



# **INTERNATIONAL MARKETING PLAN**

# 17

## **Learning objectives**

After studying this chapter you will be able to:

- summarize international marketing decisions
- explain the hierarchical structure of marketing decisions and plans
- illustrate the content and structure of an international marketing plan
- evaluate marketing and business plans

## **Chapter outline**

### **International business plan**

Hierarchical levels of business plan development  
Marketing's contribution to the business plan

### **International marketing strategy**

International product policy  
International distribution policy  
International sales policy  
International logistics policy  
International pricing policy  
International market communication policy

### **International marketing plan**

Audiences  
Structure

### **International marketing planning manual**

Company or business unit international marketing plan  
Planning procedure

### **Summary**

## INTERNATIONAL MARKETING SPOTLIGHT

### A bumpy ride

Michelin's roly-poly Bibendum, Goodyear's winged boot, Firestone's gothic script, and Pirelli's bizarre, loopy "p": Few consumer industries can boast such a wealth of classic trademarks. In North America, which makes up about 40% of the world tire market, wholesalers and retailers have been able to develop their own budget brands. In Europe, which accounts for about one-third of world sales, the advent of budget tires in the 1980s came as a shock to the established companies.

The main tiremakers in Europe had been pursuing a risky pricing policy. For decades, the industry had been convinced that it was worth making losses on tires sold direct to carmakers in order to guarantee profits in the retail market: Drivers tend to replace their tires with an identical set from the same maker. Tire companies therefore compensated for larger losses on tires sold to carmakers by raising their margins on retail sales.

At the end of the 1980s Europe began to be targeted by obscure tiremakers from east Asia, such as Kumho and Hankook of South Korea, and by eastern European firms. Their tires often sold for less than half the price of a premium brand. In Britain, the South Koreans alone have captured roughly 25% of the market; in Germany, the South Korean share is about 10%. Because fixed costs in the tire industry are high, and the largest firms had too much capacity, prices fell by more than 5-10% a year at the end of the 1980s. That hurt still more after rubber prices began rising in 1994. Profits shriveled or disappeared.

Not until the middle of the 1990s did the industry start recovering. Tiremakers have overhauled their business by redefining their strategic positions, revamping their management systems, improving productivity, and adapting their marketing mix. For example, Italian Pirelli, present in Europe and Latin America, decided at the start of

1993 to concentrate on the world market for luxury and speed. The firm has worked hard since to become the supplier of tires fitted in the factory on BMWs, Porsches, and most fancy cars. The world's three biggest tiremakers, each of which have a little under 20% of the market, cannot afford to concentrate all their sales up-market. Instead, they have developed second- and even third-tier brands. Michelin, for example, introduced its "Classic" range of mid-priced tires in 1994. In 1995 it signed a pact with Germany's Continental, part of which was an agreement to introduce Michelin's first budget tire.

Continental, which had no fewer than nine brands in Europe, used to manage each brand separately. In 1994, the firm decided to organize itself by markets instead. Its brands now resemble a portfolio, with Continental and Uniroyal reserved for the top end, from which managers pick a tire suitable for each segment of their market.

Cost cutting and increasing productivity was another important remedy: In 1990, only 1% of Continental's tires were made in Portugal and Slovakia, where labor costs are low. In 1996 that figure had increased to 25%. In the same period, sales per employee had increased by more than one-third. Between 1994 and 1996 Michelin decreased its stocks as a proportion of sales by 25%. The company's strict hierarchy was replaced by 21 decentralized business units, nine of them managing products and the rest providing services for the group.

All this has helped to halt the advance of new tire companies. European tire marketing has become a permanently lower margin, cost-conscious, and more customer-focused business.

Source: Adapted from "Tyres in Europe - A bumpy ride", *The Economist*, 17 February, 1996, pp. 59f.

The focal question of this chapter is: What content and structure does an international marketing plan need to have, and how does it need to be integrated into an international business plan to fulfill its purpose?

## **International business plan**

The description of the international marketing decision process given in preceding chapters has illustrated the high complexity and interrelatedness of marketing analyses, decisions, and actions in an international business environment (Figure 17.1). In addition to marketing-specific considerations, an internationally operating firm needs to manage its financial and human resources as well as its production operations in a coordinated way to achieve its major objectives. The most important tool for the coordination of analyses, decisions, and actions is the development of an international business plan.

The business plan of a company presents:

- › mission and philosophy driving the firm
- › a complete analysis of the business
- › objectives
- › markets in which the company operates
- › competition against which it must establish or sustain its strategic position
- › problems that must be overcome in order for the objectives to be reached.

The business plan also contains decisions made by managers on different levels of organizational hierarchy and activities planned to resolve any problems detected. It answers the questions why, what, how, when, where, and whom for each action during the planning period. As such, the business plan is a comprehensive operating manual that management will use to navigate their way to their objectives.

This chapter discusses:

- › contribution of marketing to the development of an international business plan
- › establishment of an international marketing strategy
- › development of an international marketing plan
- › potential audiences and structure
- › planning procedure necessary for successful implementation.

### **Hierarchical levels of business plan development**

#### **Corporate policy**

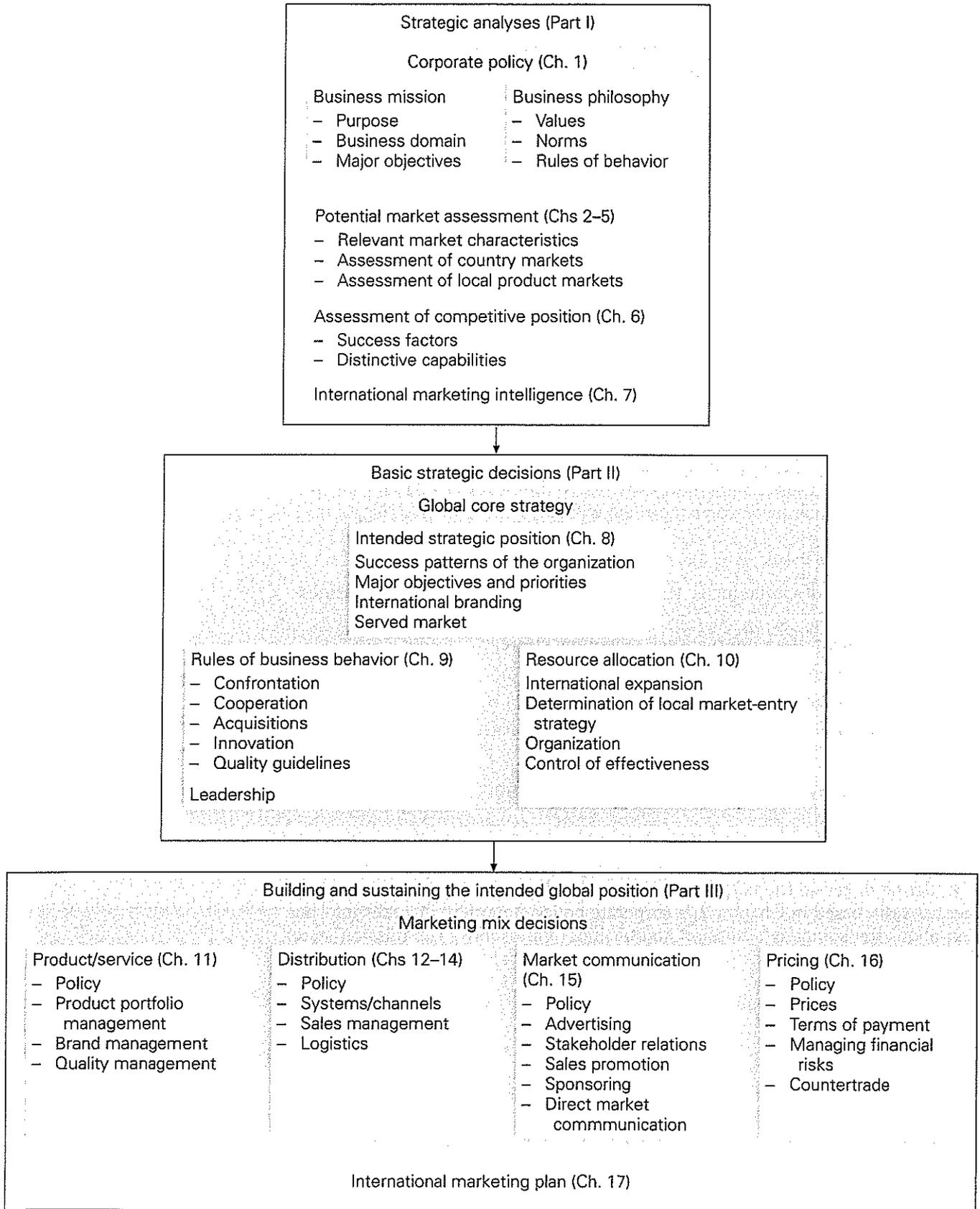
At the corporate level, the basic task in developing an international business plan is to define or revise the corporate policy and to formalize it in a written statement. As discussed in Chapter 2, a corporate policy statement includes information about the company's mission and business philosophy. The mission states the rationale behind the organization's existence. The business philosophy guides the manner in which relationships inside the company and with business partners as well as other stakeholders are managed (Figure 17.2).

In general, the people dominating an organization define its corporate policy statement. Those dominant people may be the owners or top managers of the firm, but the dominant group may also contain representatives of other important stakeholders, such as investors, creditors, or the labor force. Managers of lower hierarchical levels may be invited to participate in the corporate policy development process in order to generate their commitment for its content.

#### **Core strategy**

Based on the corporate policy, a core strategy of the organization needs to be established that defines the scope, shape, and structure of the firm. The formulation

FIGURE 17.1 International marketing decision process



of a core strategy requires careful assessment of the attractiveness of potential markets (discussed in Chapter 2), as well as of the firm's distinctive capabilities and resulting potential competitive advantages (discussed in Chapter 6). The core strategy determines:

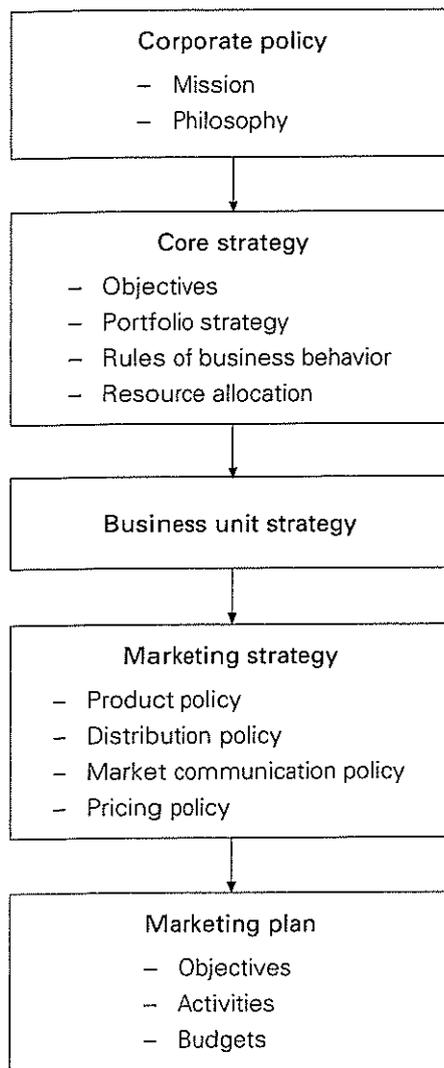
- company objectives and their priorities
- portfolio of product and country markets to be served (see Chapter 8)
- rules of behavior to be followed in serving those markets (Chapter 9)
- international allocation of resources available to the firm (Chapter 10).

If the portfolio of the internationally operating company contains more than one clearly defined product market, the next step in developing an international business plan may be to formulate business unit strategies.

### Business unit strategy

A business unit strategy focuses on the achievement and maintenance of a strategic position in a specific product market. It is basically developed in the same manner as the firm's core strategy. But its development is the responsibility

**FIGURE 17.2** From corporate policy to marketing plan



The work on an international business plan starts with the development of a corporate policy. Core strategy and business unit strategy are the bases for developing a marketing strategy, which, in turn, lays the ground for the marketing plan.

of managers leading the individual business unit; and the decisions taken are based on a more detailed analysis of customers, competitors, and other important stakeholders as well as the business unit's resources and skills for competing in specific market segments. Smaller companies or firms that focus on an international market niche may not need to distinguish between different business units. In such case, management may go directly from the formulation of their organization's core strategy to the definition of the marketing strategy.

### **Marketing strategy**

The marketing strategy serves the purpose of implementing the core or a business unit strategy. Depending on the size of the firm's business the marketing strategy is formulated by top management or business unit managers. It contains the policies, that is the objectives and basic guidelines that have to be respected by managers who are responsible for specific marketing decisions and actions, such as advertising, sales, product line management, or distribution. Similar to all other strategy statements of the firm, the marketing strategy tells those managers what they are expected to achieve and what courses of action are not appropriate management. The marketing strategy also defines the allocation of resources across marketing sub-processes.

### **Marketing plan**

Finally, a marketing plan can be developed on the basis of the marketing strategy. In an internationally operating firm serving various country markets marketing plans will be developed for each of those markets. Those plans specify the objectives of local marketing management showing how much the local units are able to contribute to the achievement of the overall objectives. The various marketing activities (discussed in Chapters 11–16) needed to reach the local objectives are presented in detail, and the budgets planned for each of the marketing tools and actions are given.

### **Marketing's contributions to the business plan**

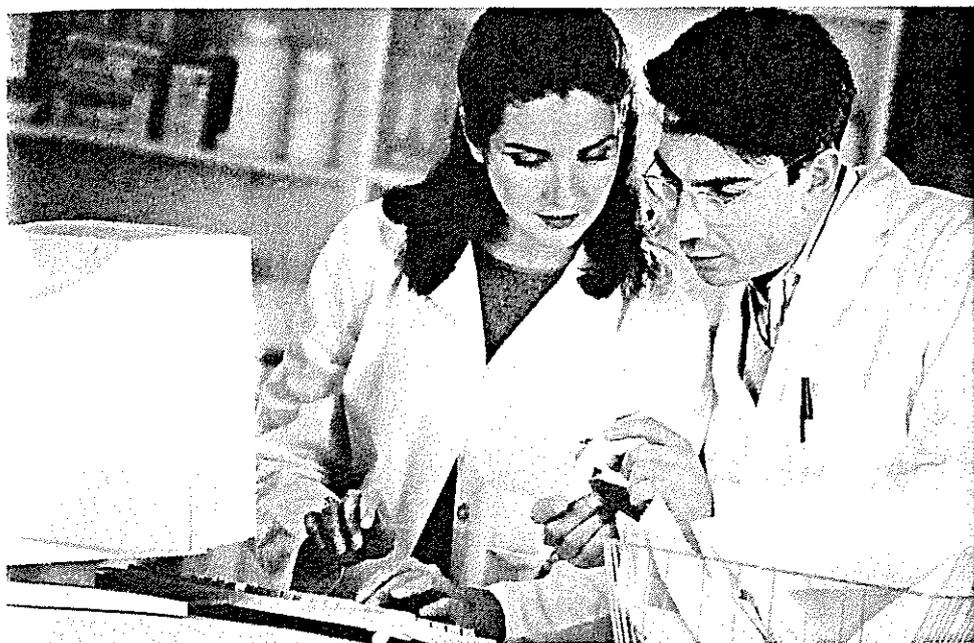
As the discussion of the international marketing decision process in this book has shown, marketing orientation, marketing analyses, and marketing techniques may contribute on all hierarchical levels to the development of a comprehensive international business plan.

### **Contributions to corporate policy**

Marketing-oriented top managers or entrepreneurs will promote marketing orientation as the basic perspective from which to look at the company's business. Figure 17.3 shows what parts of corporate policy may be influenced by a marketing orientation, that is by marketing's benefit, exchange, and systems perspectives (discussed in Chapter 1).

The corporate mission statement begins by defining the general purpose of the company – the vision of its founders or top managers. Based on marketing's benefit perspective this vision will be formulated in such a way as to express the central value(s) provided by the company to its customers or to society. For example, Germany's DaimlerChrysler has stated that the firm wants to significantly contribute to the individual mobility of people all over the world.

The systems perspective of marketing-oriented managers will guide the definition of the company's business domain. In addition to the prospective customers the definition will include all major stakeholders of the firm that need to be satisfied to a certain extent in order to provide the organization with the needed resources. For example, a producer of electronic toys, such as Japan's Nintendo, will focus not only on children and their parents as their customers, but they will also be aware that other stakeholders are important for the company's long-term



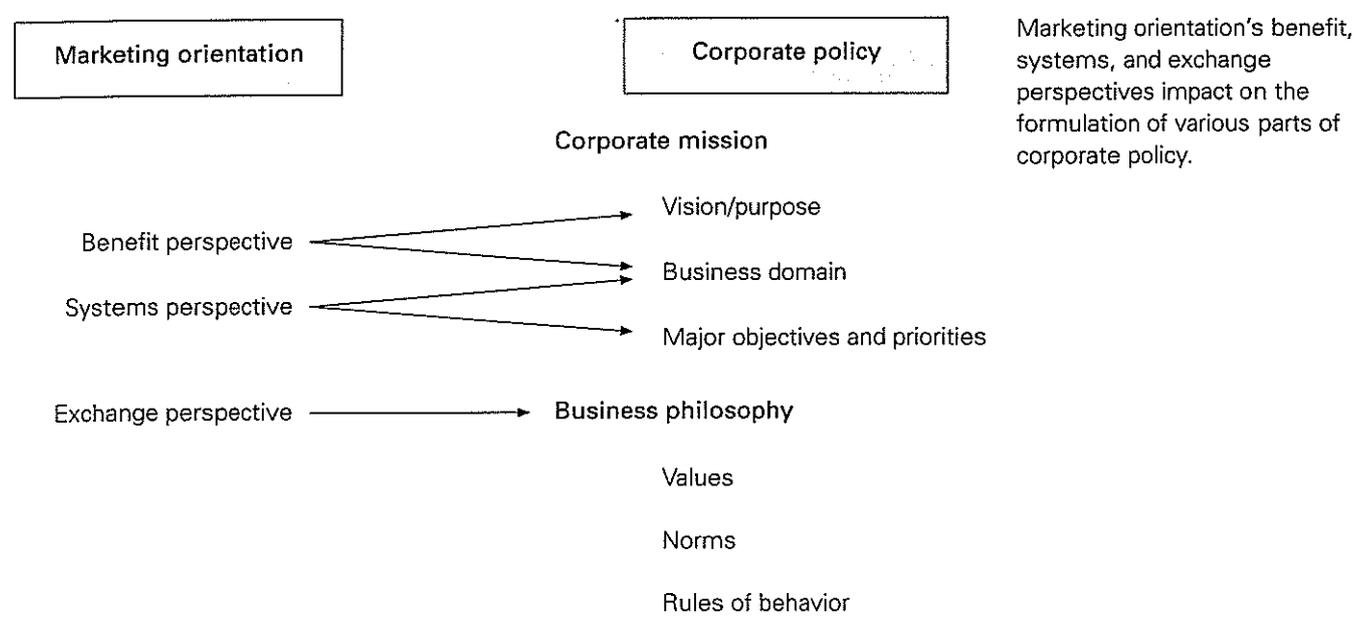
Research and design

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success. The expectations of electronic component suppliers, toy distributors, educators, and media as well as the company's own labor force and its investors need to be satisfied at least up to a level that makes them refrain from fighting Nintendo's interests.

Marketing's benefit perspective will make sure that the benefits to be provided to the important stakeholders are defined from the stakeholders' points of view. For example, the definition of the Denmark-based manufacturer of plastics Borealis's business domain will not only contain a general description of the customers they plan to serve, such as the producers of packaging material and auto parts, but also of those customers' markets, such as the food industry and the automotive industry. Benefits to be provided to those stakeholders may read for

**FIGURE 17.3** *Impact of marketing orientation on corporate policy*



## STRATEGY BOX 17.1

### HP Invent – corporate objectives

*"It is necessary that people work together in unison toward common objectives and avoid working at cross purposes at all levels if the ultimate in efficiency and achievement is to be obtained."*

Dave Packard

HPs corporate objectives have guided the company in the conduct of its business since 1957, when first written by co-founders Bill Hewlett and Dave Packard.

#### Customer loyalty

To provide products, services and solutions of the highest quality and deliver more value to our customers that earns their respect and loyalty.

Underlying beliefs supporting this objective:

- Our continued success is dependent on increasing the loyalty of our customers.
- Listening attentively to customers to truly understand their needs, then delivering solutions that translate into customer success is essential to earn customer loyalty.
- Competitive total cost of ownership, quality, inventiveness, and the way we do business drives customer loyalty.

#### Profit

To achieve sufficient profit to finance our company growth, create value for our shareholders and provide the resources we need to achieve our other corporate objectives.

Underlying beliefs supporting this objective:

- Profit is the responsibility of all.
- Balance of long-term and short-term objectives is the key to profitability.
- Profit allows us to reinvest in new and emerging business opportunities.
- Profit is highly correlated to generating cash, which brings more flexibility to the business at a lower cost.
- Profit enables the achievement of our corporate objectives.

#### Market leadership

To grow by continually providing useful and significant products, services and solutions to markets we

already serve – and to expand into new areas that build on our technologies, competencies and customer interests.

Underlying beliefs supporting this objective:

- There are more places we can contribute than we will be capable of contributing: We must focus.
- To be average in the marketplace is not good enough, we play to win.
- We must be No. 1 or No. 2 in our chosen fields.

#### Growth

To view change in the market as an opportunity to grow; to use our profits and our ability to develop and produce innovative products, services and solutions that satisfy emerging customer needs.

Underlying beliefs supporting this objective:

- Growth comes from taking smart risks, based on the state of the industry – that requires both a conviction in studying the trends, but also in inducing change in our industry.
- Our size (and diversity of businesses) gives us ability to weather economic cycles and turn them to our favor.

#### Employee commitment

To help HP employees share in the company's success that they make possible; to provide people with employment opportunities based on performance; to create with them a safe, exciting and inclusive work environment that values their diversity and recognizes individual contributions; and to help them gain a sense of satisfaction and accomplishment from their work.

Underlying beliefs supporting this objective:

- HP's performance starts with motivated employees; their loyalty is key.
- We trust our employees to do the right thing and to make a difference.
- Everyone has something to contribute: It's not about title, level, or tenure.
- An exciting, stimulating work environment is critical to invention.
- A diverse workforce gives us a competitive advantage.
- Employees are responsible for lifelong learning.

#### Leadership capability

To develop leaders at every level who are accountable for achieving business results and exemplifying our values.

Underlying beliefs supporting this objective:

- Leaders inspire, foster collaboration and turn vision and strategies into action – with focused, clear goals.
- Effective leaders coach, relay good news and bad, and give feedback that works.
- Leaders demonstrate self-awareness and a willingness to accept feedback and continuously develop.
- Leaders speak with one voice and act to eliminate busy work.
- It is important to measure people on the results they achieve against goals they helped to create.

### **Global citizenship**

Good citizenship is good business. We live up to our responsibility to society by being an economic, intellectual and social asset to each country and community in which we do business.

Underlying beliefs supporting this objective:

- The highest standards of honesty and integrity are critical to developing customer and stakeholder loyalty.
- The betterment of our society is not a job to be left to a few; it is the responsibility to be shared by all.
- This objective is essential to delivering on the brand promise.

Source: [www.hp.com/](http://www.hp.com/)

example “packaging material at low cost, highly attractive to consumers, adapted to the needs of the specific product.”

The formulation of the firm’s major objectives and their priorities in the corporate mission is also open to influence from marketing orientation. As shown in Strategy box 17.1 objectives may include sales growth rate, return on sales, market share, acceptable level of risk exposure, approach to technology and innovation, image and goodwill, establishment of a specific working climate within the organization, or independence.

Depending on how much the authors of the corporate policy have adopted a systems perspective, the chosen objectives will focus on one stakeholder group’s interests or cover the interests of a broader range of important stakeholders. The example described in Ethics box 17.1 may be the starting point for a discussion

## **ETHICS BOX 17.1**

### **“Tobacco war” in Kenya and Tanzania**

While tobacco marketing in Europe and the U.S. becomes more and more restricted, tobacco manufacturers, after having heavily invested in Asian markets, have discovered the African market as a promising business arena. In particular, the countries south of the Sahara with 850 million potential smokers have become a new target.

In one of its 1997 issues medical journal *The Lancet* reported on a “tobacco war” between British-American Tobacco and J.R. Reynolds in Kenya and Tanzania. Philip Morris, the third biggest player in the industry was about to enter the market. Never before had the tobacco industry launched such a

massive advertising campaign in Africa. In 1997, the year when the company agreed to pay millions of dollars to partly compensate for damage their products have caused to the health of the country’s population in the U.S., J.R. Reynolds started the construction of a production plant in Dar-es-Salaam, the biggest city in Tanzania. The plant will produce about 4 billion cigarettes a year.

The question may be raised: Should managers do everything that is not explicitly forbidden to raise their shareholders’ (and their personal) income? Is it ethically acceptable to pay millions of dollars for admitted damage to the health of the home country’s population and to parallel invest in the requirements for creating the same damage elsewhere?

Source: Based on “Tabak-Krieg in Kenya und Tansania”, *Der Standard*, 13–14 September, 1997, p. 4

about what focusing on one stakeholder group's interests may do to a company's success in the long run.

Because objectives are not always consistent – a high sales growth rate goal may conflict with a goal restricting the use of foreign capital, for example – the mission statement should indicate which priorities are to be pursued. Here again, the level of systems perspective adopted by the authors of the corporate policy statement becomes important. Shareholder-, customer-, and employee-related objectives must not dominate all other objectives in any case.

Finally, marketing orientation will influence the basic values and norms the company wants its personnel to respect in their internal and external behavior. The more an exchange perspective guides the formulation of business philosophy the more the rules of behavior will emphasize reciprocity, relationship building, trust, and commitment in contrast to individual achievement, competition, exploitation, or control.

### Contributions to the core strategy

A global core strategy is based on the assessment of corporate policy's feasibility. As illustrated by Figure 17.4 marketing contributes an essential part of the skills needed to properly conduct the analyses that lay the ground for the development of a core strategy.

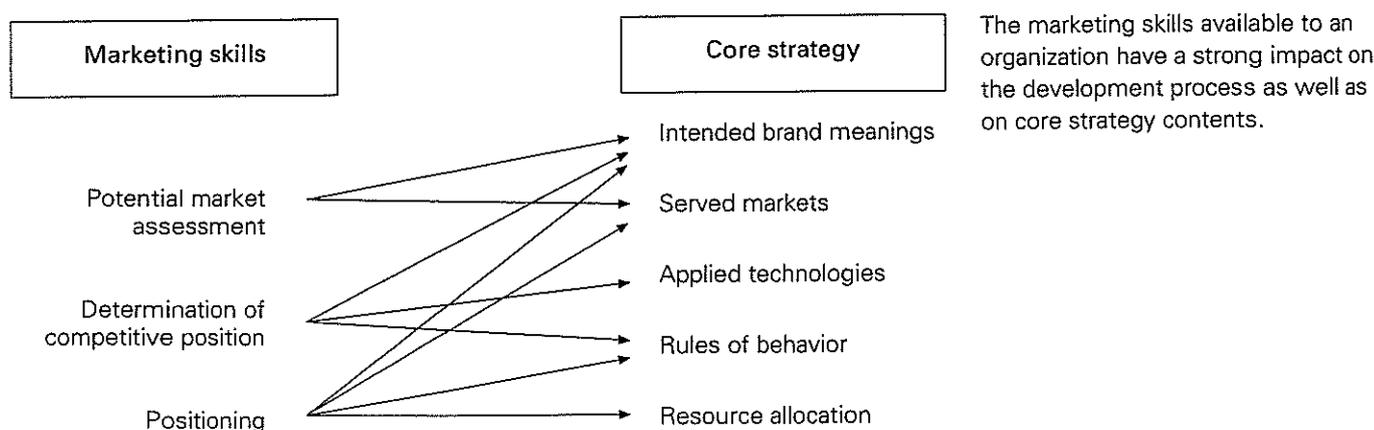
Strategic analyses to evaluate the potential of making corporate policy become reality must cover: the *attractiveness of potential country markets*. As Chapters 2–5 and Chapter 7 of this book have shown, marketing provides the skills needed to conduct careful assessments of the economic, cultural, political, and legal environments as well as the specific operating environments of the local product markets; the *competitive position of the organization*. A comparison with major competitors in the most attractive markets will help the firm identify whether it can excel on any of the success factors. Chapter 6 has shown the essential role of marketing know-how in this stage of corporate strategy development.

Relying on the firm's current and potential competitive advantages in attractive markets, management will assess strategic alternatives. It will determine the intended strategic position of the company, that is:

- › intended meaning of the brands constituting its brand architecture
- › international portfolio of product and country markets to serve
- › technologies needed to satisfy the current and potential aspirations of customers and stakeholders in the served markets (Chapter 8).

Closely related to those decisions, management has to determine general rules of behavior concerning:

**FIGURE 17.4** Contribution of marketing skills to core strategy development



competition  
innovation  
mergers and acquisitions  
quality.

All these should help in reaching intended strategic position (Chapter 9).

The international allocation of company resources, in particular the general way and the speed in which country markets are entered as well as the spread of resources across organizational units completes the core strategy of the internationally operating company. Chapter 10 has shown that market-entry decisions and the organizational structure of a firm are largely influenced by the level of marketing orientation of top managers and the marketing capabilities available to the company.

#### **Contributions to business unit strategies**

Every company, whether operating internationally or only locally, will be positioned in the minds of its customers and other stakeholders. If it does not want that process to be entirely out of its control, the company must define an intended strategic position in every product market it has selected. That is, it must select the customer group(s) to be served and the way it wants to attractively differentiate itself from the most important competitors.

In addition, business unit strategy statements must define the intended strategic position in every individual country market to be served in light of the locally existing customer segments, important stakeholders, and major competitors. Local market-entry decisions will depend on that strategic objective. As a consequence, at the level of business unit strategy development market segmentation and competitive differentiation dominate planning activities. Therefore, at this level a distinction between strategic planning and marketing planning may be rather difficult to make. It only becomes evident when, based on positioning and market-entry decisions, resource allocation decisions have to be made. There, financial considerations, the development and deployment of human resources, as well as operations management considerations, such as outsourcing decisions, alliances, or location decisions, play a substantial part in the planning process.

Based on the intended strategic position in a product market and considering the resource allocation decisions given in the same document, an international marketing strategy may be developed. The following sections focus on this part of an international business plan.

### ***International marketing strategy***

An international marketing strategy contains "*basic assumptions*," that is, a general overview of the served product market(s), their volume, structure, major players, and expected development; general *marketing objectives* of the firm or business unit, such as, to be an early follower in all served product markets or to first enter attractive country markets with the help of distributors that may later be acquired if the market fulfills its promise; and *marketing policies*, such as product branding, product line management, or distribution channel decisions.

Chapters 11 to 16 of this book have discussed the need for such policies in the different sub-areas of the marketing mix. Their purpose is summarized in the following.

#### **International product policy**

An international product policy has to be formulated to avoid unnecessary complexity and resulting costs in a company faced with internationally varying customer

perceptions of the importance and meaning of features and processes constituting its total product. Such product policy provides a framework inside of which all product management processes of the firm are to be conducted. It lays down:

- › general positioning for each product (line)
- › intended degree of product standardization
- › intended meaning of product brands and their market appearance
- › quality standards
- › firm's objectives and rules concerning product portfolio management.

### International distribution policy

The international distribution policy of the firm determines how its market-entry strategy is to be executed. It contains general objectives regarding market share, sales volume, profit margins, and return on sales, which may be specified by region, customer group, and distribution channel, taking into account the desired level of company involvement in the distribution system, and the desirability of ownership of intermediaries.

Guidelines indicate minimum and maximum levels of capital and personnel to be committed to achieving the intended level of coverage in each market. They also specify rules for:

- › selection of intermediaries and customers
- › management of relationships with those selected business partners
- › selection, training, and motivation of sales personnel.

### International sales policy

The international sales policy is a guideline for decisions and actions concerning personal selling, after-sales activities, and the management of the firm's international salesforce. The sales policy specifies:

- › minimum and maximum levels of capital and personnel to be committed to achieving a desired level of market coverage
- › market share, sales volume, and profit margins for each region, customer group, and distribution channel as well as the expected return on sales
- › how customer relations have to be managed, including after-sales activities such as handling customer claims and complaints.

### International logistics policy

The international logistics policy of the firm determines:

- › level of customer service to be achieved
- › selection of integrated or independent marketing logistics systems
- › specific conditions when to favor which system.

The logistics policy may also contain:

- › profile of logistics partners to look for
- › roles in the distribution logistics chain that have to be fulfilled inside or outside the company
- › coordination between central and local company units
- › responsibilities for logistics planning, information, and control.

## International pricing policy

The international pricing policy restates corporate objectives relevant to individual pricing decisions such as expected profit margins, return on sales, and market shares. It also includes the preferred pricing strategy, such as quick penetration of mass markets through low prices where the company has no defendable competitive advantage or skimming of high margins in market niches where the company has a significant competitive advantage.

In order to make sales figures comparable across country markets the pricing policy may state how prices have to be calculated.

The company or business unit policy concerning rebates, refunds, and discounts given to customers is stated as well as the terms of payment available in specific markets to salespeople struggling for orders.

## International market communication policy

The international market communication policy of the firm aims to ensure dynamic self-resemblance in all communicative activities across country markets.

*General communication objectives* for each of the important stakeholder groups are formulated. An *international communication platform* defines the central message to be communicated, which may be specified into consistent core messages for each stakeholder group. To coordinate the transfer of the core messages into a consistent choice of communication tools the communication policy determines the *major communication tools* to be applied internationally. A *guideline concerning corporate design* determines the general formal appearance of every communicative activity of the firm. Finally, the international market communication policy should contain some *rules concerning cooperation and coordination* in implementing market communication decisions that help to avoid conflicts among organizational subunits at different hierarchical levels and regulate the role of external service providers in the planning and execution of communication activities.

The marketing strategy is the basis for more short-term operative considerations such as product development, advertising, or pricing activities contained in what most companies call a marketing plan.

## **International marketing plan**

The marketing plan is the core of an international business plan on its operative level. All marketing plans should start with an overview of strategic decisions relevant for short-term marketing activities, such as the product and country markets to serve, the benefits to provide to the customers in those markets and the way to achieve their satisfaction in attractive contrast to major competitors.

The specific content of a marketing plan will vary depending on the company and the industry it is in. In developing the marketing plan the responsible managers have to additionally consider that varying audiences may be interested in the plan. Accordingly, the content of marketing plans needs to be flexibly presented with differing focus.

The structure of marketing plans may be rather similar across industries and firms. Inside an internationally operating firm marketing plans established by various operational units or close cooperation partners, such as distributors or franchisees, which are faced with different local environments need to be comparable in order to allow the aggregation of data. The following section will discuss *how* marketing plans may need to be adaptable to varying target audiences, what *structure* local marketing plans should have that allow the aggregation of activities and data into an international marketing plan, and how the planning procedure should be *organized* to allow effective and efficient planning.

## Audiences

The preparation of a marketing plan is an exercise that must cause marketing managers involved in whatever part of the planning procedure to examine their basic assumptions, going into all details, since these must be justified to third parties. Hindsight is a quality that many marketing people have in abundance but a marketing plan is designed to eliminate the necessity of hindsight as much as possible. When preparing the international marketing plan managers have to consider which target persons or groups they are addressing.

### Internal audiences

Internal audiences may be the chief executive officer or the board of directors who take the final decisions or the middle management and staff who need to be convinced of the plan's content to properly implement it. When evaluating a plan, controllers, accountants, and finance managers usually look for a payback within a reasonable period. Although this may seem short sighted it must be recognized that financial personnel are risk averse mostly because of external pressures.

Other arguments are often needed to convince colleagues from the marketing, production, or supply areas to switch to a new process, such as competitor and customer pressures that force quality improvement without raising prices, or increasing market share in parallel with increasing the firm's level of environmental protection. There may also be a works council, a supervisory board, or an advisory board that may want to be informed about the marketing plan. Depending on their specific mission they will be more or less interested in figures or details of particular activities.

### External audiences

External audiences for the marketing plan may be capital owners, creditors, private and institutional investors as well as presumptive buyers of the company who are mainly interested in the return on and the risk of their investment.

Shareholders, investors, venture capitalists, and bankers want a marketing plan to contain all information needed by financial analysts to assess the financial consequences of the proposed decisions and planned actions. For them the marketing plan must demonstrate in a rigorous manner that the objectives set are reachable with actions that are commercially viable.

Licensors and licensees, franchisees, potential joint venture and other cooperation partners, by way of contrast, may more strongly focus on the capabilities of their (potential) partner. They are mainly interested in the firm's strengths and weaknesses compared to its major competitors, how the company plans to create or take advantage of market opportunities, and how it plans to fill detected gaps. Finally, national and international subsidizing councils as well as private and public national or international funding institutions may be mainly interested in a sound general concept that promises to provide public benefits.

In any case a marketing plan should be:

- › as short as possible
- › clearly structured
- › consistent
- › convincing.

Some of the persons or groups the marketing plan addresses may be more interested in figures, others may focus on the served markets' potential and the marketing activities of the firm to take advantage of that potential. Again others may focus on how the marketing plan was developed (who participated in the process, what assumptions were taken, or how data were gathered), while another audience may just be interested in the outcomes of the process. In any

case, it is important to obtain agreement from all the parties involved as to the aims and objectives of the plan and to obtain commitment to its contents.

To be considered convincing by people with such differing preoccupations as the ones just described, an international marketing plan must have a flexible structure. It needs to comprise all required information. But it should allow detailed illustration of just the issues that the specific audience is mainly interested in. For that purpose the information needs to be presentable at different degrees of aggregation.

### Structure

Marketing plans are differently conceptualized in the literature. Even institutions like banks, funding organizations, or administrative authorities granting subsidies to firms presenting viable marketing plans, which should have a vital interest in well structured, informative, and plausible marketing plans, have differing requirements and standards concerning those plans.

One explanation for this finding may be that the businesses of companies preparing marketing plans vary greatly in their focus and extent. Small and only locally active firms have rather simply structured marketing plans compared to large, globally operating companies. The more product and country markets a company serves, the more individual marketing plans need to be coordinated and consolidated to produce one single marketing plan for the entire company.

In addition, the legal regulations regarding commercial and tax accounting differ from country to country, making a comparison between marketing plans of various origins difficult. However, for an internationally operating company to optimize the use of its skills and resources across product and country markets, marketing plans established by different organizational units must be able to be equally interpreted. Differences in interpretation of the term "plan" and in the structure of the plan's content have to be overcome for the purpose of making decisions comparable and planned actions based on those decisions acceptable to all persons involved in or concerned by their execution. For that purpose, the following section will suggest a potential structure for local as well as consolidated marketing plans of an internationally operating firm that might be found in the company's international marketing planning manual. An extremely helpful tool is the business plan structure offered by Venture, a joint venture of the Eidgenössische Technische Hochschule, Zurich (ETH) and McKinsey & Company, Switzerland. They offer downloads of fully programmed Excel spreadsheets that the marketer can easily apply.

### Marketing plans of local operating units

Table 17.1 shows an example of the potential structure and content of a marketing plan to be developed by all local operating units of an international marketer serving consumer markets. Such operating units may be subsidiaries, sales offices, or distribution partners in a country market. But the structure suggested in Table 17.1 may also be used by sales managers of an exporting firm who need to prepare a marketing plan for the country market or sales region they are responsible for.

**Preface** The plan starts with a short preface. In this introduction the author(s) of the plan state(s) the reason for presenting the marketing plan, the audience the plan is targeted at, the main assumptions the author(s) had to make (for example, the development of the inflation rate, getting an import license in time, or finding a local supplier), the persons involved in preparing the plan (including a "thank you" to all who cooperated), the time spent, and the decisions the author(s) are expecting.

**TABLE 17.1** Potential structure and content of a local marketing plan

Following the introduction the most essential contents of a marketing plan are summarized. A description of the actual situation constitutes the basis for the formulation of objectives. The activity plan shows how those objectives are to be reached. The budget figures express the expenses for the planned activities and relate them to expected results.

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  - 5.2 Distribution and sales budget
  - 5.3 Market communication budget
  - 5.4 Personnel budget
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**Executive summary** Then the marketing plan summarizes the major results of the analyses undertaken and the conclusions drawn from those results in an executive summary taking no more than a maximum of two pages. The executive summary is the most important part of the marketing plan because people reading the plan tend not to study the rest of the plan if the executive summary is not convincing. Most central decision makers in internationally operating firms suffer from continual information overflow. They are not ready to read more than two pages in order to find out the most important points of a message. As a consequence, marketing managers do not have much room for a lengthy narration. Sentences must be precise and self-explanatory, using an attractive writing style. Furthermore, persuasive headings are needed to gain and keep the audience's attention. They may be also very helpful when the statements made in the executive summary are presented to decision makers with the help of transparencies, slides, or a computer animation.

**Actual situation** In the following material, readers interested in more detail may find information concerning the actual situation of the organizational unit as it developed during the last 3 to 5 years, as well as the development of the served market(s) during the same period.

Set objectives and the degree of their achievement for example, in terms of products sold in the market, average price, number of customers reached, sales per customer, or market share are described as well as development of the firm's local strategic position, applied marketing mix for example, activities set in trade advertising and related budgets, fairs and exhibitions attended, product launches, key account or merchandising activities, and terms of sale, local organizational structure, and activities in personnel development.

Development of costs related to the activities undertaken, local calculation of prices, and the resulting price list are shown together with the financial situation of the operating unit.

The description of the served market(s) may encompass an overview of the development of macro-environmental dimensions relevant to the international marketer's business, such as import regulations, inflation and currency exchange rates, economic climate, improvements in infrastructure, or changes in values dominating the local society. Further, the marketing plan will describe the development of the local industry the company is part of. First, data on the general development are presented, such as market volume compared to market potential, average price of products sold, shares of differently priced product lines, or the average profitability in the industry. Then, more specific information concerning intermediaries, customers, and competitors is added. The structure of potential and served intermediaries, their relationships with major suppliers (share of company products sold compared to competitors' products), and their business behavior may be of particular interest. Regional distribution, purchasing power, buying and consumption patterns, brand or supplier awareness as well as expectations of customers may be described and used to form customer segments. Major competitors are characterized by features such as their size (in sales, employees, market share, and profitability), competitive behavior, the strategic position they have reached, the marketing mix they apply, their cost structure, financial resources, relationships and alliances, or their market specific know-how.

In addition to the description of past developments in the operating and macro-environments that make the reader understand why the actual situation of the local unit is as has been indicated in the marketing plan, the foreseeable development of those environments (up to the planning horizon) is presented. In preparing that outlook into the future of the business, responsible managers will rely on the basic assumptions given by their company's marketing strategy. Short-term figures such as the development of sales, stock, accounts receivable, or liquidity will partly be based on estimations sourced to field experience of staff and partly on forecasts using more or less sophisticated computer models.

**Internal and external developments** Assessment of internal and external developments reveals the strengths and weaknesses of the operational unit at date compared to its strengths and weaknesses at the planning horizon if marketing activities are carried on without changes. It also highlights potential opportunities and threats stemming from the fit between the operational unit's current skills and resources and foreseeable developments in the macro-environment. Based on this assessment gaps can be defined that need to be filled in order to make the operating unit properly contribute to the general marketing objectives stated in the company's or business unit's marketing strategy.

For example, if the marketing strategy of a Japanese manufacturer of industrial transportation systems defines the objective of reaching at least a market share that places the firm in the first three ranks of suppliers in every served market and its European subsidiary serving the automotive industry is in danger of slipping from rank four to rank five in its market, there is an evident need to fill this gap between general objectives and actual development with appropriate measures.

**Marketing objectives** Because the general marketing objectives stated in the marketing strategy and the marketing objectives of the local unit in general do not totally fit in the short run, the marketing objectives of the unit are stated in the marketing plan. Most international marketers find it useful to indicate the local unit's intended strategic position, that is, the customer segments (rank ordered by priority) to be reached during the planning period and the differentiation from competitors to be achieved in those customers' minds; sales and market share objectives by current and new customers, customer segments, and regions; objectives concerning the marketing mix, for example, the objective of increasing market share in a specific customer segment may be supported by the objectives of launching an improved product, increasing distribution intensity, raising the attractiveness of terms of sale to intermediaries, and participating in special target group events; financial objectives, telling the audience what contribution local marketing managers expect to make to the overall profitability of the firm.



Marketing meeting

©Comstock Images/Alamy

**Activities** The following section of the marketing plan contains the activities to be implemented during the planning period in order to reach the set objectives and to monitor their success. In a marketing plan all marketing activities are described in detail. Organizational measures and personnel development needs to ensure marketing success are indicated as well as activities needed to monitor business development.

**Budgets** Finally, the marketing plan presents the costs of planned activities and compares them to expected revenues in detailed budgets.

### ***International marketing planning manual***

To make sure that all managers and distributors of the company who regularly have to establish marketing plans employ the same structure, the same forms and definitions, the central marketing unit in the international marketer's headquarters may be well advised to develop an *international marketing planning manual*. Such manual serves as a guideline for planners. It prescribes the general structure all marketing plans have to follow. The manual contains the forms to be used, and assures easy consolidation of data. This is important for the establishment of a company or business unit international marketing plan.

### **Company or business unit international marketing plan**

Marketing plans of local units must be consolidated to provide the information needed by senior management in order to agree or disagree with what has been planned. Basically, such a consolidated plan follows the same structure as the marketing plans of the subunits. But it provides information on an aggregated level, that is, activities are reported in less detail.

#### **Introduction and executive summary**

As with marketing plans of local units the company or business unit international marketing plan starts with an introduction and an executive summary.

#### **Actual situation**

The description of the actual situation starts with an overview of internal pre-conditions and assumptions that underlie all marketing planning activities (see Table 17.2). First comes a revision of corporate policy and corporate strategy statements as far as they are relevant for marketing decisions and actions, followed by the guidelines for the application of marketing tools stated in the marketing strategy.

An overview of the structure of the firm's or business unit's marketing organization shows to the plan's audiences what functional marketing areas exist, where in the firm's hierarchy they are located, and how they are coordinated by senior management. Regular teams and special taskforces are described as to their purpose, size, and participating members. The same is done for external cooperation partners, such as market research agencies, market communication specialists, new product development or logistics partners.

A flowchart may inform the reader about the sequence of analyses and decisions, the participating organizational units, and the timing of the international marketing decision process. The description of the internal situation continues with marketing achievements of the company or business unit during the reporting period (generally 3 years).

It starts with a comparison of quantitative and qualitative marketing objectives as fixed in the reporting period with the results achieved in the same period. Those results are compared to the objectives stated for the planning period

(for example the coming 3 years). Then, the range of products marketed by the company/business unit is described, indicating their specific features, their target groups, their applications, and major benefits provided to the customers. An overview of current customers is given. For the most important customers name, location, products purchased, and sales are indicated. The other customers are grouped depending on their purchasing volumes. If available, average contribution margins achieved per important customer or customer group when provided will further increase the level of information.

**TABLE 17.2** Description of firm's actual marketing situation

The description of the actual marketing situation includes internal and external information needed to assess the relative strengths and weaknesses of the firm, as well as opportunities and threats it is facing from the macro-environment and to determine strategic gaps to be filled by marketing actions.

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- 1 Actual situation
  - 1.1 Corporate policy and strategies
    - 1.1.1 Corporate policy
      - 1.1.1.1 Corporate mission
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      - 1.1.3.4 Market communication policy
  - 1.1.4 Marketing organization

- 1.2 Marketing achievements
  - 1.2.1 Marketing objectives and results

Objectives	Results				Plan	
	2004	2005	2006	2007	2008	2009
<b>1</b> Quantitative objectives (e.g., sales, market share, ROS, share of new products, customer retention rate, etc.)						
<b>2</b> Qualitative objectives (e.g., reputation, awareness, customer satisfaction, lasting relationships, etc.)						

1.2.2 Range of products/industries/applications

Range of products	Description	Features	Target groups	Applications industries	Benefits

1.2.3 Important customers

Location	Name	Product	Sales 200_

#### 1.2.4 Important suppliers

Location	Name	Product	Value
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#### 1.2.5 Other important stakeholders

Stakeholder group	Interests	Actions	Reactions
-------------------	-----------	---------	-----------

#### 1.2.6 Major investments realized

Type	Purpose	Location	Value
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### 1.3 Development of external environments

#### 1.3.1 Macro-environment

(e.g., political risk, currency exchange rates, legislation, liberalization)

#### 1.3.2 Industry

(e.g., total sales volume, structure of supply, average prices, profit margin, emerging markets, technological innovation)

#### 1.3.3 Customers

(e.g., structure of intermediaries, emerging intermediaries, customer segments, emerging expectations)

#### 1.3.4 Competitors

(e.g., strategic groups, alliances, competitive strategy of major competitors, mergers/acquisitions, new product launches)

#### 1.3.5 Other important stakeholders

(e.g., suppliers, investors, creditors, administrators, media)

### 1.4 Situation assessment

#### 1.4.1 Strengths and weaknesses

#### 1.4.2 Opportunities and threats

#### 1.4.3 Strategic gaps

### 1.5 Internal marketing objectives and budgets

### 1.6 Expected results

A list of important suppliers and other important stakeholders indicating their specific interests concerning the company's business as well as the actions set by the firm and the reactions of the stakeholders further enriches the audience's picture of the actual situation. A description of major investments realized in the marketing area finishes the marketing achievements section of the plan. It may contain information on special activities such as the construction of a new warehouse, the opening of new company owned stores, or the installation of a new marketing information system.

**Development of external environments** The description of the actual situation would not be complete without a presentation of the results of external analyses. The international marketing plan, therefore, contains a section that summarizes information concerning the development of external environments from the marketing plans of the local operating units. Important changes compared to earlier reporting periods and compared to assumptions that were taken for the actual reporting period are specifically highlighted.

### Situation assessment

As a conclusion from reported internal and external developments, in the next section of the plan a situation assessment is given. It determines the strengths and weaknesses of the company or business unit compared to its major competitors, focusing on the success factors in each of the served product markets and in the major country markets or regions. Together with the detected opportunities and threats from the international macro-environment of the business, those strengths and weaknesses provide the basis for an analysis of strategic gaps. The international marketing plan enumerates and illustrates the various areas in which the company needs to improve.

For example, setting different transfer prices to distributors and sales offices may have led to price differences in final customer prices that may be considered an invitation for parallel imports. The lack of an efficient customer information system may have led to differing treatment of the subsidiaries of the same globally active customer, resulting in customer complaints, and pressure on prices. A lack of total quality assurance may have caused defective products to be sent back, increasing costs and harming the firm's reputation. Those gaps must at least be partly filled by marketing activities.

### International marketing objectives and budgets

The illustration of gaps found as a result of the actual situation analysis leads the audiences of the plan back to the objectives formulated for the planning period. The following section of the international marketing plan entitled "International marketing objectives and budgets" particularly emphasizes sales forecasts for the planning period and budgets needed to realize those sales figures (see Table 17.3). It starts with reminding the audiences of the company's or business unit's intended global strategic position. This is the standard of comparison for all activities budgeted in the following. Any budgeted activity needs to make a contribution to reaching this standard.

Sales forecasts for each local product market stored in a databank allow fast and flexible computation of total sales forecasts for products, product lines, international product markets, country markets, regions, industries, or international key accounts. As Table 17.3 illustrates, information can be sorted, filtered, and combined according to the needs of the user. For example, the international sales forecast for a product market can be determined by adding all sales forecasts for the local product markets to be found in the marketing plans of the local operating units. The firm's forecasted total sales are the result of adding up the forecasts for all different product markets. Total sales in a country market can be determined by adding up all sales forecasts for different product markets in that geographic area. For liquidity planning purposes, a forecast of accounts receivable during the planning period is generated. It is based on the sales forecast and the customers paying habits, as far as the marketer knows of those habits.

The presentation of budget figures starts with a general overview. The total marketing budget is given by types of cost, split into their variable and fixed parts. An overview of expected order backlog and development of stock are added. Audiences interested in more details may directly switch to the presentation of product, marketing tool, and marketing administration budgets.

**Product budgets** These contain all activities planned for a specific product or product line, indicating their fixed and variable costs and the country where those activities are set. The information needed to establish those budgets again is compiled from the marketing plans of the local operating units (see Figure 17.5).

**Marketing tools budgets** The same information may be used to establish budgets for each bundle of marketing tools. In the international product management budget, for example, all activities concerning new product development, taking

**TABLE 17.3** Content of "international marketing objectives and budgets"

The objectives and budgets section of an international marketing plan should contain a summary of the intended global strategic position of the firm/business unit, sales forecasts, and budgets.

- 1 Intended global strategic position
  - 1.1 Target markets
    - 1.1.1 Product markets
    - 1.1.2 Country markets
    - 1.1.3 Customer segments
  - 1.2 Major benefits/competitive differentiation
  - 1.3 Technologies
- 2 Sales forecast

2.1 Sales

Year	Product	Country	Rep	Industry	Number of customers	Number of orders	Units	Price per unit	Sales (\$)	Market share
2005	A	U.K.	I	Chemistry	12	14	91			
2006	B	U.K.	II	Steelworks						
2007	D	A	III	Chemistry						
2008	B	F	IV	Food						
2009	E	U.S.	V	Food						
2010	C	NL	IV	Food						
2011										
—	—	—	—	—			—	—	—	

2.2 Accounts receivable

Product	1st quarter 2006 (\$)	2nd quarter 2006 (\$)	3rd quarter 2006 (\$)	4th quarter 2006 (\$)	1st half-year 2007 (\$)	2nd half-year 2007 (\$)
A accounts receivable						
- payments						
+ new accounts receivable						
accounts receivable						
B accounts receivable						
- payment						
+ new accounts receivable						
accounts receivable						
Total accounts receivable						
- payments						
+ new accounts receivable						
accounts receivable						

3 Budgets

3.1 Overview

3.1.1 Total marketing budget

Type of cost	Fixed costs (\$)			Variable costs (\$)		
	2005	2006	2007	2005	2006	2007
Total						

3.1.2 Order backlog/sales/bookings

Product	1st	2nd	3rd	4th	1st	2nd
	quarter	quarter	quarter	quarter	half-year	half-year
	2006	2006	2006	2006	2007	2007
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
A	order backlog					
	sales					
	bookings					
B	order backlog					
	sales					
	bookings					
Total	order backlog					
	sales					
	bookings					
	order backlog					

3.1.3 Development of stock

Product	1st	2nd	3rd	4th	1st	2nd
	quarter	quarter	quarter	quarter	half-year	half-year
	2006	2006	2006	2006	2007	2007
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
A	stock					
	+					
	-					
	new stock					
B	stock					
	+					
	-					
	new stock					
Total	stock					
	+					
	-					
	new stock					

### 3.2 Product budgets

Product A in all countries of the EU, NAFTA, and Latin America

Marketing tool	Decision or action (examples)	Country	Fixed cost (\$)	Variable cost per — (\$)	Total cost (\$)
Product management	Brand (registration and current cost per year)	EU		year	
	Patent (registration and current cost per year)	EU		year	
	New product prototype testing	U.S.		year	
	Packaging (design as fixed cost and price per unit)	EU NAFTA		unit	
	Packaging (design as fixed cost and price per unit)	All countries		unit	
	Warranty	All countries		percentage of sales	
	Service free of charge	Latin America		percentage of sales	
Distribution	Systems/channels				
	Traveling expenses of sales staff	EU NAFTA		percentage of sales or by order	
	Traveling expenses of sales staff	Latin America		percentage of sales or by order	
	Representatives' commission	EU		percentage of sales	
	Representatives' commission	NAFTA		percentage of sales	
	Representatives' commission	Latin America		percentage of sales	
	Training of representatives	All countries			
	Equipment representatives	All countries			
	Sales meetings	All countries			
	Sales office (including rent, furniture, personnel, traveling, stationery, phone, etc.)	U.S.			
	Logistics				
Warehouse	U.S.				
Warehouse	Spain				
Storage fee	Sweden		percentage of sales		

	Transportation (if not considered elsewhere)	NAFTA	
	Transportation (if not considered elsewhere)	Latin America	
	Insurance (if not considered elsewhere)	NAFTA	
		Latin America	
Pricing	Discounts/rebates	EU	percentage of sales
	Discounts/rebates	NAFTA	percentage of sales
	Discounts/rebates	Latin America	percentage of sales
	Action	U.S.	
	Transfer prices	NAFTA	percentage of sales
	Average date of required payment	per country	percentage of sales
	Delcredere	per country	percentage of sales
Marketing communication	Regional radio ad campaign	EU	
	Ads in trade magazines	U.S. Canada	
	Yellow pages	EU per country	
	Yellow pages	NAFTA per country	
	Image brochure	All countries	
	Videotape	All countries	
	Sales manual	per country	
	Press conferences	U.S.	
	Press conferences	Germany	
	Sales promotion activities	France	
	Direct mailing	U.S.	
	Fair	Italy	
	Fair	Brazil	
	Fair	Canada	
	Symposium	U.K.	
	Open house	EU U.S.	
3.3	Marketing tool budgets		
3.3.1	Product management		
3.3.2	Distribution (inc. logistics)		
3.3.3	Pricing		
3.3.4	Market communication		
3.4	Marketing administration budget		
3.4.1	Overheads		
3.4.2	Organizational changes		

3.4.3 Investments/divestments

Type	Purpose	Location	2004 (\$)	2005 (\$)	2006 (\$)	2007 (\$)
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Total

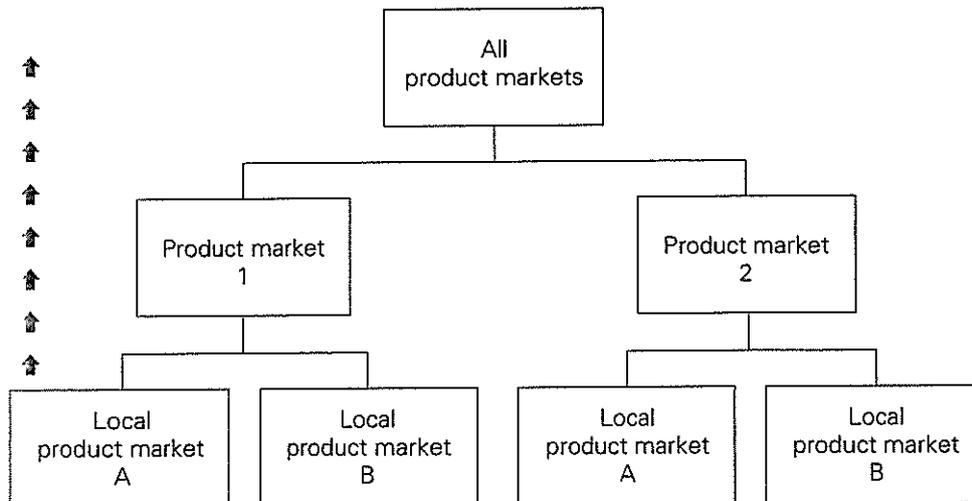
products off the market, finding brand names, registering patents or brands, warranties, pre- and after-sales services across all served country markets are aggregated to consolidated figures for each category of activity.

**Marketing administration budget** The marketing administration budget contains all types of overheads, as well as special budgets needed for changes in marketing organization, such as project budgets for the improvement of the reporting system, the preparation of offers, order handling, or the reorganization of warehouses. A final subsection on special investments or divestments, such as the construction of a new warehouse or the outsourcing of logistics, informs senior decision makers about extraordinary expenses planned for the improvement of the firm's marketing effectiveness and efficiency.

**Expected results**

Having presented the objectives to reach, the activities planned, and the costs of those activities, the international marketing planners need to add an estimation of expected results in order to convince senior decision makers and other interested audiences of how attractive it is to accept or follow their plan. Therefore, a section presenting forecast results based on the previously suggested actions concludes the international marketing plan. By comparing the results to be expected when extrapolating current marketing action with the results forecast for

**FIGURE 17.5** International budgeting hierarchy



Based on budgets of local operating units concerning marketing activities in their served product markets, budgets for international product markets may be established. Adding those budgets up leads to the total marketing budget of the internationally operating firm.

the suggested marketing plan the impact of the plan can be impressively demonstrated. The application of International Accounting Standards and the International Financial Reporting Standards issued by the International Accounting Standards Board is highly recommended for that purpose. In many countries those standards are a must.

The most commonly used tools for demonstrating the expected results are the pro forma profit and loss account (Table 17.4) and the pro forma balance sheet (Table 17.5).

The impact of the proposed marketing plan on the firm's or business unit's cash flow may be analyzed as shown in Table 17.6. Changes in contribution margins of local product markets, country markets, and international product markets may also be forecast. Usually the contribution margin is first estimated for the local product market. If the result is positive, that is, if the activities in this market contribute to covering the costs of the next higher level – the country market – the estimation procedure continues. Similarly, the country market has to contribute to covering the costs of managing the international product market or business unit, and the latter finally has to contribute to covering the overheads of company management.

Finally, the impact of the proposed marketing plan on the break-even point of local and international product markets as well as country markets may be estimated. Besides break-even analysis, to get an impression of the risk involved with implementing the international marketing plan, a kind of sensitivity analysis of the suggested activities to major changes in the operating and macro-environment can be conducted. Instead of presenting just one single result, the planning team should develop two alternatives that consider significantly different developments of those environments. A more optimistic scenario may be considered as well as a more pessimistic one. In times of economic or other difficulties a company is facing, however, marketing planners may be well advised to probe for the impact of two more negative scenarios, for example by simply reducing sales forecasts by 10 and 20%. In fast growing markets, however, it may make sense to develop alternative plans for market growth rates of 30 and 50%. Most importantly, the international marketer must be intellectually prepared for alternative developments to what seems to be the most realistic current assumption.

### Planning procedure

#### **Responsibilities**

In general, marketing or sales managers of local operating units and distribution partners are responsible for preparing and presenting the marketing plans of their organizational units. If the international marketer relies on exports the export market manager(s) will prepare the marketing plans for each country market or region. The top marketing executive in the company's headquarters is responsible for preparing and presenting the consolidated international marketing plan. The marketing planning unit in the company's headquarters may vary due to the firm's portfolio of product and country markets and its organizational structure. Because some companies manage by countries or regions, others by products or product lines, and again others by customer groups, the major perspective of international marketing planning will vary with the organizational focus.

#### **Planning teams**

In establishing their plans marketing managers will need help from other people from inside and outside the company. For example, the salespeople of a country or region will plan their sales figures and distribution activities. The managers responsible for different tools of market communication will plan their events, advertising campaigns, sponsoring, or public relations activities. Because of the

complexity of the planning task, which needs information input and know-how from all across the company's functional areas, inter-functional planning teams may help to assure that all aspects of the planning task are appropriately considered. Under the leadership of the responsible marketing manager at least in certain steps of the planning process (such as the establishment of the profit and loss account) or when preparing certain sections of the marketing plan (for example, the personnel development section) specialists from the functional areas concerned need to be involved. Production, controlling, personnel, procurement, logistics, research and development, or finance managers may contribute their information for pricing, personnel development, or new product development decisions. In addition to the know-how and information those people may provide to increase the quality of marketing planning, the participation of those people in the planning process strongly contributes to its implementation. Culture box 17.1 gives an impression of what problems may arise in intercultural planning teams, but also how much teamwork may contribute to improved planning results and adherence of team members to the decided course of action.

As with any project carried out by a team, it is important to brief the participants in the planning process as to the basic requirements of the plan and to agree on deadlines for the contributors. The team leader may go through the objectives and policies stated in the company's or business unit's marketing

**TABLE 17.4** *Pro forma profit and loss account*

Income and expenditures	\$*	**	\$*	**
	2006	2006	2007	2007
Sales income				
Cost of goods				
Gross profit				
Expenditure				
Administration				
Rent and rates				
Product management				
Distribution				
Pricing				
Market communication				
Overheads				
Depreciation				
Interest				
Total expenditure				
PBIT (profit before interest and tax)				
Taxation				
Profit after tax				
Gross % (gross profit divided by sales income)				
Total expenditure % (total expenditure divided by sales income)				
ROI % (return on investment)				
Gearing %				

The pro forma profit and loss account compares incomes and expenditures when marketing action is kept unchanged with incomes and expenditures when the suggested marketing plan is implemented.

\* Result when keeping current action unchanged

\*\* Result when implementing the marketing plan

Source: Adapted from Office for Official Publications of the European Union, Directorate-General XIII (1994) "Preparing a technology business plan", EU: Luxembourg

**TABLE 17.5** Pro forma balance sheet

The pro forma balance sheet compares assets and liabilities when marketing action is kept unchanged with assets and liabilities when the suggested marketing plan is implemented.

Assets and liabilities		\$*	**	\$*	**
		2006	2006	2007	2007
<b>Assets</b>					
A	Called-up share capital not paid				
B	Fixed assets				
I	Intangible assets				
	1 Development costs				
	2 Concessions, patents, licenses, trademarks				
	3 Similar rights and assets				
	4 Goodwill				
	5 Payments on account				
II	Tangible assets				
	1 Land and buildings				
	2 Plant and machinery				
	3 Fixtures, fittings, tools, and equipment				
	4 Payments on account				
	5 Assets in course of construction				
III	Investments				
	1 Shares in group companies				
	2 Loans to group companies				
	3 Shares in related companies				
	4 Loans to related companies				
	5 Other investments other than loans				
	6 Other loans				
	7 Own shares				
C	Current assets				
I	Stocks				
	1 Raw materials and consumables				
	2 Work in progress				
	3 Finished goods and goods for resale				
	4 Payments on account				
II	Debtors				
	1 Trade debtors				
	2 Amounts owed group companies				
	3 Amounts owed by related companies				
	4 Other debtors				
	5 Called-up share capital not paid				
	6 Prepayments and accrued income				
III	Investments				
	1 Shares in group companies				
	2 Own shares				
	3 Other investments				
IV	Cash at bank and in hand				
D	Prepayments and accrued income				
<b>Liabilities</b>					
A	Capital and reserves				
I	Called-up share capital				
II	Share premium account				
III	Revaluation reserve				

- IV Other reserves
  - 1 Capital redemption reserve
  - 2 Reserve for own shares
  - 3 Reserves provided for by the articles of association
  - 4 Other reserves
- V Profit and loss account
- B Provisions for liabilities and charges
  - 1 Pensions and similar obligations
  - 2 Taxation, including deferred taxation
  - 3 Other provisions
- C Creditors
  - 1 Debenture loans
  - 2 Bank loans and overdrafts
  - 3 Payments received on account
  - 4 Trade creditors
  - 5 Bills of exchange payable
  - 6 Amounts owed to group companies
  - 7 Amounts owed to related companies
  - 8 Other creditors including taxation and social security
  - 9 Accruals and deferred income
- D Accruals and deferred income

\* Result when keeping current action unchanged

\*\* Result when implementing the marketing plan

strategy. The basic assumptions concerning the development of the macro-environment and the industry may be discussed with the goal to create some basic shared understanding of what the major issues are that need to be tackled, and what the major objectives are that should be reached. This technique known as "pre-briefing" takes some additional time to get planning activities started. But it has enormous benefits later on resulting in fewer criticisms and internal politics that otherwise might sink a marketing plan at a first presentation.

### Updates

Preparing the marketing plan starts where the strategic part of the international marketing decision process ends. The principal results of this decision process – for example, which country markets to serve with which kind of product through which market-entry mode – may be valid for some longer term. They represent the basis from which the more short-term-oriented marketing plan is developed. Because the activities contained in the marketing plan and the figures related to those activities are planned in great detail they are subject to change. Consequently, at least a yearly update of the marketing plan is required. Planned activities and figures must be reviewed at least quarterly in the light of actual developments in all environments of the company. Future issues box 17.1 gives an impression of how much advances in information technology will speed up the rhythm of plan reviews in the coming years. Any discrepancies between the original assumptions and the recorded development, which result in performance figures that deviate from expectations, must be accounted for and the assumptions modified if necessary.

Any of the revisions of marketing plans where inputs like sales, prices, costs, or currency exchange rates may change should have a mid-range planning horizon. The horizon will vary with the company's business domain, but in most cases it is between 2 and 5 years. That is, activities and figures should not only

**TABLE 17.6** Cash flow forecast

The cash flow forecast compares cash flows when marketing action is kept unchanged with cash flows when the suggested marketing plan is implemented.

Cash flows	\$*	**	\$*	**
	2006	2006	2007	2007
Cash inflows				
Sales				
Capital				
Loans				
Total inflow				
Cash outflows				
Machinery				
Raw material				
Labor				
Rent				
Rates				
Distribution related expenditures				
Market communication				
General overheads				
Administration overheads				
Loan interest				
Total inflow				
Balance brought forward				
Balance carried forward				

\* Result when keeping current action unchanged

\*\* Result when implementing the marketing plan

Source: Adapted from Office for Official Publications of the European Union, Directorate-General XIII (1994) "Preparing a technology business plan," EU: Luxembourg

be adjusted for the actual planning period, which, in most cases, extends across 1 year from the point in time of the plan revision. Forecasts for the subsequent periods must also be adjusted in line with the revised assumptions. At least the central figures in the profit and loss account as well as in the pro forma balance sheet for the next 2 to 5 years need to be adjusted. This way the company and its subunits will have rolling marketing plans that are responsive to changes in the business environment.

## CULTURE BOX 17.1

### Mercedes made in Alabama

Possessing nothing but the proverbial blank sheet of paper, Andreas Renschler, CEO of the Alabama factory of Stuttgart, Germany-based Daimler-Chrysler, set out to "create" his factory in 1993. He very deliberately pieced together a team that included U.S. executives with Detroit auto experience, along with a couple who had worked for Japanese transplants in North America. He drafted a perfectly balanced ticket: Four Germans, four Americans at management's top tier. The plan was to plumb the assembled U.S. automotive talent for fresh insights about how to run a factory. Those with Japanese transplant experience, he hoped, could provide pointers on how a foreign automaker might best go about setting up shop in the U.S.

But the members of the management team hailed from very different manufacturing traditions and possessed vastly different ideas about how to do things. They all spoke different languages – GM-ese, Nissan-ese, Mercedes-ese, as it were. Questions such as how to configure the assembly line set off fierce debates. Progress would probably never have been possible had it not been for one of the headquarters' infrequent directives – a very rigid timeframe that was in place from day one. Thus, the team had no choice but to fight until it came up with blueprints for a factory and plans for hiring a workforce. Despite all the cultural differences, the Vance, Alabama, factory has proven to be a success. The design, a sleek E-shape with interconnected shops, has turned out especially efficient.

Source: Adapted from Martin, J. (1997) "Mercedes: made in Alabama", *Fortune*, 7 July, pp. 150–58

The fast development of information technology will have a major impact on the development and update of future marketing plans.

The marketing plan of the future will probably be:

"instant". Inputs will be made at the customer's office and transferred immediately. All new data at the factory, like change in stock, price increase of a supplier etc. will be instantly considered by the system. This will offer up-to-the-second information to all relevant people inside and outside the company at any given time.

"online". All data will be collected, computed, and saved at one location, that is the server or network of the marketer's company. As a consequence all relevant people have the same level of information and there is no time lag. Their notebooks will work as terminals.

"continually rolling". All changes will be considered instantly. This way the marketing plan is kept permanently up to date and adapted

to new facts, for instance, changes in the macro-environment.

"independent of the location". The next generation of cell phones will offer worldwide use of telephone networks across the globe directly via satellite, putting international marketers in the position of having access to their "home" databank day and night.

"standardized". Software has been and will be developed that, on the one hand, takes into account all features telecommunication systems and high-end hardware – like dictating directly into a machine – offer and, on the other hand, uses standardized protocols for data transfer like the United Nations' EDIFACT.

"using more and more external data". Data available in the world wide web concerning the macro-environment, industries, intermediaries, potential customers, competitors, and other important stakeholders may be automatically considered by the computer system by executing updating routines.

Source: Based on Negroponce, N. (1995) *Being Digital*, London: Coronet Books; results of presentations and discussions at European Forum Alpbach, 1995 and 1996, Alpbach, Austria

## Summary

The primary objective in preparing an international business plan is to set out a convincing case to secure internal and external financing for the startup, expansion, or continuation of an international business. The business plan must demonstrate in a rigorous manner the commercial viability of the proposed actions. The plan should cover all aspects of the business: from the corporate mission, to the corporate strategy, business unit and functional area strategies, right down to functional area plans.

*Marketing orientation and marketing analyses* may have a significant impact on the formulation of corporate philosophy and corporate strategy. They influence the basic approach of a company's management to their business and lead their decision-making processes in a way to start from the determination of attractive markets. The influence of marketing orientation and marketing technology leads market choice as well as competitive strategy decisions to be taken based on the skills and resources needed to successfully serve the most attractive markets.

*Marketing strategy and plan* are the core parts of an international business plan. They encompass the results of analyses, decisions, guidelines, and actions that are based on the basic strategic decisions of senior management and have been discussed in detail throughout this book. Marketing plans should have a flexible structure, comprising all required information, but a different degree of consolidation of each section depending on the audience they are presented to. In any case, a marketing plan should be:

- › as short as possible
- › clearly structured
- › consistent
- › convincing.

The international marketing plan usually is based on marketing plans of local operating units or of managers who are responsible for certain international sales areas. All marketing plans should comprise:

- › a preface or introduction
- › an executive summary
- › a description of the actual position of the firm
- › results from an analysis of the external environments relevant to the company's business.

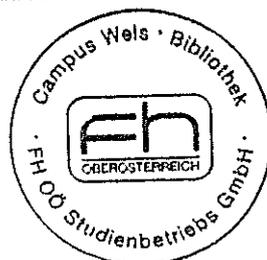
This analytical part of the plan is concluded by the determination of the firm's relative marketing strengths and weaknesses, opportunities and threats it is facing from being more or less well adapted to developments in the macro-environment, and strategic gaps that need to be filled in order to keep or make the company successful. Based on that information, marketing planners have to specify marketing objectives for the planning period. Those objectives will be derived from more general objectives stated in the corporate, business unit, and marketing strategy statements. All marketing activities proposed in the following section of the plan have to contribute to reaching the set goals.

The higher the level of plan aggregation the more abstract the content of the plan becomes. That is, marketing plans of locally responsible units describe all planned activities in some detail, whereas the company's or a business unit's international marketing plan mainly contains budget figures that stand for the planned activities.

To convincingly present the proposed marketing actions the marketing plan needs finally to demonstrate how much better off the company will be when it implements the plan. For that purpose, result forecasts for an unchanged course of action are compared to result estimates under the condition that the proposed marketing plan is implemented.

Pro forma profit and loss statements, pro forma balance sheets, cash flow projections, contribution margin estimates, and break-even analyses under both conditions serve the purpose of comparison. An analysis of the sensitivity of those forecast results to changes in the assumed environment helps the final decision makers to get an impression of the risks involved with their decision.

What the real outcomes of international marketing strategies and plans will be nobody can know exactly beforehand. The success of an international marketer will depend not only on the perfection of its analyses, the professionalism of the conclusions drawn, and the motivation of all people involved in the implementation of plans. The marketer will also need a substantial amount of *luck* to become and stay a major player in the international business arena.



## DISCUSSION QUESTIONS

1. Why does the international marketing decision process have different hierarchical levels? Explain by using the example of a company you are familiar with.
2. Find the example of two corporate policies on the internet and compare them concerning the visible influence of marketing orientation on their formulation.
3. To what extent does marketing influence the development of a corporate strategy? Find examples for the points you make.
4. Ask a local marketing or sales manager of an internationally operating firm to show you the table of contents of the marketing plan they have to prepare. How does it compare to what was discussed in this chapter?
5. What audiences may be interested in the international marketing plan of a firm? What are they particularly interested in?
6. Along what dimensions should international marketing planning information be structured to be flexibly usable for various audiences?
7. Describe the steps in the process of development of an international marketing plan. Who should be involved in the planning team at what stage?

## ADDITIONAL READINGS

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### Useful internet links

Daimler-Chrysler	<a href="http://www.daimlerchrysler.com/">http://www.daimlerchrysler.com/</a>
The Economist	<a href="http://www.economist.com/">http://www.economist.com/</a>
EDIFACT	<a href="http://www.unece.org/trade/untdid/">http://www.unece.org/trade/untdid/</a>
ETH Zurich	<a href="http://www.ethz.ch/index_EN">http://www.ethz.ch/index_EN</a>
Firestone	<a href="http://www.bridgestone-firestone.com/">http://www.bridgestone-firestone.com/</a>
Fortune	<a href="http://www.fortune.com/">http://www.fortune.com/</a>
Goodyear	<a href="http://www.goodyear.com/">http://www.goodyear.com/</a>
HP Invent	<a href="http://www.hp.com/">http://www.hp.com/</a>
International Accounting Standards Board	<a href="http://www.iasplus.com/index.htm">http://www.iasplus.com/index.htm</a>
J.R. Reynolds	<a href="http://www.rjrt.com/">http://www.rjrt.com/</a>
The Lancet	<a href="http://www.thelancet.com/">http://www.thelancet.com/</a>
McKinsey & Company, Switzerland	<a href="http://www.mckinsey.ch/">http://www.mckinsey.ch/</a>
Michelin	<a href="http://www.michelin.com/">http://www.michelin.com/</a>
Pirelli	<a href="http://www.pirelli.com/en_42/tyres/tyres.jhtml?s1=4400002&amp;s2=4400004">http://www.pirelli.com/en_42/tyres/tyres.jhtml?s1=4400002&amp;s2=4400004</a>
Venture	<a href="http://www.venture.ch/service_downloads_d.asp">http://www.venture.ch/service_downloads_d.asp</a>