



# UNIT-8 Relationships between Sales and Marketing

## Learning Outcomes

**By the end of this unit the learner will be able to:**

- ✓ Explore marketing planning process
- ✓ Explain what market audit is
- ✓ Discuss the approaches used for monitoring and evaluating marketing performance.

## Unit 8

### Relationships between Sales and Marketing

The subject of this unit is regarding the integration and co-ordination of a firm's marketing plans, the production of such marketing plans, and ensuring that the plans are carried out effectively.

#### The Marketing Planning Process

The planning process is shown in the Figure 6.1 below. A decision is said to be strategic if it is concerned about the direction in which the organisation is headed. Strategy outlines where a firm wants to be, whereas, tactics are the specific decisions which take the firm there. Once undertaken, a strategic decision is generally difficult to reverse, and generally involve turning down a number of other strategic decisions, as a result, strategic decisions generally involve a major personal commitment on the part of the person undertaking the decision. A tactical decision, on the other hand, is quite the opposite. Tactical decisions are easy to reverse, can run alongside other tactical decisions, and require much less of a personal commitment. An overview and comparison of strategic and tactical decisions is shown in Figure 6.1.



Fig: 8.1 the Marketing Planning Process

TABLE 8.2 Comparison of Strategic and Tactical Decisions

|                                   |                                   |
|-----------------------------------|-----------------------------------|
| Strategic decisions               | Tactical decisions                |
| Concern overall direction         | Concern methods of achievement    |
| Difficult to reverse              | Relatively easy to change         |
| Involve rejection of alternatives | Allow combination of alternatives |

Strategy must be integrated across the entire spectrum of marketing efforts, it must be drawn up after thorough analysis, and it should include a system of feedback so that the strategy can be adapted if the external environment changes. A strategy is influenced by many factors, such as, the economic environment the firm operates in, the resources at a firm's disposal, the structure and competition in the market that the firm operates in, and the amount of risk that the firm is willing to undertake.

A strategy must be able to cope with and formulated after, the following issues are taken into account:

- What market should the firm operate in;
- What are the firm's strengths and weaknesses;
- What are the firm's long - term goals- where it wants to be in, say, about 30 years time;
- How the firm's competitors are likely to react to its strategy; and
- Does the firm have sufficient resource to achieve the objectives of the strategy?

The first step in this Strategy Planning Process is to assess where the firm currently stands. This can be accessed via a Marketing Audit.

## The Marketing Audit

When we talk about marketing, strategic planning involves issues, such as, new product launch, changing the name of a brand, deciding which market segments to target and focus on, and designing promotional campaigns. The marketing audit is a review of where the company currently stands in terms of its objectives, strategies, organisation, performance, and activities and it primarily assess the firm's strengths and weaknesses to guide the managers in the future.

It evaluates how effectively the organisation is performing its marketing activities within in context of the 7 Ps of marketing- product, price, place, promotion, people, process, and physical evidence. The Market Audit provides a snapshot of where the company stands at the current point in time. Therefore, it is carried out on a fairly routine basis- taking into consideration the cost-benefit trade off of this activity.

The Marketing Audit consists of both a SWOT and a STEP Analysis. After the audit has been carried out, managers should have a very clear idea of what needs to be changed in order to meet the firm's goals and objectives.

## Corporate Objectives

Corporate Objectives area statement about where the company intends to be. Examples of some objectives are given below:

- **Financial:** The percentage share of the market, turnover, profit, and return on capital employed, etc.;
- **Philosophical:** This maybe a mission statement, which expresses the core values of the firm; and
- **Qualitative:** The service levels, innovation, and new products launched, etc.

Corporate Objectives often involve trade-offs, this is because all firms have finite Resources and can focus on only one area at a time. In certain cases the tradeoffs consist of diametrically opposed objectives. Weinberg proposes a set of eight trade-offs in setting objectives, as follows:



Setting overall corporate objectives may indicate strategic sub-objectives.

Generally speaking, most firms want to grow. Growth increases the firm's foothold and security in a given market along with the influence of the managers (not to mention their salaries) and helps reduce costs.

When a market is growing, growth is going to take place anyway, even if there aren't any formal attempts to encourage it: in such a case it is important to measure whether the company is growing faster, slower

or at the same pace as the market. Generally, firms which focus on revenue as a measure of growth fail to notice that they are growing slower than the market and therefore losing market to the competitors. The solution to this trap is to use matrices of market share as a measure of growth, considering that reliable measures of market share are available.

Once managers have a clear understanding of where the firm stands and what the long term objectives are i.e. where it wants to be- they can then start formulating tactics.

### Tactical Planning

As marketers are usually seeking an advantage over their field's competition, they will try to offer a product offering which is differentiated from the alternatives available in the market. This is where marketing is different from other business functions. If employees from the legal function of one company were to leave and seek employment with a competitor, they would have no problem with the transition, as the requirements of the role remain the same.

Likewise, if the production managers or finance managers were to transfer from one competitor to another they would have no problem as the production techniques and the financial structure would remain the same. However, if the marketers were to move companies they would probably take some time to adjust with the new company; as the distributors, clients and market segments served would be different.

For example, cosmetics are traditionally sold in pharmacies and department stores. Avon, however, has become the largest cosmetics company by adopting a different approach and selling cosmetics direct to the household via door to door salespeople. While the original approach of selling door to door had to be modified somewhat, due to safety concerns the approach still pays off.

There are three generic strategies which a company can follow:

- **Cost leadership:** Cost leadership entails keeping cost so low that there is a high profit margin even when the market is competitive;
- **Differentiation:** Differentiation entails distinguishing the product offering from those of competitors
- **Focus:** Focus entails serving a specific market segment

Marketing professionals will usually use the latter two strategies, in particular Differentiation.

The competitive tactics deployed depend on the portfolio of products that the company currently offers and the tactics of the competitors.

Marketing tactics are usually creative and different and depend upon the marketing professional; it is difficult to spell out, in black and white, the rules for a marketing approach.

However, there are some useful guidelines which can be used:

- Pursue something which the competition has not yet thought of;
- Involve everyone who is part of the marketing team. Salespeople, especially, should be made part of the process as they do not, generally, like to be told what to do by the Head Office;
- Be patient, results will take some time; however monitor the results to get feedback;
- Ensure that the messages being given to all relevant stakeholders- suppliers, middlemen, and customers- are consistent;
- Be prepared for a response from the competitors; try to anticipate the likely course of action that they will take; and
- Keep in mind that communication is a part of the marketing campaign and not the marketing campaign itself, therefore, communication tools should not be deployed to achieve marketing objectives, and they should be deployed to help support marketing objectives.

It must be ensured that all promotional campaigns are cost effective; this is one of the reasons for the success of direct marketing throughout the world. Digital technology has allowed a more accurate segmenting and targeting of the consumers which has led to an increased response rate, generally. This is why the focus of marketers has turned away from contact numbers to response rates from promotions. When devising tactical alternatives, it is important to keep in mind that marketing professionals refer to mixes: the marketing mix, the promotional mix etc. This means that each part of marketing crosses over on every other area and those decisions about, for example, advertising tactics cannot be taken in isolation of let's say the pricing strategy.

Having finalized the details of what is to be done, the marketing strategy and tactics must now be implemented. Occasionally, the marketing manager may face opposition from co-workers from other departments, as a result of which plans may need to be revised as a result of experience and learning. There should, because of this reason, be some flexibility in the marketing plan.

### Promotional Strategies

Devising a promotional strategy entails deciding the overall aims and objectives. The aims of the promotional strategy may be one of the following:

The objective may be to persuade consumers that a product will meet the needs of the consumer. This may be somewhat difficult when the product is initially introduced.

**Brand Awareness:** This is the process of correcting the brand and its perception that the consumer has. The brand should stand out from other products and should be positioned accordingly.

- **The Brand's Attitude:** Leading on from brand awareness is the brand's attitude. The marketer's objective is to build a favourable attitude in the mind of the consumer; this is ensuring more than just familiarity with the brand.

- The Brand's Purchase Intention: This ensures creating a positive image on part of the consumer. The objective is to persuade the consumer to 'get some today!'
- Purchase Facilitation: This involves ensuring that the product is available and the consumer is aware of where to purchase it from

There is no sequence to the above five objectives, and they may be followed in any order. It may be the case that the earlier stages will already have been achieved by other markets. A good example of this is found in the marketing of Radion Washing Powder, which went straight to the brand awareness stage when it was launched in the UK.

This was accomplished by using Day-Glo billboard advertisements with the brand name in one metre high letters. After a brand name had been established, the company may then want to move on to developing a positive brand attitude. There was no need to inform the consumer of where to buy the product, as intuitively such a product is expected to be distributed through the supermarkets.

When coming up with a distribution strategy, marketers need to decide which of the two approaches to use: push strategy or pull strategy, or maybe a mix of the two.

### Push Strategies

A Push Strategy involves pushing the product to the next entity in the supply chain, for instance, this would mean focusing on selling to the wholesalers and leaving it up to them to sell it to the retailers, who would then sell it to the consumer. This is a fairly cost effective strategy and makes sense intuitively as each organisation in the supply chain is familiar with its own customer; however, it is not a consumer - oriented strategy.

### Pull Strategies

Pull Strategies are more often more consumer - oriented than Push Strategies, considering that an increase in the demand from consumers will pull supply throughout the distribution chain.

A Push Strategy emphasises personal selling and advertising aimed at the members of the distribution channel. A Pull Strategy focuses on the end consumers and places an emphasis on advertising to the end consumer and merchandising. Most new product launches will involve a mix of both Pull and Push Strategies. Retailers, for instance, generally view TV advertising as being effective and will stock a product if they know that there is going to be a TV ad campaign. Retailers are of the opinion that TV advertising will generate demand for the product, which, in turn, will generate sales; likewise giving a prominent display space to the product will also generate sales

A Pull Strategy is especially useful if the distribution channel is well integrated, in which case greater effort can be focused on generating demand, as the rest of the supply chain members are going to cooperate. If however if the channel is not closely integrated or is not dominated by the retailers or

wholesalers a push strategy is more likely to be the better option, as the channel members need to be convinced to stock the products.

As already mentioned, the two strategies are likely to be used together. As channel members and consumers both need to move up the hierarchy of communications effects. Tactically, the promotional mix should be followed closely to ensure that the correct things happen at the correct times.

## Setting the Budget

After the marketing campaign has been decided, the marketer needs to shift his/her efforts to see what the company can afford, in terms of budget allocation.

As already mentioned, a mix of the above mentioned strategies will often be followed. Even an objective and task approach will start from looking at how the competitors are spending (comparative parity approach), if only to determine what the likely spend would have to be to overcome clutter. Similarly a marketer may be told, part-way through the marketing campaign, that there is a lack of monetary resources that is available (or may that more than the budgeted resources are available) and may, therefore, be forced to switch to an what-you-can-afford approach.

## Monitoring and Evaluating Marketing Performance

After a plan has been implemented, managers need to ensure that it works as it was planned. To ensure this and to monitor performance, feedback is important and marketing strategies would not, generally, be undertaken without careful evaluation and a strong feedback system in place.

To evaluate performance, two general approaches are taken:

- **Sales Analysis** - This approach entails analyzing the sales revenue generated from sales of the product
- **Marketing Cost Analysis** - This approach entails looking at the costs incurred to generate an income

Customer evaluation is a very important task in relationship marketing settings. Measuring customer equity can sometimes be difficult and involves a combination of the how profitable the customer is (this, in itself, is a tradeoff between the sales from the customer and the cost of serving that customer), the length of the relationship with the customer, and its value (i.e., how long the customer will do business with the company, how often the customer purchases goods from the company, and in what quantity). Once customer equity is calculated it can be used to focus the marketing activities on the most valuable customers.

On the other hand, it is also necessary to analyze the cost of achieving the stated objectives that have been set out. Marketing Cost Analysis is a set of techniques for breaking down the costs of a firm's activities and aligning them to their marketing objectives. Broadly speaking, costs may be broken down into:

- **Direct Costs** - An example of this is a salesperson's salary, which is directly traceable to a given activity;

- **Traceable Common Costs-** Take, for example, the cost of advertising, which can be traced to a certain product;
- **Non-Traceable Common Costs -** Examples of such costs include the cost of PR or advertising for the entire company, these costs cannot be traced to any particular product range.

The main issue with Marketing Cost Analysis lies with organising a firm's accounting function so that the analysis can be carried out properly. For instance, payroll may not lend itself to such an analysis: it may be a problem to break down the cost of the payroll for the admin and staff into marketing activities and non-marketing activities, even, the breakdown of the payroll, to find out the cost of the sales force, may be difficult. Also, defining exactly what job is a marketing job and what job is a non-marketing job can also be difficult. For example when you look at the cost of servicing customers in remote areas it is clearly a marketing related cost, however should the cost of transportation and mileage both be taken into account? Also, if a given product is not performing well, should we be looking at the costs of production? For firms operating in the dyed-in-the-wool sector these answers are obvious, as all activities of the firm are marketing activities. In other markets, these answers may not be as obvious and managers may have differing opinions. At the least, most individuals find it difficult to apply this theory into practice and to gear the firm's activities towards the consumer.

| Method                     | Explanation  | Advantages  | Disadvantages  |
|----------------------------|--|---|--|
| Objective and task         | Identify the overall aims which are to be achieved and then specify the resources and costs required.  | Is logically intuitive and if carried out correctly will accomplish the firm's strategic goals. | Difficult to determine the necessary spend to achieve the objective. Time-consuming and costly in terms of market research.  |
| Percentage of sales method | The planner allows a certain, predetermined, percentage of the company's sales revenue to be used for marketing. The promotional budget varies with the sales revenue i.e. goes up as sales go up and goes down as sales go down. A commonly used method of budgeting. | easy to calculate; also ensures that, if sales drop off, costs also drop.                       | Falsely assumes that sales cause promotion, rather than promotion causing sales. Logically, if sales fall, marketing expenditure should be increased to bring the customers back in. |

|                           |   |  |   |
|---------------------------|---|--|---|
| Comparative Parity method | Marketing budget is compared to that of the competitors. Thus the firm does not lose ground if a competing firm increases its budget.   | Makes sure that the marketing budget is comparative to that of competing products in the market                      | Does not take account of changing market conditions, or opportunities which may become available with time; in other words, this approach lacks customer orientation                      |
| Marginal approach         | Marketer spends only up to the point where any further spending would not generate enough extra business to justify the outlay.   | This method would maximize profits since no excess spending would result.  | Extremely difficult to calculate, given the changing nature of markets.   |
| All-you-can-Afford method | The marketing spend consists of whatever can be afforded by the business after all other activities have been paid for, this is usually used for small companies or start-ups | Company does not become over-committed or get into trouble by relying on sales that do not, in the end, materialize. | Again, there is no relationship with the state of the market Also, this approach relies on the capability of the marketer to persuade other departments to give up some of their budgets. |

## Feedback Systems

When a gap appears between the expected - and the actual - performance, the marketing manager needs to take effective action. Such action will involve the following sequence of steps:

1. Determine the reason for the discrepancy. Was there a problem with the original plan, was it achievable or not? Have the actions of competing firms stopped the initiative in some way, which changed the scenario? Is someone to be blamed?
2. Feed these findings back to the staff concerned. This may take place during a meeting to discuss the situation, or it may be in the shape of written communication such as a report.
3. Develop a plan for correcting the situation. This will generally involve the cooperation of all of the concerned staff

Feedback should be timely and concise, criticism should generally be constructive, not critical or demeaning; managers should avoid going to sales meetings to criticise alone since this may cause the sales staff to harbor resentment

Marketing Strategies and Planning is very much like any other planning exercise: it is reliant on accurate information, a clear understanding of where the organisation is going and regular monitoring of outcomes and methods to ensure that the plan meets its stated objectives.

### Further Reading:

- ✓ *Strategic Marketing Management: Planning, Implementation and Control, (2005), By Richard Malcolm Sano Wilson, Colin Gilligan*
- ✓ *Islamic Perspectives on Marketing and Consumer Behavior: Planning, (2015), edited by Rishi, Bikramjit*
- ✓ *Retail Marketing Strategy: Planning, Implementation, and Control, (1989), by A. Coskun Samli*