Linking Marketing Plans to the Balanced Scorecard

By Edward A. Barrows Jr., Lecturer, Babson and Boston colleges, and former Vice President, Palladium Group, Inc.; and Malcolm McDonald, Professor Emeritus of Marketing, Cranfield School of Management

Oddly, many users of the BSC have not taken advantage of its alignment capabilities to link the marketing process to organizational strategy. Here, strategy coach Ed Barrows teams up with Malcolm McDonald, one of the world's preeminent authorities on marketing strategy, to demonstrate how to create a Balanced Scorecard–driven (and strategy-focused) marketing planning process.

Over the past 15 years, the Balanced Scorecard has evolved from a simple performance management tool to an integrated, organization-wide management system. In this system, known as the Kaplan/Norton Execution Premium Process (XPP), the full range of management activities—from strategy development and operational planning to corporate governance—is sequenced into one comprehensive system. A critical element of any management system is marketing. As renowned management thinker Peter Drucker once noted, the purpose of any business can be encapsulated in two basic activities: innovation and marketing. Yet the Plan Operations stage of the six-step XPP model, which includes key process improvement, sales planning, resource capacity planning, and budgeting, does not explicitly mention the marketing process.

It's important to establish a link between the marketing process and strategy. Coupling the central tools of the management system—the strategy map and Balanced Scorecard—to the primary tool of the marketing planning process—the marketing plan—helps ensure that this essential business activity is aligned with organizational strategy.

What Is Marketing?

Many people understand marketing to be the strategic component of the sales process. A more fundamental definition of marketing is matching the company's capabilities with the wants of its selected customers.[1] Although conceptually straightforward, this is often difficult to accomplish in practice. Just ask the team that paved the way for the introduction of New Coke in 1985. Considered by many to be one of the worst marketing disasters of all time, the New Coke campaign not only left consumers feeling flat but it also forced the company to revert to its old Coke formula after spending millions of dollars on the failed effort. Clearly, it can be costly to develop and promote products or extend a brand, and there is no guarantee—regardless of the amount of money spent—that the messages a company communicates will be received, let alone that the product will be hailed for meeting customer desires. We believe a more formal, process-based definition of marketing is warranted, one that can be used to guide the marketing planning process itself.

The marketing planning process consists of six steps: (1) defining the organization's markets (segmentation); (2) quantifying the needs of each customer segment; (3) determining the value proposition for each segment; (4) developing marketing objectives and measures to communicate these value propositions to all employees who are involved in fulfilling them; (5) implementing marketing initiatives to deliver on those objectives; and (6) monitoring the value delivered to customers through marketing plan performance reviews.[2]

By progressing through each of these six steps, an organization can establish a comprehensive marketing planning process, and ultimately a marketing plan, that is aligned with the strategy. (See *Figure 1*.) The obvious starting point in this process, then, is the strategy map.

Defining Markets, Customer Segments, and Value Propositions

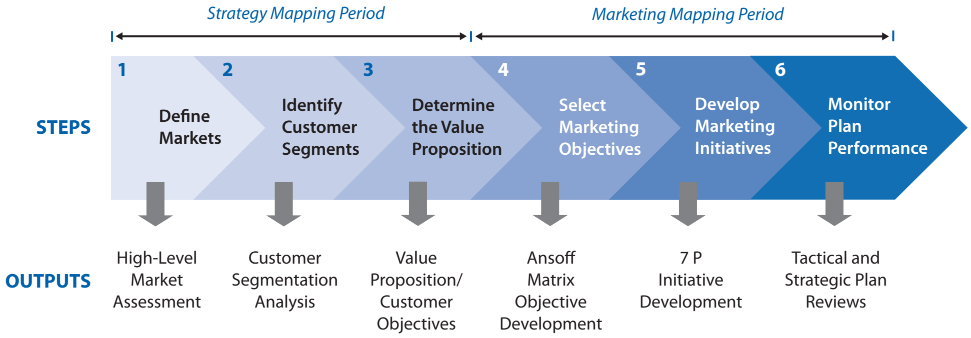
(Steps 1–3)

No effective marketing plan can be created in isolation; it must take its cue from the overall corporate or business unit strategy. Therefore, in the XPP model, the strategy map is the logical point of departure for creating a marketing planning process. The strategy formulation process highlighted in stage 1 of the XPP model (Develop the Strategy) identifies steps 1 through 3, but we'll recap some of the pertinent activities here.

As part of the strategy development process—or the entire strategic planning process, for that matter (from development to review)—markets need to be defined and targeted at a high level. Consider Crown Castle, a leading global provider of shared wireless communications and broadcast infrastructure. In 2001, the company decided to embark on a new strategy. Overall, its market was global, and the company broadly identified its market segments as wireless operators and broadcasters. (At the time, the industry was mature; the company did not anticipate new entrants and thus saw no need to segment any further.)

Segmentation, of course, can be accomplished at varying levels to precisely target products or services. At a high level of

Figure 1. The Marketing Planning Process: Steps and Outputs



The strategy mapping period (here, steps 1 through 3) is the natural starting point for the marketing planning process—and the optimal way to align marketing planning with strategy.

strategy making, demographics, socioeconomics, and the like can be useful. Real competitive advantage, however, comes only through needs-based segmentation at a lower level of granularity. Simply put, the better job an organization does in segmenting its market, the easier it is for it to craft a compelling value proposition to meet each segment's specific needs.

Once customer segments are identified, a value proposition is developed for each one. An organization's overall value proposition—the centerpiece of its strategy—addresses the following eight factors: price, quality, availability, selection, functionality, service, partnership, and brand (image). These factors should appear in the customer perspective of the strategy map. In its strategy map, for example, Crown Castle's customer perspective showed relationship, availability (i.e., speed to market), price, quality, and adherence to regulatory requirements.

Using this approach to define the value proposition for each customer segment lends consistency and completeness to the strategy development process. Further, when articulated in the form of customer objectives, the value proposition provides a useful gauge with which both marketing and overall business performance can be evaluated. In other words, a sound strategy development process will provide the necessary input for the marketing planning process.

Developing Marketing Objectives and Measures, Creating Marketing Initiatives, and Reviewing Marketing Plan Performance
(Steps 4–6)

With strategic issues defined, the next step in the marketing planning process is developing marketing objectives. Marketing objectives identify what the organization sells (its products and services) and to whom it sells them (its markets and segments). As strategy map objectives do for the strategy, marketing plan objectives not only guide the development of measures to track performance, but they also help identify marketing strategies to achieve the plan. (For the sake of consistency with Balanced Scorecard terminology, we'll refer to marketing strategies as "marketing initiatives.")

The Ansoff Product-Market Growth Matrix is a useful framework for developing marketing objectives. First conceived in the 1960s by strategic management expert Igor Ansoff, the matrix identifies the two dimensions that constitute all marketing—products and markets—and the two variables defining them—"new" or "existing."[3] The resulting four quadrants represent every possible permutation: market penetration (existing product/new market), product development (new product/new market), market extension (existing product/existing market), and diversification (new product/existing market). Organizations can populate this matrix to develop objectives, starting either with product or markets. Whether you have 1, 10, or 100 products, you can devise and analyze marketing objectives for every product and market based on this matrix. Ricoh Americas, the document imaging company, used the Ansoff matrix in 2005 in its Mid-Term Plan (strategic planning process phase) to help identify ways to drive growth. (See *Figure 2,* next page.)

To add clarity, each of these four objectives can be broken into subobjectives. For instance, as a subobjective of "Provide consultative office productivity services," Ricoh might note "identify industries most in need of consultative office productivity services." Note that even though some dimensions can have more than one objective, not every dimension will necessarily have an objective. Each objective can be prioritized, as well, to help focus the marketing effort. Remember, the marketing planning process is not the same thing as cascading a strategy map to the marketing function. So there is no need to limit the number of objectives, as is the case with the strategy map. Nor is it necessary to create a strategy map for every marketing plan. A strategy map typically is created for the marketing function (thereby linking overall process with strategy), and not for the marketing plan itself.

After you've established objectives for the specific marketing plan, you must create performance measures. Given that the objectives are derived from product or service expansion, many of the measures will be financial. Those not directly related to financial performance may be measures that lend themselves to financial quantification—measuring, for example, volume increase or share growth. It's important to remember that the purpose of marketing planning (the overall process as well marketing plans) is to orient the marketing activities and resources of the organization toward driving product sales and profitability. Certainly the organization may identify non-financial marketing objectives (such as brand development), but the primary purpose of the marketing plan is to drive quantifiable business performance. With that in mind, measures for the objectives in the Ricoh example might include "Percent market share of color copiers and multifunctional products" (for the objective "Drive existing product sales through new dealers") and "Number of new alliance products offered" (for the objective "Fill gaps in the product line through key alliances").

Marketers sometimes refer to their actions as strategies (or, in the BSC lexicon, initiatives). Marketing initiatives represent the company's best opinion of how it can profitability apply its skills and resources to the marketplace.[4] In other words, marketing initiatives, like any BSC initiative, are projects that advance the organization's strategy—in this case, in the marketing area.

Marketing initiatives are oriented toward the traditional mix of criteria known as the four Ps: product, price, place, and promotion (subsequently evolved to seven Ps with the addition of people, physical evidence, and process). Broadly speaking, marketing initiatives should stipulate such things as policies and procedures related to product and service offerings, pricing levels, advertising, sales promotion, customer service levels, and communication activities with customers.[5]

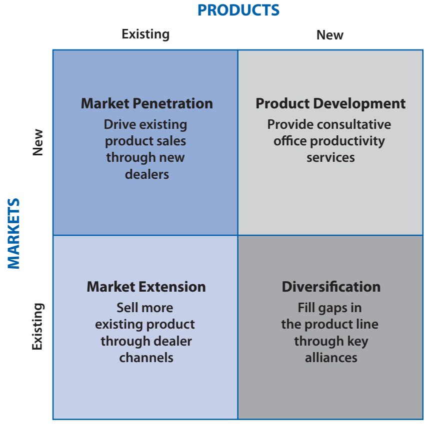
Every marketing initiative should be captured and tracked through an initiative template. Each template should specify the initiative name, its description, the objective(s) it supports, the measures of success it is intended to drive, and the Ps that it affects. It should also list the initiative milestones, the budget, a timetable, and accountabilities.

The final step in the marketing planning process is to conduct marketing plan performance reviews. Most organizations hold two types of reviews: tactical reviews and strategic reviews. The tactical review is ongoing, generally a weekly progress evaluation to ensure initiatives are on track. At the strategic review, a monthly meeting, initiative owners and marketing functional-area heads evaluate whether the marketing objectives are being met.

Tying It All Together

Like strategy, marketing plan development is a dynamic process built on the test-and-adapt principles intrinsic to the Kaplan/Norton strategy execution system. Thus, the plan must be revisited and refreshed over time. Moreover, the marketing function and marketing planning operate most effectively when they use the same taxonomy. Yet many organizations, after completing their strategy map and Balanced Scorecard, still struggle with translating their strategic objectives

Figure 2. The Ansoff Matrix, with Sample Ricoh Objectives



Ricoh used the matrix to identify ways to drive growth.

and measures into a meaningful, actionable set of marketing plan objectives and measures. These six steps, along with the specific techniques we've described, provide a simple yet powerful way to develop an effective marketing plan that links directly with the strategy. We propose that organizations take full advantage of the high-level marketing direction provided by the basic strategy development process—and use it as the starting point for their marketing planning process.

A Balanced Scorecard–driven approach to marketing plan development can help you define a seamless, integrated set of marketing activities that will support and align with your business strategy as thoroughly as possible. ■

1. Adapted from Malcolm McDonald, *Marketing Plans: How to Prepare Them, How to Use Them* (5th edition, Butterworth Heinemann, 2002).

2. Ibid.

3. The Ansoff matrix was introduced in Ansoff's 1957 *Harvard Business Review* article "Strategies for Diversification."

4. McDonald, *Marketing Plans*.

5. Ibid.

Professor Malcolm McDonald is one of the world's leading authorities on marketing and marketing planning. Until recently, he was professor of marketing and deputy director, Cranfield School of Management. Author of more than 40 books and 100 articles, McDonald is a former marketing director of Canada Dry.

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