PLANNING FOR GLOBAL MARKETS

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Abstract: *Planning is the job of making things happen that might not otherwise occur. Planning relates to the formulation of goals and methods of accomplishing them, so it is both a process and a philosophy. The plan must blend the changing parameters of external country environments with corporate objectives and capabilities to develop a sound, workable marketing program.*
Whether a company is marketing in several countries or is entering a foreign market for the first time, planning is essential to success. The first-time marketer must decide what products to develop, in which markets, and with what level of resource commitment. For the company that is already committed, the key decisions involve allocating effort and resources among countries and product(s), deciding on new markets to develop or old ones to withdraw from, and determining which products to develop or drop.
Guidelines and systematic procedures are necessary for evaluating international opportunities and risks and for developing strategic plans to take advantage of such opportunities.

Key words: management process, objectives, marketing plan

What Is, Which Are the Benefits and Why Is Marketing Planning Essential?

The main objective of this article is to point out the need for marketing planning to achieve global company goals. A global firm is a firm that operates in more than one country and captures R&D, production, logistical, marketing, and financial advantages in its costs and reputation that are not available to purely domestic competitors. Global firms plan, operate, and coordinate their activities on a worldwide basis, such as Ford, Otis Elevator etc. A company need not be large to sell globally. Small and medium-size firms can practice global nichemanship, as many Scandinavian and Benelux companies do (Kotler, 2006, p.402).

Planning is a systematized way of relating to the future. It is an attempt to manage the effects of external, uncontrollable factors on the firm's strengths, weaknesses, objectives, and goals to attain a desired end. Further, it is a commitment of resources to a country market to achieve specific goals. In other words, planning is the job of making things happen that might not otherwise occur.

What Marketing Planning Is about?

It is a logical sequence and a series of activities leading to the setting of marketing objectives and the formulation of plans for achieving them. It is a management process. Formalized marketing planning by means of a planning system is, per se, little more than a structured way of identifying a range of options for the company, making them explicit in writing, formulating marketing objectives which are consistent with the company's overall objectives and scheduling and costing out the specific activities most likely to bring about the achievement of the objectives.

To make marketing work, it is necessary to have available a logical common format for implementation of strategy, i.e. a marketing plan. The planner is attempting to manage the future by deciding what to do about possible different trading environments. Issues to be considered in marketing planning: When should it be done; how often; by whom and how? It is different in a large and a small company? Is it different in a diversified and an undiversified company? Is it different in an international and a domestic company? What is the role of the chief executive? What is the role of the planning department? Should marketing planning be ***top down*** or ***bottom up***? What is the relationship between operational (one year) and strategic (longer-term) planning? (Christopher, 1991, p. 296)

Is there a difference between planning for a domestic company and for an international company? The principles of planning are not in themselves different, but the intricacies of the operating environments of the multinational corporation (i.e., host country, home, and corporate environments), its organizational structure, and the task of controlling a multicountry operation create differences in the complexity and process of international planning.

Planning allows for rapid growth of the international function, changing markets, increasing competition, and the turbulent challenges of different national markets. The plan must blend the changing parameters of external country environments with corporate objectives and capabilities to develop a sound, workable marketing program. A strategic plan commits corporate resources to products and markets to increase competitiveness and profits. Planning relates to the formulation of goals and methods of accomplishing them, so it is both a process and a philosophy. Structurally, planning may be viewed as corporate (long term goals), strategic (short-term goals), or tactical (market planning - address marketing and advertising questions).

Benefits of Marketing Planning

A major advantage to a company involved in planning is the discipline imposed by the process. An international marketer who has gone through the planning process has a framework for analyzing marketing problems and opportunities and a basis for coordinating information from different country markets. The process of planning forces decision makers to examine all factors that affect the success of a marketing plan and involves those who will be responsible for its implementation.

Benefits of formalized marketing planning: Coordination of the activities of many individuals whose actions are interrelated over time; Identification of expected developments; Preparedness to meet changes when they occur; Minimization of non-rational responses to the unexpected; Better communication among executives; Minimization of conflicts among individuals which would result in a subordination of the goals of the company to those of the individual.

Another key to successful planning is evaluating company objectives, including management’s commitment and philosophical orientation to international business. Finally, the planning process is a primary medium of organizational learning.

Company objectives. Evaluation of a company’s objectives and resources is crucial in all stages of planning for international operations. Each new market can require a complete evaluation, including existing commitments, relative to the parent company’s objectives and resources. As markets grow increasingly competitive, as companies find new opportunities, and as the cost of entering foreign markets increases, companies need such planning. Defining objectives clarifies the orientation of the domestic and international divisions, permitting consistent policies. The lack of well-defined objectives has found companies rushing into promising foreign markets only to find activities that conflict with or detract from the companies’ primary objectives. Foreign market opportunities do not always parallel corporate objectives; it may be necessary to change the objectives, alter the scale of international plans, or abandon them. One market may offer immediate profit but have a poor long-term outlook, while another may offer the reverse (Contractor, 2003, p.5-18).

International Commitment. The planning approach taken by an international firm affects the degree of internationalization to which management is philosophically committed. Such commitment affects the specific international strategies and decisions of the firm. After company objectives have been identified, management needs to determine whether it is prepared to make the level of commitment required for successful international operations – commitment in terms of money to be invested, personnel for managing the international organization, and determination to stay in the market long enough to realize a return on these investments. The degree of commitment to an international marketing cause reflects to extent of a company’s involvement. A company uncertain of its prospects is likely to enter a market timidly, using sufficient marketing methods, channels, or organizational forms, thus setting the stage for the failure of a venture that might have succeeded with full commitment and support by the parent company. Any long-term marketing plan should be fully supported by senior management and have realistic time goals set for sales growth. Occasionally, casual market entry is successful, but more often not, market success requires long-term commitment.

Why Is Marketing Planning Essential?

There can be little doubt that marketing planning is essential when we consider the increasingly hostile and complex environment in which companies operate. Hundreds of external and internal factors interact in a bafflingly complex way to affect our ability to achieve profitable sales. Let consider the four typical objectives which companies set: the maximization of revenue; the maximization of profit; the maximization of return on investment; the minimization of costs. Each of these has its own special appeal to different managers within the company, depending on the nature of their particular function. In reality, the best that can ever be achieved is a kind of optimal compromise, because each of these objectives is often in conflict with another.

Managers of a company have to understand how all these variables interact; and managers try to be rational about their business decisions no matter how important intuition, feel and experience are as contributory factors in the process of rationality. Most managers accept that some kind of formalized procedure for marketing planning is desirable because it may help to reduce the complexity of business operations and add a dimension of realism to the company's hopes for the future. Without some procedures for dealing with these issues there is a danger that the company will exhaust much of its energies is mutually destructive disputes, whilst its marketing is at risk of becoming little more than an uncoordinated mixture of interesting bits and pieces.

Ideally, what is required is some kind of institutionalized process designed to work out and write down in advance the particular competitive stance that the company plans to take. This should be communicated throughout the company so that everyone is conscious of what has to be done to take the company towards its objectives. A useful way of achieving this synergy is through the marketing planning process.

Problems Associated with Marketing Planning Ignorance

The degree to which a company is able to cope with its operating environment is very much a function of the understanding it has of the marketing planning process as a means of sharpening the rationality and focus of all levels of management throughout the organization. What most companies think of as planning systems are little more than forecasting and budgeting systems. This give impetus and direction to the task of tackling the current business unchanged into the future, a phenomenon often referred to as tunnel vision.

The problem with this approach is that, because companies are dynamically-evolving systems within dynamically-evolving business environment, some means of evaluation of the way in which the two interact has to be found in order that they should be better matched. Otherwise, because of a general unpreparedness, a company will suffer increased pressures.

There is widespread awareness of lost market opportunities through unpreparedness and real confusion over what to do about it. Also, there is a strong relationship between these two problems and the techniques most widely used in place of formal marketing planning – that is, sales forecasting and budgeting systems. The following problems are the most frequently observed operating: Lost opportunities for profit; Meaningless numbers in long-range plans; Unrealistic objectives; Lack of actionable market information; Interfunctional strife; Management frustration; Proliferation of products and markets; Wasted promotional expenditure; Pricing confusion; Growing vulnerability to environmental change; Loss of control over the business (Christopher, 1991, p.301). It is not difficult to see the connection between all of these problems. Perhaps what is not apparent is that each of these operational is in fact a symptom of a much larger problem which emanates from the way in which a company sets its objectives. The eventual effectiveness of any objective is dependent upon the quality of the informational inputs about the business environment.

Some kind of appropriate system has to be used to enable meaningful and realistic marketing objectives to be set. A frequent complaint is that there is preoccupation with short-term thinking and an almost total lack of what has been referred to as a strategic thinking. Another complaint is that plans consist largely of numbers which are difficult to evaluate in any meaningful way, since they do not highlight and quantity opportunities, emphasize the key issues, show the company’s position clearly in its markets, nor delineate the means of achieving the sales forecasts. Indeed, very often the actual numbers that are written down bear little relationship to any of these things. Sales targets for the sales force are often inflated in order to motivate them to higher achievement, whilst the actual budgets themselves are deflated in order to provide a safety net against shortfall. Both act as demotivators and both lead to the frequent use of expressions such as ritual and the numbers game. It is easy to see how the problems listed above begin to manifest themselves in this sort of environment. Closely allied to this is the frequent reference to profit as being the only objective necessary to successful business performance.

Characteristics of a company with an effective marketing planning system: Widely understood objectives; Highly motivated employees; High levels of actionable market information; Greater interfunctional coordination; Minimum waste and duplication of resources; Acceptance of the need for continuous change; A clear understanding of priorities; Greater control over the business and less vulnerability from the unexpected.

To summarize, a structured approach to the situation is necessary, irrespective of the size or complexity of the organization. Such a system should:

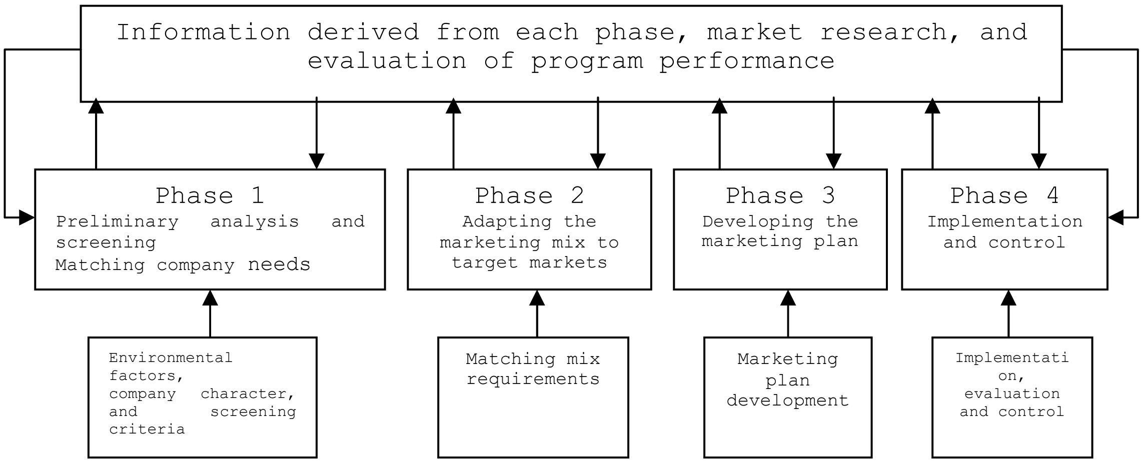
- Ensure that comprehensive consideration is given to the definition of strengths and weaknesses and the problems and opportunities;
- Ensure that a logical framework is used for the preparation of the key issues arising from this analysis.

Not all the companies have planning systems which possess these characteristics. Those that do manage to cope with their environment more effectively than those that do not. They find it easier to set meaningful marketing objectives; are more confident about their future; enjoy greater control over their business and react less on a piecemeal basis to ongoing events. In short, they suffer less operational problems and are as a result more effective organizations. In the case of companies without effective marketing planning systems, whilst it is possible to be profitable over a number of years, especially in high growth markets, such companies will tend to be less profitable over time and to suffer problems which are the very opposite of the benefits referred to above.

The Planning Process

Whether a company is marketing in several countries or is entering a foreign market for the first time, planning is essential to success. The first-time marketer must decide what products to develop, in which markets, and with what level of resource commitment. For the company that is already committed, the key decisions involve allocating effort and resources among countries and product(s), deciding on new markets to develop or old ones to withdraw from, and determining which products to develop or drop. Guidelines and systematic procedures are necessary for evaluating international opportunities and risks and for developing strategic plans to take advantage of such opportunities. The process illustrated in Exhibit 1.1 offers a guide to planning for the firm operating in several countries.

Exhibit 1.1 International Planning Process



Source: Cateora, International Marketing, McGraw-Hill Ryerson, Toronto, 2006, p. 280

Phase 1: Preliminary Analysis and Screening – Matching Company and Country Needs

Whether a company is new to international marketing or heavily involved, an evaluation of potential markets is the first step in the planning process. A critical first step in the international planning process is deciding in which existing country market to make a market investment. A company's strengths and weaknesses, products, philosophies, and objectives must be matched with a country's constraining factors and market potential. In the first part of the planning process, countries are analyzed and screened to eliminate those that do not offer sufficient potential for further consideration. Emerging markets pose a special problem because many have inadequate marketing infrastructures, distribution channels are underdeveloped, and income level and distribution vary among countries.

The next step is to establish screening criteria against which prospective countries can be evaluated. These criteria are ascertained by an analysis of company objectives, resources, and other corporate capabilities and limitations. It is important to determine the reasons for entering a foreign market and the returns expected from such an investment. A company's commitment to international business and its objectives for going international are important in establishing evaluation criteria. Minimum market potential, minimum profit, return on investment, acceptable competitive levels, standards of political stability, acceptable legal requirements, and other measures appropriate for the company's products are examples of the evaluation criteria to be established.

After evaluation criteria are set, a complete analysis of the environment within which a company plans to operate is made. The environment consists of the uncontrollable elements and includes both home-country and host-country restraints, marketing objectives, and any other company limitations or strengths that exist at the beginning of each planning period. Although an understanding of uncontrollable environments is important in domestic market planning, the task is more complex in foreign marketing because each country under consideration presents the foreign marketer with a different set of unfamiliar environmental constraints. It is this stage in the planning process that more than anything else distinguishes international from domestic marketing planning.

With the analysis of Phase 1 completed, the decision maker faces the more specific task of selecting country target markets and segments, identifying problems and opportunities in these markets, and beginning the process of creating marketing programs.

Phase 2: Adapting the Marketing Mix to Target Markets

A more detailed examination of the components of the marketing mix is the purpose of Phase 2. When target markets are selected, the market mix must be evaluated in light of the data generated in Phase 1. Incorrect decisions at this point lead to products inappropriate for the intended market or to costly mistakes in pricing, advertising, and promotion.

The process used by the Nestlé Company is an example of the type of analysis done in Phase 2. Each product manager has a country fact book that includes much of the information suggested in Phase 1. The country fact book analyzes in detail a variety of culturally related questions. In Germany, the product manager for coffee must furnish answers to a number of questions. How does a German rank coffee in the hierarchy of consumer products? Is German a high or a low per capita consumption market? (These facts alone can be of enormous consequence. In Sweden the annual per capita consumption of coffee is 6.4 kilograms, whereas in Japan its 0.8!) How is coffee used – in bean, ground, or powdered? If it is ground, how it is brewed? Which coffee is preferred – Brazilian Santos blended with Columbian coffee, or robusta from the Ivory Coast? It is roasted? Do the people prefer dark roasted or blonde coffee? (The colour of Nestlé's soluble coffee must resemble as closely as possible the colour of the coffee consumed in the country). As a result of the answers to these and other questions, Nestlé produces 200 types of instant coffee from the dark robust espresso preferred in Latin countries to the lighter blends popular in North America. Almost $50 million a year is spent in four research laboratories around the world experimenting with new shading in colour, aroma, and flavour. Do the Germans drink coffee after lunch or with their breakfast? Do they take it black or with cream or milk? Do they drink coffee in the evening? Do they sweeten it? (In France the answer is clear: in the morning, coffee with milk; at noon, black coffee – that is, two totally different coffees). At what age do people begin drinking coffee? Is it a traditional beverage, as in France; it is o form of rebellion among the young, as in England, where coffee drinking has been taken up in defiance of tea-drinking parents; or is it a gift, as in Japan? There is a coffee boom in tea-drinking Japan, where Nescafé is considered a luxury gift item; instead of chocolates and flowers, Nescafé is toted in fancy containers to dinners and birthday party. With such depth of information, the product manager can evaluate the marketing mix in terms of the information in the country fact book (Cateora, 2006, p.281).

Phase 2 also permits the marketer to determine possibilities for applying marketing tactics across national markets. The search for similar segments across countries can often lead to opportunities for economies of scale in marketing programs. This was the case for Nestlé when research revealed that young coffee drinkers in England and Japan had identical motivations. As a result, Nestlé now uses principally the same message in both markets.

Frequently, the results of the analysis in Phase 2 indicate that the marketing mix would require such drastic adaptation that a decision not to enter a particular market is made. For example, a product may need to be reduced in physical size to fit the needs of the market, but the additional manufacturing cost of a smaller size may be too high to justify market entry. Also, the price required to be profitable might be too high for a majority of the market to afford. If there is no way to reduce price, sales potential at the higher price may be too low to justify entry.

The answers to three major questions are generated in Phase 2:

1. Are there identifiable market segments that allow for common marketing mix tactics across countries?
2. Which cultural/environmental adaptations are necessary for successful acceptance of the marketing mix?
3. Will adaptation costs allow profitable market entry?

Based on the results of Phase 2, a second screening of countries may take place, with some countries dropped from further consideration. The next phase in the planning process is development of a marketing plan.

Phase 3: Developing the Marketing Mix

At this stage of the planning process, a marketing plan is developed for the target market – whether it is a single country or a global market segment. The marketing plan begins with a situation analysis and culminates in the selection of an entry mode and a specific action program for the market (Nicolescu, 2005, p. 148). The specific plan establishes what is to be done, by whom, how it is to be done, and when. Included are budgets and sales and profit expectations. Just as in Phase 2, a decision not to enter a specific market may be made if it is determined that company marketing objectives and goals cannot be met.

Phase 4: Implementation and Control

A “go” decision in Phase 3 triggers implementation of specific plans and anticipation of successful marketing. However, the planning process does not end at this point. All marketing plans require coordination and control during the period of implementation. Many businesses do not control marketing plans as thoroughly as they could even though continuous monitoring and control could increase their success. An evaluation and control system requires performance-objective action, that is, bringing the plan back on track should standards of performance fall short. A global orientation facilitates the difficult but extremely important management tasks of coordinating and controlling the complexities of international marketing.

Although the model is presented as a series of sequential phases, the planning process is a dynamic, continuous set of interacting variables with information continuously building among phases. The phases outline a crucial path to be followed for effective, systematic planning.

Let's take as example the Japanese global marketers. One of the main keys to Japan's performance is its skill in marketing planning. In the postwar years, Japanese companies were invited to visit North American companies to study marketing and went home understanding marketing principles better than many of their host companies did. The Japanese know how to select a market, enter it, build their market share, and protect their leadership position against competitor's attacks.

Selecting markets. The Japanese government and companies work hard to identify attractive global markets. They favour global industries that are capital and knowledge intensive but that require only small quantity of natural resources. Candidates include consumer electronics, cameras, watches, motorcycles, and pharmaceuticals. They prefer product markets that are in a state of technological evolution. They identify product markets where consumers are dissatisfied. They look for industries where the product leaders are complacent or underfinanced. They adopt a strategic intent to dominate these industries and reduce or destroy competition.

Entering Markets. The Japanese send study teams into the target country to spend several weeks or months evaluating the market and figuring out a strategy. They study and license existing technology from abroad. They manufacture first in Japan and build their base, discouraging foreign competitors from selling in Japan through a variety of tariff and nontariff barriers. They often enter a foreign market by selling their products to a private brander, such as an American department store or manufacturer. Later, they will introduce their own brand, a low-price, stripped-down product, or a product as good as the competitor's but priced lower, or a product exhibiting higher quality or new features or designs. The Japanese proceed to line up good distribution in order to provide reliable service to their customers. They rely on advertising to bring their product to the public's attention. A key characteristic of their entry strategy is to build market share rather than early profits.

Building Market Share. Once Japanese firms gain a market foothold, they direct their energies toward expanding their market share. They rely on product-development strategies and market-development strategies. They pour money into product improvement, product upgrading, and product proliferation, so they can offer more and better things than the competition. They spot new opportunities through market segmentation and sequence market development across a number of countries, with the aim of building a network of world markets and product locations. They gain further volume through an aggressive program of buying up competitors or joint venturing with them.

Protecting Market Share. Once the Japanese achieve market domination, they find themselves in the role of defenders rather than attackers. The Japanese defend strategy is a good offence through continuous product development and refined market segmentation. Japanese firms use two market-oriented principles to maintain their leadership. The first is zero-customer-feedback time, whereby they survey recent customers to find out how they like the product and what improvements they would want. The second is the zero-product improvement time, whereby they add worthwhile products improvements continuously, so that the product remains the leader. The Japanese also protect themselves by hiring their lawyers, public relations people, and former public officials from the host country to defend their interests and improve their image (Kotler, 2006, p. 420).

It can be noticed that Japanese had set clear and long term strategic objectives: to dominate and destroy competition on the product markets that are in the state of technological evolution and in the area of global industries that are capital and knowledge intensive and not requiring natural resources but in small quantities. In the first Phase of international planning process the Japanese study teams had spent several weeks or months into the target country to evaluate the potential of the market, to identify problems that would eliminate the country from further consideration, to identify environmental elements that need further analysis, to determine which part of the marketing mix can be standardized and which part of and how the marketing mix must be adapted to meet local market needs, and to develop and implement a marketing action plan.

When target markets are selected, the primary goal of Phase 2 of the international planning process is to decide on a marketing mix adjusted to the cultural constraints imposed by the uncontrollable elements of the environment. The Japanese entry strategies were characterized of building market shares rather than early profits; the Japanese firms waited for a decade to realize their profits. In Phase 3 a marketing plan is developed for the target market; first they sold to a private brander, and then they introduced their own brand, low-price or a similar product but priced lower. They build a network of world markets and product locations. Phase 4 requires coordination and control of marketing plans during implementation. They apply two market-orientated principles: zero-customer-feedback time (they surveyed recent customers) and zero-product improvement time (they add worthwhile products improvements continuously to remain leaders. So Japanese protect their market shares, once they became dominant.

Western firms responded slowly at first to Japanese inroads, but most of them mounted counteroffensives. IBM added new products, automated its factories, sourced components from abroad, and made strategic partnerships. More companies are copying Japanese practices that work: quality control, consensus management, just-in-time production. And more companies are entering the Japanese market to compete them.

Conclusions

One of the main purposes of the corporate plan is to provide a long-term vision of what the company is – or is striving to become – taking into account environmental trends, resource market trends, consumption market trends and the distinctive competence of the company as revealed by the management audit. In practice the corporate plan will contain the following elements: Desired level of profitability; Business boundaries; Other corporate objectives such as social responsibility, corporate image, stock market image, employee image. Such a corporate plan, containing projected profit-and-loss accounts and balance sheets is more likely to provide long-term stability for a company than plans based on a more intuitive process.

There are a number of points to be watched for, which may signal the beginning of a marketing plan failure. Recognition of these will reinforce the purpose of a marketing plan, which is to aid effective management. It can not be a substitute. These points are summarized as follow: marketing planning design and implementation problems, what goes into a marketing plan? (S.W.O.T. and assumptions), marketing objectives and strategies; programmes.

Using a planning process encourages the decision maker to consider all variables that affect the success of a company's plan. Furthermore, it provides the basis for viewing all country markets and their interrelationships as an integrated global unit.

As a company expands into more foreign markets with several products, it becomes more difficult to efficiently manage all products across all markets. Marketing planning helps the marketer focus on all the variables to be considered for successful global marketing. With the information developed in the planning process and a country market selected, the decision regarding the entry mode can be made. The choice of mode of entry is one of the more critical decisions for the firm because the choice will define the firm's operations and affect all future decisions in that market.

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