
- Monitoring the value actually delivered

*A marketing plan documents the conclusions reached.*

***What could your business unit improve in its marketing planning?***

# The contents of a strategic marketing plan (3 years ahead; less than 20 pages)

- Mission statement (for the business unit)
- Financial summary
- Market overview (including segmentation)
- Competitive analysis
- Portfolio summary (Directional Policy Matrix)
- Objectives and strategies
- Key assumptions
- Budget

# Assessing market/segment attractiveness

# Financial summary: InterTech

| <b>Performance (£million)</b> | <b>Base Year</b> | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> |
|-------------------------------|------------------|----------|----------|----------|----------|----------|
| Sales Revenue                 | £254             | £293     | £318     | £387     | £431     | £454     |
| - Cost of goods sold          | 135              | 152      | 167      | 201      | 224      | 236      |
| Gross Contribution            | £119             | £141     | £151     | £186     | £207     | £218     |
| - Manufacturing overhead      | 48               | 58       | 63       | 82       | 90       | 95       |
| - Marketing & Sales           | 18               | 23       | 24       | 26       | 27       | 28       |
| - Research & Development      | 22               | 23       | 23       | 25       | 24       | 24       |
| Net Profit                    | £16              | £22      | £26      | £37      | £50      | £55      |
| Return on Sales (%)           | 6.3%             | 7.5%     | 8.2%     | 9.6%     | 11.6%    | 12.1%    |
| Assets                        | £141             | £162     | £167     | £194     | £205     | £206     |
| Assets (% of sales)           | 56%              | 55%      | 53%      | 50%      | 48%      | 45%      |
| Return on Assets (%)          | 11.3%            | 13.5%    | 15.6%    | 19.1%    | 24.4%    | 26.7%    |

# Why market growth rates are important: InterTech

| Performance (£million)     | Base Year | 1     | 2     | 3     | 4     | 5     |
|----------------------------|-----------|-------|-------|-------|-------|-------|
| Market Growth              | 18.3%     | 23.4% | 17.6% | 34.4% | 24.0% | 17.9% |
| InterTech Sales Growth (%) | 12.8%     | 17.4% | 11.2% | 27.1% | 16.5% | 10.9% |
| Market Share(%)            | 20.3%     | 19.1% | 18.4% | 17.1% | 16.3% | 14.9% |
| Customer Retention (%)     | 88.2%     | 87.1% | 85.0% | 82.2% | 80.9% | 80.0% |
| New Customers (%)          | 11.7%     | 12.9% | 14.9% | 24.1% | 22.5% | 29.2% |
| % Dissatisfied Customers   | 13.6%     | 14.3% | 16.1% | 17.3% | 18.9% | 19.6% |
| Relative Product Quality   | +10%      | +8%   | +5%   | +3%   | +1%   | 0%    |
| Relative Service Quality   | +0%       | +0%   | -20%  | -3%   | -5%   | -8%   |
| Relative New Product Sales | +8%       | +8%   | +7%   | +5%   | +1%   | -4%   |

# Why segment attractiveness is important

|  | Total Market | Segment 1 | Segment 2 | Segment 3 | Segment 4 | Segment 5 | Segment 6 |
|--|--------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Percentage of market represented by segment                                  | 100.0        | 14.8      | 9.5       | 27.1      | 18.8      | 18.8      | 11.0      |
| Percentage of all profits in total market produced by segment                | 100.0        | 7.1       | 4.9       | 14.7      | 21.8      | 28.5      | 23.0      |
| Ratio of profit produced by segment to weight of segment in total population | 1.00         | 0.48      | 0.52      | 0.54      | 1.16      | 1.52      | 2.09      |
| Defection rate   | 23%          | 20%       | 17%       | 15%       | 28%       | 30%       | 35%       |

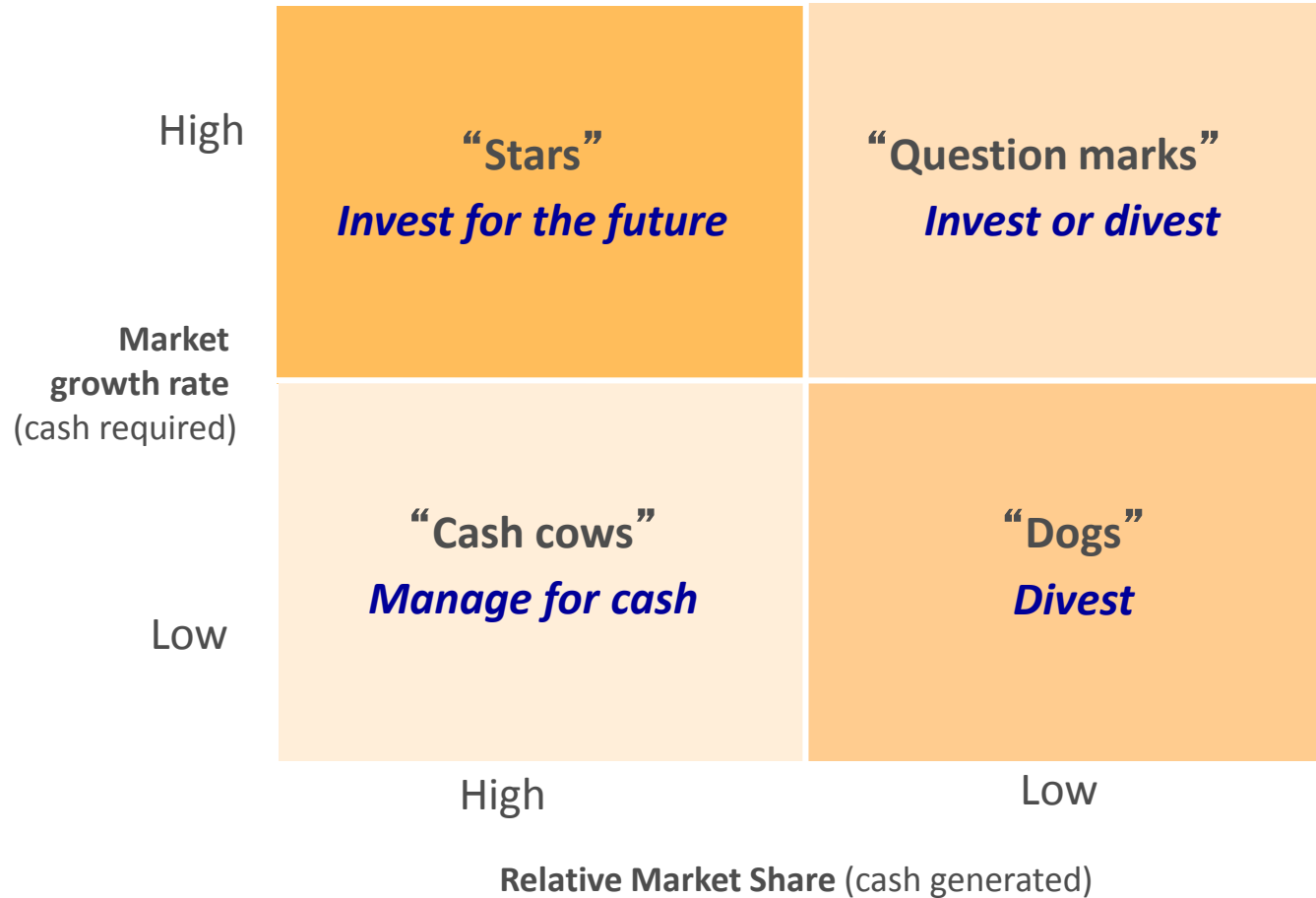
# Assessing product-market attractiveness

## Objective:

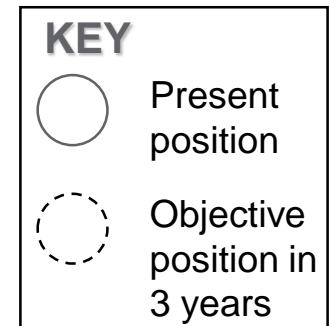
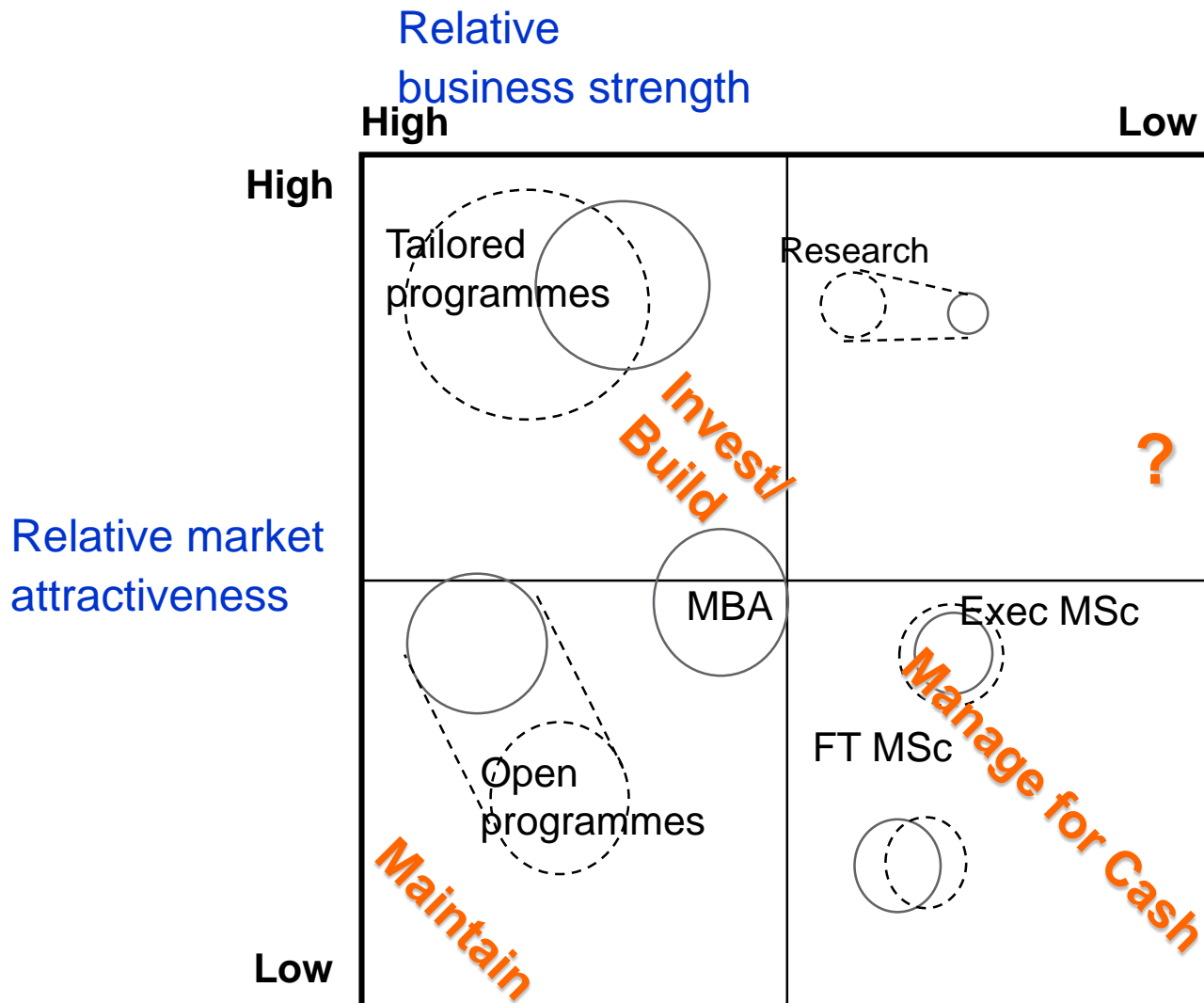
- Compare the attractiveness of different product-markets as an aid to prioritisation



# The Boston (or Growth) Share Matrix



# Directional Policy Matrix (DPM): a business school



# Product-market table

1. Select a business unit, or part of the business, for which you wish to develop a partial plan.

Business unit: \_\_\_\_\_

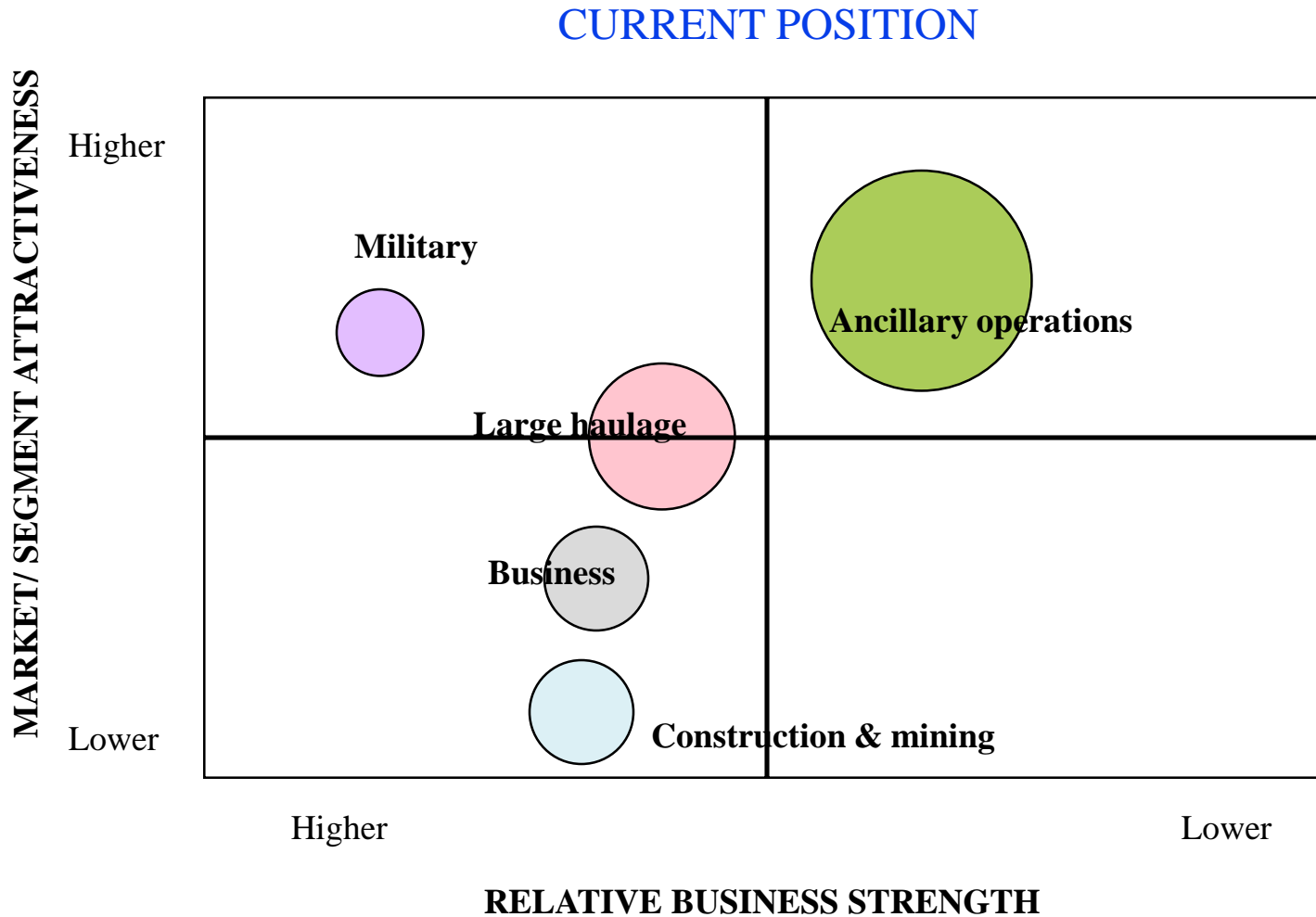
2. Along the top of the table below, list the principal products, product groups or services sold by the business unit, ignoring unimportant ones.

| <u>Products:</u><br><u>Markets:</u> | 1: | 2: | 3: | 4: | 5: | 6: | 7: |
|-------------------------------------|----|----|----|----|----|----|----|
| 1:                                  |    |    |    |    |    |    |    |
| 2:                                  |    |    |    |    |    |    |    |
| 3:                                  |    |    |    |    |    |    |    |
| 4:                                  |    |    |    |    |    |    |    |
| 5:                                  |    |    |    |    |    |    |    |
| 6:                                  |    |    |    |    |    |    |    |
| 7:                                  |    |    |    |    |    |    |    |

3. Down the left of the table, list the principal markets, or market segments, you sell into, ignoring unimportant ones

4. Now choose 4 to 6 product-markets (cells) to concentrate on during the course. For each, estimate your current revenue in the box.

# Directional policy matrix: truck tyres



# Market attractiveness evaluation

| Market Attractiveness Factor | Scoring Criteria |           |       | Weighting | Score        | Score x weight |
|------------------------------|------------------|-----------|-------|-----------|--------------|----------------|
|                              | 8 - 10           | 4 - 7     | 3 - 0 |           |              |                |
| 1. Market Size (£ millions)  | >£250            | £51 - 250 | ≤ £50 | 15        | 5            | 0.75           |
| 2. Volume Growth (Units)     | >10%             | 5 - 9%    | < 5%  | 25        | 10           | 2.5            |
| 3. Competitive Intensity     | Low              | Medium    | High  | 10        | 6            | 0.6            |
| 4. Industry Profitability    | > 15%            | 10 - 15%  | < 10% | 25        | 8            | 2.0            |
| 5. Vulnerability             | Low              | Medium    | High  | 15        | 6            | 0.9            |
| 6. Cyclicity                 | Low              | Medium    | High  | 10        | 2.5          | 0.25           |
|                              |                  |           |       |           | <b>Total</b> | <b>7.1</b>     |

# Scoring MAFs - example

| Market Attractiveness Factor | Weight (%) | Product-market A |                | Product-market B |                | Product-market C |                |
|------------------------------|------------|------------------|----------------|------------------|----------------|------------------|----------------|
|                              |            | Score            | Score x weight | Score            | Score x weight | Score            | Score x weight |
| Growth                       | 25         | 6                | 1.5            | 5                | 1.25           | 10               | 2.5            |
| Profitability                | 25         | 9                | 2.25           | 8                | 2.0            | 7                | 1.75           |
| Size                         | 15         | 6                | 0.9            | 5                | 0.75           | 8                | 1.2            |
| Vulnerability                | 15         | 5                | 0.75           | 6                | 0.9            | 6                | 0.9            |
| Competition                  | 10         | 8                | 0.8            | 8                | 0.8            | 4                | 0.4            |
| Cyclicalilty                 | 10         | 2.5              | 0.25           | 3                | 0.3            | 2.5              | 0.25           |
| Total                        | 100        |                  | 6.45           |                  | 6.0            |                  | 7.0            |

# Market Attractiveness Factors

| Attractiveness | Weight (%)  | Product-market: |                | Product-market: |                | Product-market: |                |
|----------------|-------------|-----------------|----------------|-----------------|----------------|-----------------|----------------|
|                |             | Score           | Score x weight | Score           | Score x weight | Score           | Score x weight |
|                |             |                 |                |                 |                |                 |                |
|                |             |                 |                |                 |                |                 |                |
|                |             |                 |                |                 |                |                 |                |
|                |             |                 |                |                 |                |                 |                |
|                |             |                 |                |                 |                |                 |                |
|                |             |                 |                |                 |                |                 |                |
|                |             |                 |                |                 |                |                 |                |
| <b>Total</b>   | <b>100%</b> |                 |                |                 |                |                 |                |

# Notes: Process for evaluating market attractiveness

1. At the corporate level, decide what the market attractiveness factors (MAFs) are (usually 3 to 5 factors)
2. Give each MAF an importance weighting to the company (total weights should sum to 100%)
3. For each MAF, define the scoring criteria (what constitutes low attractiveness, medium attractiveness, and high attractiveness)
4. Using the scoring criteria, score each product-market on a scale of 0 to 10 against each factor (where 0 is extremely low and 10 is extremely high attractiveness)
5. Multiply the importance weights by the attractiveness scores to produce a weighted attractiveness score
6. Evaluate the total weighted scores – do they seem to make sense, intuitively?



# Notes: Hints for MAF analysis

- Keep it simple – 6 factors or less; 3 is often fine
- Keep factors independent of each other
- Typically size, growth and profitability represented
- Clear the factors and weights with the board at an early stage
- Use the results to decide which business areas to concentrate on

# Summary

- A MAFs (Market Attractiveness Factors) analysis forms an impartial way of prioritising effort
- Use the results to decide which business areas to concentrate on

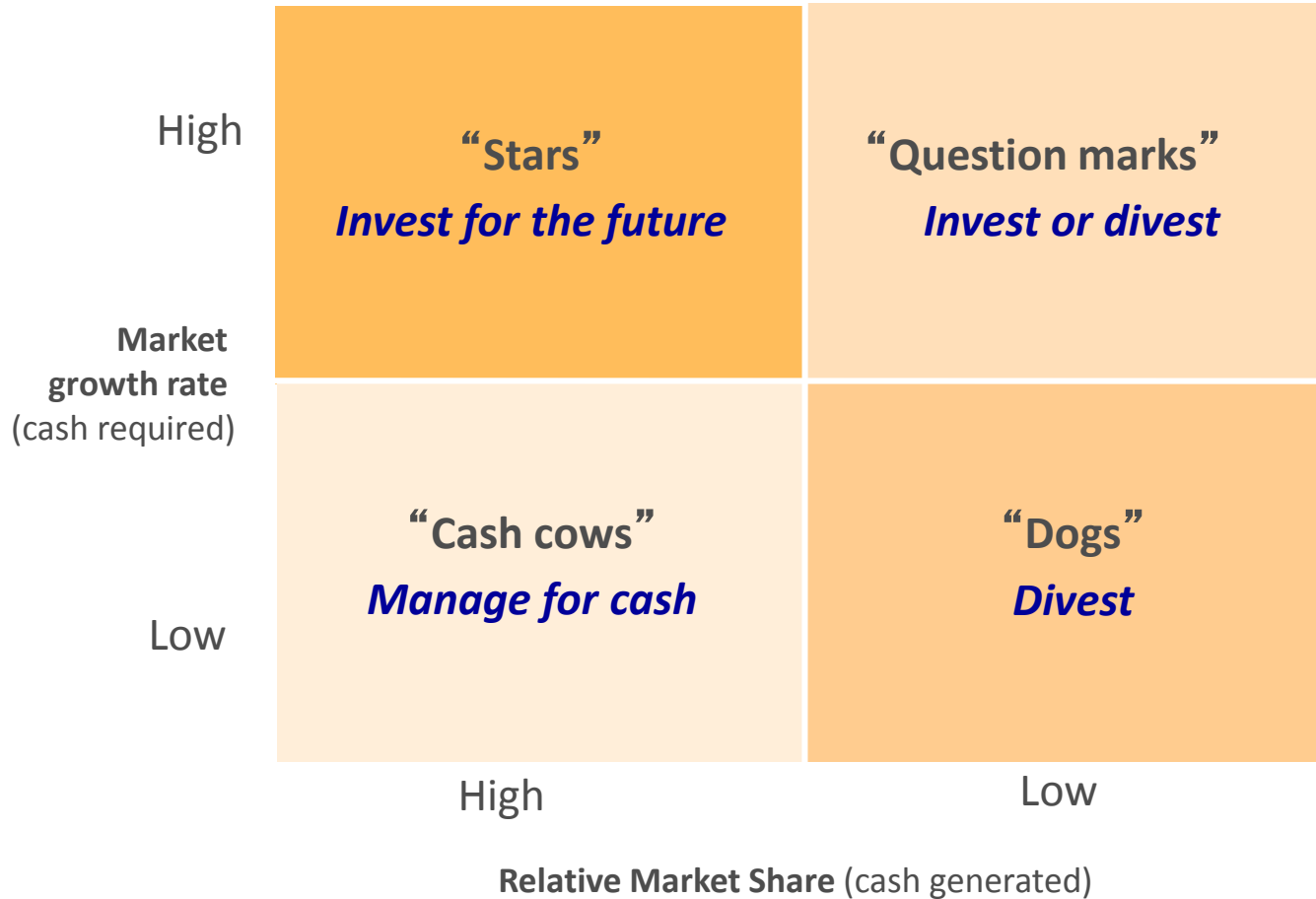
# Assessing competitive position: critical success factor analysis

# Assessing competitive position

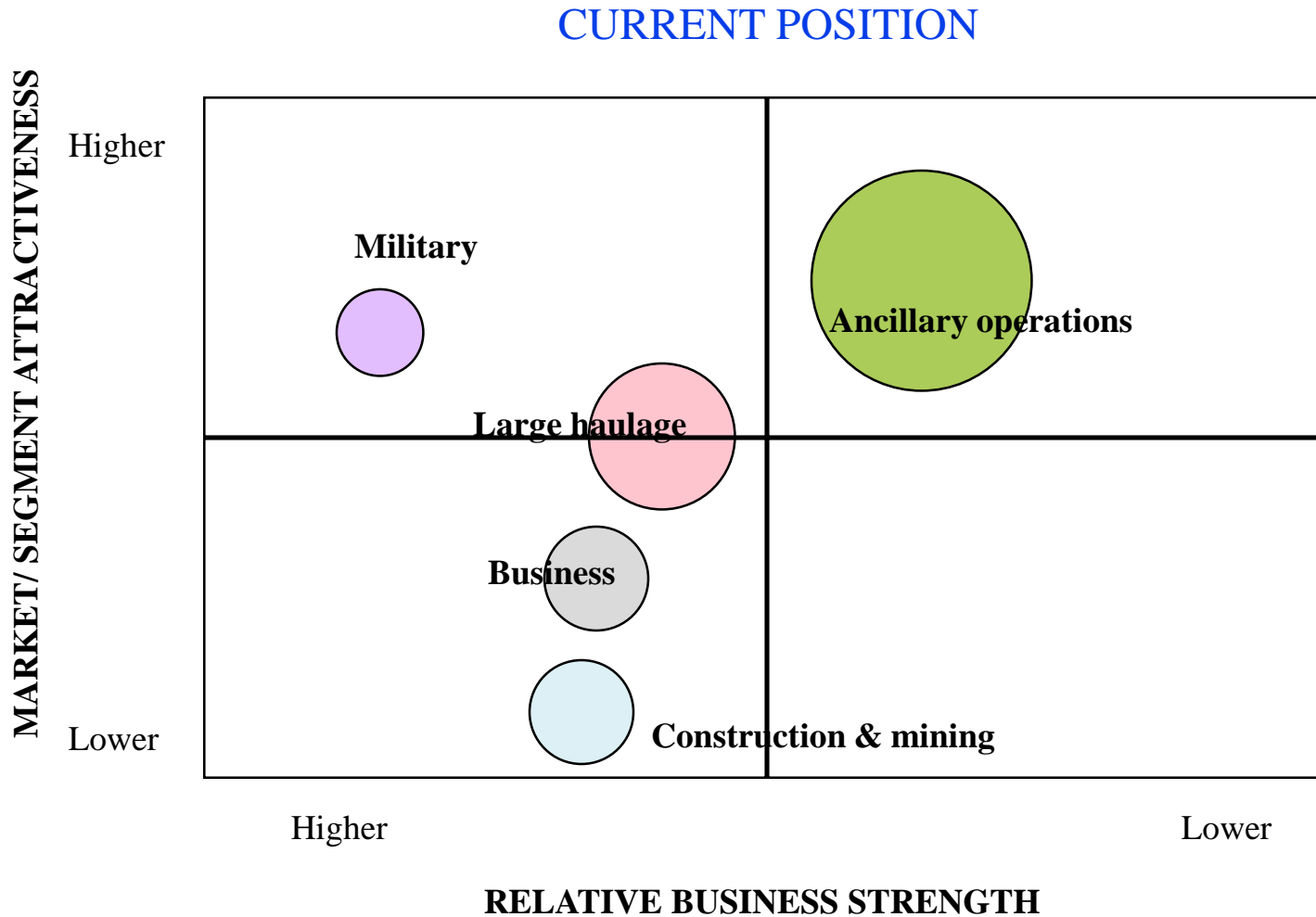
## Objectives:

- To understand how to compare the competitive position of different product-markets using Critical Success Factors
- To understand how to construct a Directional Policy Matrix as a basis for resource allocation

# The Boston (or Growth) Share Matrix



# Directional policy matrix: truck tyres



# SWOT analysis using critical success factors

## 1. SEGMENT DESCRIPTION

It should be a *specific* part of the business and should *be very important* to the organisation

|  |
|--|
|  |
|--|

## 2. CRITICAL SUCCESS FACTORS

In other words, how do customers choose?

|   |  |
|---|--|
| 1 |  |
| 2 |  |
| 3 |  |
| 4 |  |
| 5 |  |

## 3. WEIGHTING

(How important is each of these CSFs? Score out of 100)

|           |
|-----------|
|           |
|           |
|           |
|           |
|           |
|           |
| Total 100 |

## 4. STRENGTHS / WEAKNESSES ANALYSIS

How would your customers score you and each of your main competitors out of 10 on each of the CSFs?

Multiply the score by the weight.

|   | You | Comp A | Comp B | Comp C | Comp D |
|---|-----|--------|--------|--------|--------|
| 1 |     |        |        |        |        |
| 2 |     |        |        |        |        |
| 3 |     |        |        |        |        |
| 4 |     |        |        |        |        |
| 5 |     |        |        |        |        |
| ° |     |        |        |        |        |

## 5. OPPORTUNITIES / THREATS

What are the few things outside your direct control that have had, and will have, an impact on this part of your business?

OPPORTUNITIES

|   |  |
|---|--|
| 1 |  |
| 2 |  |
| 3 |  |
| 4 |  |
| 5 |  |

## THREATS

|  |
|--|
|  |
|  |
|  |
|  |
|  |

## 6. KEY ISSUES THAT NEED TO BE ADDRESSED

What are the really key issues from the SWOT that need to be addressed?

|  |
|--|
|  |
|  |
|  |
|  |

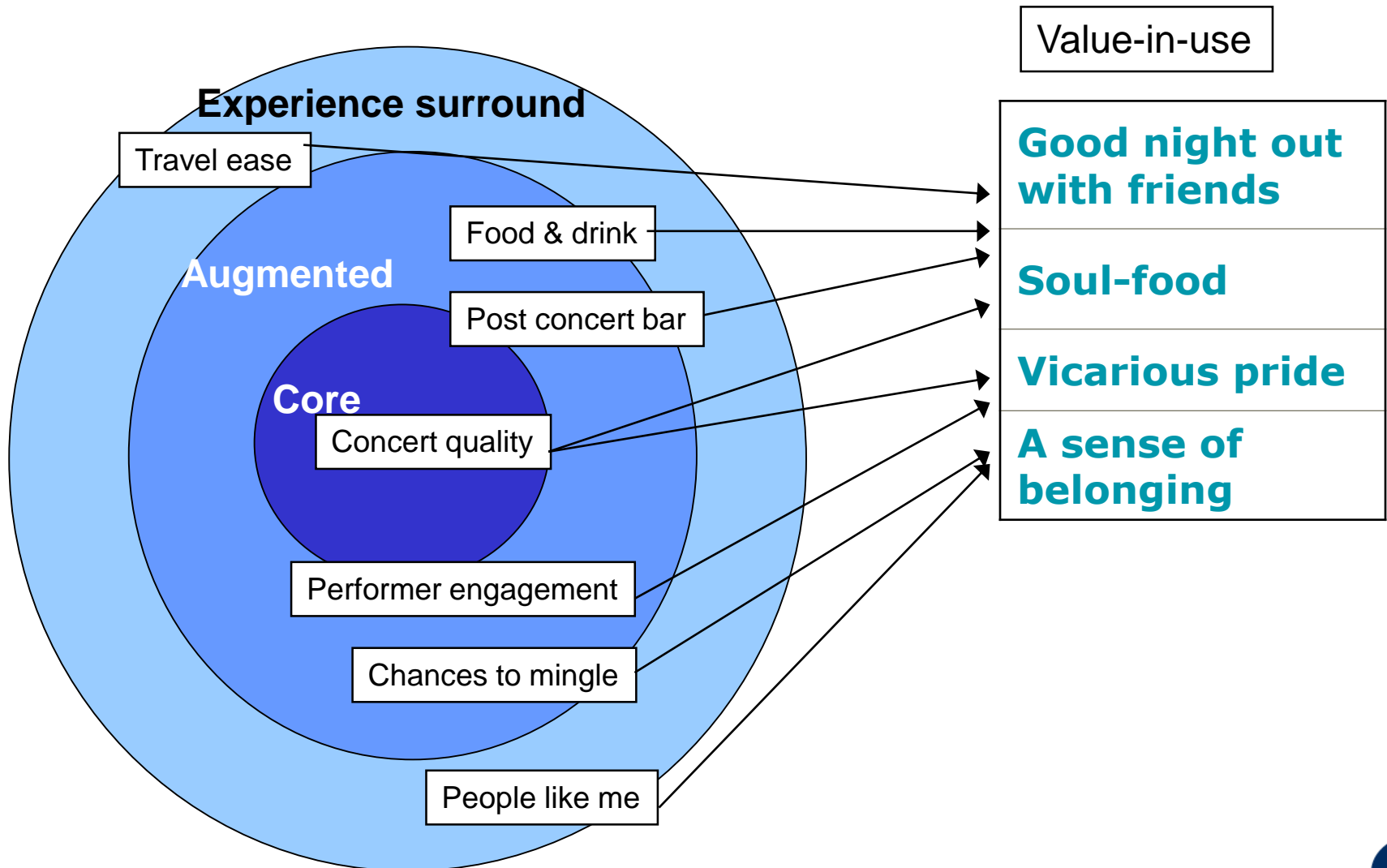
# Critical success factors - tyre company

| Tyre-for-LargeHaulage                  |                      |        |        |              |             |              |
|--|----------------------|--------|--------|--------------|-------------|--------------|
| Current Critical Success Factor Scores |                      |        |        |              |             |              |
| accept                                 |                      |        | cancel |              | close       | done         |
|  | Factor               | Weight | Score  | Contribution | Competitor  | Contribution |
| 1:                                     | Cost per hour        | 20     | 8      | 1,6          | 7           | 1,4          |
| 2:                                     | Tyre for the job     | 20     | 9      | 1,8          | 8           | 1,6          |
| 3:                                     | Quality              | 17     | 9      | 1,53         | 8           | 1,36         |
| 4:                                     | Durability           | 13     | 8      | 1,04         | 7           | 0,91         |
| 5:                                     | Continuity of supply | 12     | 7      | 0,84         | 7           | 0,84         |
| 6:                                     | Technical backup     | 18     | 8      | 1,44         | 6           | 1,08         |
| Strength in Market :                   |                      |        |        | 8,25         | Competitor: | 7,19         |
| Product-For-Market Snapshot            |                      |        |        |              |             |              |



# Remember your VIU analysis

Normally you can just use value-in-use dimensions as CSFs



# Notes: CSF analysis

1. Identify the Critical Success Factors (CSFs) that influence the customers' decision. There are usually not more than 6 really important factors.
2. Assign an importance weighting to each CSF so that the weightings for each segment totals 100%
3. Identify the key competitors for each segment and score performance of your company and each key competitor on a scale of 1 to 10, where 1 = very poor and 10 = excellent. Limit to a few competitors (between 1 and 3).
4. Multiply the weights by the scores and add up the weighted score for each competitor.
5. Assess your relative strength by dividing your score by the best competitor's score.
6. Identify the key issues from the analysis.
7. Note you can change your relative business strength by focusing on improving your strength on the criteria that matter most to customers.

# Notes: Hints on CSF analysis

1. Critical success factors are *in the eye of the customer*.  
perception is reality!
2. External validation best
  - Market research ideal
  - B2B: you can fill in with a customer
  - Consider involving channel partners
  - If necessary, use internal cross-functional team of people who are close to the customers in that segment (eg sales, service, market research, R&D...)
3. Validate the results against current financials
4. Different segments are likely to have different CSFs
  - ..or at most, the same CSFs but with different weightings
  - If they're identical, either you need to do your market research, or your segmentation is wrong!

# Critical Success Factors

Product-market: \_\_\_\_\_

| C.S.F.'s | Weights    | Score/weighting  |           |          |          |  |
|----------|------------|--|-----------|----------|----------|--|
|          |            | Above the diagonal line: Score out of 10<br>Below the diagonal line: Multiply score x weight |           |          |          |  |
|          |            | You  | Compet. A | Compet B | Compet C |  |
| 1.       |            |  |           |          |          |  |
| 2.       |            |  |           |          |          |  |
| 3.       |            |  |           |          |          |  |
| 4.       |            |  |           |          |          |  |
| 5.       |            |  |           |          |          |  |
| 6.       |            |  |           |          |          |  |
| Totals   | <b>100</b> |  |           |          |          |  |

**Relative Business Strength: \_\_\_\_\_ (Our score minus best competitor score)**

# Critical Success Factors: example

| C.S.F.'s                         | Weights    | Score/weight<br>Score out of 10 - multiplying these by the weight |            |          |          |
|----------------------------------|------------|---|------------|----------|----------|
|                                  |            | You   | Compet. A  | Compet B | Compet C |
| 1. Thought leadership            | 50         | 6<br>3.0  | 8<br>4.0   |          |          |
| 2. Impact on practice throughput | 25         | 8<br>2.0  | 7<br>1.8   |          |          |
| 3. Patient satisfaction          | 15         | 7<br>1.1  | 10<br>1.5  |          |          |
| 4. Impact on practice budget     | 10         | 6<br>0.6  | 5<br>0.5   |          |          |
| 5.                               |            |   |            |          |          |
| 6.                               |            |   |            |          |          |
| Totals                           | <b>100</b> | <b>6.7</b>  | <b>7.8</b> |          |          |

**Relative Business Strength: -1.1**



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