



Four Simple Steps to a Smarter Marketing Plan

By Barbara Reed and Bill Singleton

Where are you going next year? What direction will your business take? Warren Buffet once said "In the business world, the rearview mirror is always clearer than the windshield." When it comes to strategic marketing planning, Mr. Buffet couldn't be more on target. Before you sit down to put together next year's strategic marketing plan and budget, take a look back at where you have been and what you have accomplished.

You don't necessarily need a high-powered CRM system, marketing dashboard, a team of data analysts and lots of spreadsheets and fancy slides to plot your course. Obviously, the more data and analysis tools you have, the better. But at the most basic level, what you really need is the information you already have about your business that will tell you where you have been this year and a few simple calculations to guide you on your way. There are four steps to take that will help you look behind and clearly see where you need to go.

First, assemble your records for the last twelve months of business. It is important to find out about your customers. How many customers you have had: how many old ones, new ones and ones you lost. Similarly, you need to learn how much you spent retaining the old customers, acquiring the new ones and how much in sales you got from each type. Start by gathering everything you can find about your customers, the sales and expenses from your accounting software and the orders, shipments and returns from your order entry system. Some accounting and mail order management packages have utilities to let you summarize the information by customer or vendor. Or, you might find it easier to export the records to a spreadsheet to summarize them. The main idea at this stage is to locate all of your records and put them into a usable form.

The second step has two main tasks. The first task is to summarize all the records you have found. Use the 'report by customer' function in your accounting software or the subtotal function in your spreadsheet package to roll up each customer's transactions to a single customer record. Then you can count how many customers you have had. If you sort them by the date of their first purchase you will be able to group them into 'old' customers who first bought from you more than a year ago and 'new' customers who first bought in the last twelve months. Then take the 'old' group and sort them by their most recent purchase date. If their last purchase was within the last twelve months they are 'old' and 'retained.' The 'old' customers whose most recent purchase is more than twelve months ago are 'old' and 'lost.'

The second task is to add up everything you spent on marketing, advertising and promotions. Include every expense including items like signs for your trucks and cars, telephone directory listings and promotional items. All of these are your costs of getting and keeping your customers. If you have had different channels of communication with your old customers than with newer ones then split those out. If you have segmented your marketing to different target audiences or for different company divisions or product lines, split those out as well. Now, put the customer numbers with your expenses and you should have something similar to the table below.

	12 Mo Ending Aug 2009	12 Mo Ending Aug 2010	Difference
Total Sales	\$360,000	\$396,000	10.0%
Total Customers	2,400	2,640	10.0%
Total Orders	4,800	5,280	
Orders/Customer	2.00	2.00	
Average Order	\$75	\$75	
New Customers	480	528	
Lost Customers	240	264	
Total Marketing	\$10,000	\$15,000	50.0%



The third step is to analyze and understand how to apply this data to the planning process. For example:

- You have kept the number of your customers growing at the same rate as your sales. This means that your customers' average order sizes have stayed the same. What marketing tactics can you use to increase the average order size? If growth in order size is not relevant, you will need a plan to acquire more new customers to achieve growth.
- Your customers' sales cycle, two orders a year, has also stayed the same. How can you influence the sales cycle? Are your messaging and sales tools geared to this cycle?
- Your marketing expenses have gone up 50 percent but you did not get 50 percent growth in your customers. Which marketing tactics have given you the best return on your investment and how should your marketing plan for 2011 change?

The fourth step is deciding whether you are going to just react to your customers or if you want to develop a strategy to serve them better and also help direct their buying behavior. It you want to guide your performance and ensure your marketing supports your business plan, you have more analysis to do. You can use this data to determine if your sales cycles are changing. If so, are your direct marketing and e-mail campaigns geared to this changing sales cycle? Does your sales collateral still support the steps within the sales cycle with meaningful messaging that moves the prospect to action? Looking at the bigger picture, changing buying behavior and sales cycles may mean that your customer's needs have changed. Have you changed your business practices, product mix, pricing, etc. to meet these changing needs? Take a look at your messaging and value proposition to make sure that it still has meaning to your prospects and customers, speaks to their needs and communicates real value.

"The impact of taking these proactive steps can be huge."

The impact of taking these proactive steps can be huge. Use your tracking spreadsheet to project what a small increase in customer growth or average order size can mean to your total sales and you'll start to see how small changes in your marketing, pricing, product mix and messaging might pay off.

For those of you who are having difficulty even imagining putting all this information together and analyzing it, don't despair! You've just set an important goal for your organization for next year – to track and analyze your sales results and marketing investment against your business goals. Begin by building a mindset toward data capture and analysis, more closely tying your marketing initiatives to your business objectives and measuring the results. You will be able to utilize this information to build a more strategic marketing plan – one that directly supports your business goals, gives you the best return on dollars spent, and provides a simple, smart foundation for future planning and growth.

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