



# Seeds . . .

Issue Number 8

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*Welcome to the eighth issue of Seeds.... As we have previously stated, Seeds... is designed to touch all aspects of the marketing discipline in hopes that some ideas might be planted and, with nourishment, will grow to become a sturdy tree.*

*The subject of this issue has been requested by many clients and is the foundation to business planning or marketing planning. It offers you a format or rationale to use when conducting a Situation Audit of your current position in the marketplace and can serve as the basis to evaluate areas where you might strengthen your overall position.*

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## The Business Planning Process

Many firms today have very sophisticated systems in place to chart their course and regularly monitor performance. Over the years, we have observed many such processes and participated in many of them as well. We would like to suggest that all the better processes we have seen start with customer requirements and work backward from them. Ultimately, each marketer attempts to create an advantage that a competitor cannot duplicate. If you are looking for an example of a model to use, we suggest you benchmark Emerson Electric Company, which we believe has an exceptional process in place that has produced enormous dividends over the years.

In companies across America, the term “Strategic Planning” has fallen from favor, largely because those companies did not have a process in place to organize their best thinking about customer requirements. Also lacking was a strategy to adequately respond to meeting or exceeding those customer requirements.

We suggest that an excellent place to begin is by conducting one or more Situation Audits which will produce a consensus of opinion on who does what next in managing the product line, the market, the business, etc. It should also produce the desired changes required to meet the critical objectives that the planning process has identified. Let us now look at how you might organize and conduct a Situation Audit.

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## Situation Audit

An important first step in the business planning process is to produce an accurate picture of the marketing reality that your business faces. A Situation Audit is designed to accomplish this goal with a focused discussion and analysis of your current position.

This organized open discussion with participants to share information and opinions enables participants to eventually form conclusions. The session, usually one or two days in length, should be facilitated by an internal member of your marketing team. The product of your time together should be a management report summarizing all critical information and prioritizing business development opportunities.

The subject matter of the audit would address an analysis of your current position and the attractiveness of the markets that you serve. Customer requirements and areas of competitive advantage would be clearly identified by each participant. The final component, areas to correct and/or build on, is the analysis where creative thought might produce breakthrough initiatives.

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# Situation Audit - *continued*

An outline of the major areas of a Situation Audit follows below:

## **ELEMENTS OF A SITUATION AUDIT**

### A. Current Position of the Business

- Business definition
- Product segmentation
- Market segmentation
- Revenues by product/market segment
- Trends

### B. Market Attractiveness

- Growth by segments
- Profitability by customer segments
- Competitive positions within each segment
- Channel analysis
- Price bands
- Costs to serve

### C. Customers and Competition

- Selling processes
- Critical customer requirements
- Specification/supplier selection processes
- Pricing tactics
- Product/market strategies
- Strengths/weaknesses of competitors
- Competitive advantages/disadvantages

### D. Areas to Correct and/or Build On

- Strengths/weaknesses
- Assumptions on key external issues
- Threats, problems, opportunities
- Strategies
- Competitive advantage

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# Situation Audit - *continued*

## CRITICAL QUESTIONS THAT WILL BE ADDRESSED

- How do you define your primary business?
- What is your competitive advantage?
- What markets do you serve?
- What key issues do you face?
- What value do you provide your customers?
- What are the obstacles that might impede your progress?
- How competitive is your business?
- What decisions, if any, can you make with the information you currently have?
- What are your critical customer requirements?
- What additional information do you need? How will you obtain it?
- How do you evaluate your performance?
- What areas exist where no supplier has met customer expectations?
- What is your strategy?
- What areas need to be strengthened or fixed in your current position?
- How attractive is your industry to new entrants and competition?
- How might competition respond to your initiatives?
- Which market segments are less price sensitive, and why?
- What new product or service opportunities exist, and in which segments?

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## Benefits of a Situation Audit

After a group close to both the customer and the market dynamics has had an organized, highly structured discussion to determine the reality of a current product line and market segment; the marketing objectives, strategies and detailed action plans can be built on a sound foundation. Moreover, the total quality process would now include a marketing quality component.

Team building across multi-department lines will occur, new ways to create competitive advantage can be discussed and evaluated, and a consensus of opinion on who does what next will take place, thereby strengthening marketing accountability.

This structure provides a process where an advocate facilitates an organized discussion to produce marketing information that can be analyzed and where conclusions can be drawn. It is integral to strategic planning and, we believe, a reason why so many managers have been frustrated with processes that have started in the wrong place, i.e., with the wrong subject matter.

We trust this information will be useful to you and would hope that many of you would give us some feedback on how a Situation Audit might be integrated into your current business planning process.

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# Marketing Thoughts

In the last issue of *Seeds...* we presented 22 tools and techniques from a book entitled “*The 22 Immutable Laws of Marketing*” by Al Ries and Jack Trout. In this issue, we will look at one of these laws in greater detail, as we think it is an important topic for many companies.

**The Law of Unpredictability:** Unless you write your competitors’ plans, you can’t predict the future.

And yet, marketing plans are almost always based on future market predictions. One reason for marketing failures is that the future one predicts typically does not occur.

Even so, there is a widespread opinion that American companies need to focus more on long-term plans. Short-term thinking has caused a problem for many corporations during the past five years – General Motors, IBM, and Westinghouse are examples. The problem is not always short-term marketing, but rather short-term financial thinking. A myopic outlook that is too concerned with monthly or quarterly financial results can sometimes be devastating.

As Ries and Trout point out, there is a great need to create a long-term direction, which is very different from a long-term plan. Developing a direction versus a plan offers flexibility to meet the unpredictable future. Too many long-term marketing plans turn into rigid commitments to never change the course – even though the future is sure to change.

While predicting the future is nearly impossible, gaining knowledge of and understanding trends is critical to take advantage of changes in the market. One danger to avoid is assuming how long a trend will last. It is like asking one’s customers what their purchase trends will be in two to three years – 80% of them will simply extend the past two to three year trend and extrapolate.

Surviving change is not hard if companies embrace one particular trait: flexibility. It takes a strong marketing leader to convince management with strong financial backgrounds that:

- the unpredictable future can be used as a competitive advantage if they follow a flexible plan, and
- the best road to long-term success may not be a continuous quarter-to-quarter improvement in earnings

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