CHAPTER 3

STEP 3

ESTABLISHING GOALS AND OBJECTIVES

"Would you tell me, please, which way I ought to go from here?" asked Alice.

"That depends a good deal on where you want to get to," said the cat. "I don't much care where," said Alice.

"Then it doesn't matter which way you go," said the cat.

—Lewis Carroll, *Alice's Adventures in Wonderland*

You can't get *there* unless you know where *there* is. This chapter deals with establishing goals and objectives. They are the *there* of your marketing plan. Without them, you haven't got a marketing plan—you have a collection of facts and unrelated and partially related ideas. Moreover, research demonstrates that managers who make the need for action clear at the outset, set objectives, carry out an unrestricted search for solutions, and get key people to participate are more likely to be successful.[1] And a recent article on building effective teams states clearly that teams formed without clear goals are sure to fail.[2] So establishing goals and objectives are not an insignificant part of developing your marketing plan.

ESTABLISHING OBJECTIVES

Your objectives answer the question: What are you trying to achieve? The following objectives are typical:

- To establish a product, product line, or brand in the marketplace.
- To rejuvenate a failing product.
- To entrench and protect a market under attack by competitors.
- To introduce a new product.
- To harvest a product that is in the declining stage of its life cycle.
- To introduce a locally successful product nationally or overseas.
- To achieve maximum return on investment with a product or product line.

Normally, the statement of the objective should focus on a single task, but it is possible to have more than one objective or to specify additional conditions as long as they do not conflict with one another. If your objective is to introduce a product, you might add: "To dominate the market, while achieving maximum sales."

In the same vein your objective might be worded: "To rejuvenate a failing product while maintaining high profitability and with minimum investment."

But in establishing more than one objective, or a main objective with additional conditions, care must be taken that the objectives do not conflict. It may be desirable to maximize the market share that you have been able to capture for a new product and at the same time achieve maximum profitability, but the two may not be achievable simultaneously. Capturing the maximum market share may require a penetration pricing strategy, and the low price and lower margins may result in something far less than maximum profitability. In fact, you may be lucky to reach the breakeven point. Therefore, when you establish your objectives and you add conditions to them, be certain that there is no conflict and that achievement of one will not make it impossible to achieve another.

Spend the necessary time to make sure that your objective statement is worded the way you want it and that all important conditions have been incorporated. Even after you have finished with it, however, it will not be complete until you have specified a time by which the objective must be achieved. Ask yourself the question, "By what time?" for every objective that you establish. Let's say that you want to introduce a new product, dominate the market, and build maximum sales. "By what time?" Three months? Six months? Nine months? A year? Longer than that?

If one of your objectives is to harvest a product that is in the decline stage of its product life cycle, how much time will you have? If you are going to introduce a nationally successful product overseas, how long will it take before this introduction can be said to have been made?

Psychologists, time management experts, business researchers, and practitioners all tell us that specifying a time period is extremely important. Doing this will give you a target on which to focus and a guide that will tell you whether you're on schedule. It will also provide a date toward which everyone concerned with the marketing plan can coordinate their efforts.

In 1961 President John F. Kennedy set an objective for the United States. He said, "We're going to have a man on the moon by 1970." Note that he didn't just say, "We're going to put a man on the moon sometime." He said, "We're going to put a man on the moon by 1970." In actuality this goal was achieved in 1969. The fact that President Kennedy specified a date was of major significance. It not only helped us to achieve this national objective, but it also helped us achieve it before the target date set.

George A. Steiner, a man famed for his expertise in strategic planning, recommends ten criteria to help in developing objectives.[3] Use them as guidelines to ensure that your objectives, whatever they are, will benefit the firm's overall mission:

- *Suitability.* Your objectives must support the enterprise's basic purposes and help to move the company in that direction.
- *Measurability over time.* Objectives should state clearly what is expected to happen and when so that you can measure them as you proceed.
- *Feasibility.* Your objectives must be feasible. If they cannot be fulfilled, they motivate no one. Be certain that they are realistic and practical even if they are not easy and require considerable effort.
- *Acceptability.* The objectives you set must be acceptable to the people in your organization or to those who may allocate resources to implement your marketing plan. If your objectives are not acceptable, you will not receive the necessary funds. If someone besides yourself is working on the marketing plan and the objectives are not acceptable, you cannot expect to receive the same cooperation.
- *Flexibility.* Your objectives should be modifiable in the event of unforeseen contingencies and environmental changes. This does not mean that they should not be fixed, only that, if necessary, they can be adapted to environmental changes.
- *Motivating.* Objectives should motivate those who must work to reach them. If your objectives are either too easy or so difficult that they are impossible to achieve, they will not be motivating. If your objectives are difficult but achievable, they will challenge and motivate everyone to reach them.

- *Understandability.* Your objectives should be stated in clear, simple language that can be understood by all. If they are not clear, they may be misunderstood and some individuals may unintentionally be working against them. You may also alienate those who allocate resources and capital. Your plan may fail midway through execution simply because your objectives were not clear to everyone.
- *Commitment.* Make certain that everyone working on the development, planning, selling, and execution of the marketing plan is committed to your objectives. In the real-life business world, senior managers seek to do this by involving as many managers as possible in determining these objectives.
- *People participation.* Steiner points out that the best results are obtained when those who are responsible for achieving the objectives take some part in setting them. It is vitally important to consult with all who might participate in any way with the execution of the plan. If other staff members are committed to your objectives from the start, you will have much less trouble keeping them on track throughout the implementation of your plan. If you are working on your marketing plan as a team, you will find that ensuring everyone's participation and input will gain commitment to completing the plan. If one or two team members attempt to impose their ideas on the group, the opposite will occur. No matter how brilliant or "right" their ideas, they will be unable to gain the commitment of other team members.
- *Linkage.* Naturally the objectives should be linked with the basic purposes of your organization. They must also be linked with the objectives of other collateral organizations in your firm. They must be consistent with and meet top management objectives. It's no good setting objectives that involve high sales if this runs counter to top management's overall philosophy of serving an exclusive clientele. Ensure that the objectives you set are linked to other unique requirements of the environment of your firm.

After you have decided on the time frame for achieving your objectives, add it to the form in Figure 3-1.

GOALS

Goals are the specifics of the objectives. Let's look at one of the objectives we talked about: "Introduce a new product and dominate the market while achieving maximum sales. Time to achieve: one year."

Now the question is this: Does *introduce* mean to distribute it among 500 major retail outlets or at only one? Is *maximum sales* $100,000 in six months and then $1 million in one year? What are the figures that demonstrate introduction? What exactly do the words in your objectives mean? How about *dominating* the market? Is dominating the market having a market share of 100, 90, or 50 percent? When the market is fragmented, you may dominate the market by taking a 25 percent share (or less).

Objectives can also be broken down into smaller intermediate units within the specified overall period. These shorter-term objectives are also goals. Thus maximum sales may be defined at the end of the period indicated (one year) as well as at shorter intervals, say six months. The same can be done to define *dominating the market.*

Let's look at another example: "Rejuvenate a failing product with minimum investment while maintaining high profitability."

First, what does *rejuvenate* mean? In this case let's say that it means increasing sales by 30 percent over the preceding year. How about *minimum investment?* Let's say that the maximum amount that your company is ready to invest is $100,000. If you think this is the minimum amount that you can get the job done with, then your *minimum investment* may be $100,000. And *high profitability?* Well, profitability is related to the margin; that is, your costs compared with the selling price that was set. Let's say that the definition of high profitability is a margin of 60 percent. You can use this figure to define high profitability.

Again, you must consider the time for achieving these goals. You may want to indicate quarterly sales increases over the preceding year combined with a total sales increase of 30 percent at the end of the coming year. Both final and the intermediate figures are goals.

Objectives	Time to Achieve
1. ______	______
2. ______	______
3. ______	______
4. ______	______
5. ______	______

Goals	Time to Achieve
1. ______	______
2. ______	______
3. ______	______
4. ______	______
5. ______	______

Statement of Differential Advantage

FIGURE 3-1. Objectives, Goals, Differential Advantage Statement
Source: Copyright © 1985 by Dr. William A. Cohen.

You can now complete the goals section in Figure 3-1. Specifying your goals and writing them down makes sense. It allows you to concentrate your efforts on achieving what is really important in order to obtain the objectives that were set earlier.

Specificity also affects vision. Vision has to do with the future as the leader or manager sees the outcome of the project. One study of leaders discovered that groups were far more likely to follow leaders and were much more enthusiastic about doing so when the leaders set specific objectives and goals.[4]

In another study, more than 200 combat leaders who went on to very successful careers in civilian pursuits listed "declare your expectations," which included promoting vision, goals, and objectives, as one of the eight major principles of leadership.[5]

When goals and objectives are made specific, it is much easier to avoid conflict between individuals and groups that must carry out the tasks to reach them. Also, individuals will work together to coordinate their efforts in a synergistic way. This makes their efforts far more effective than if their actions were simply to achieve movement in a general direction toward a less specific goal.

THE CONCEPT OF COMPETITIVE OR DIFFERENTIAL ADVANTAGE

In all cases, you must direct your efforts toward satisfying the customer by achieving a competitive or differential advantage over your competitors. That's one reason organizations are always trying to improve their services. As they get better and better at what they do, the customer wins by getting better products at lower prices.

Some call this *competitive advantage,* others *differential advantage,* and yet others use all three words. This is unimportant. What is important is what the words stand for.

They mean not only that your product or service has one or more advantages, but that these are more important than the advantages that your competitors may have.

Also, do you seek one competitive advantage, or can there be more than one? There may be one overriding competitive advantage so significant that others are not as important. At other times, your statement of competitive advantage may encompass a number of advantages over your competitor. The number is less important than the total strength of your advantage or advantages over your competitors.

In addition, you should consider sustainability of your competitive advantage. That is, not only must you be able to attain a competitive advantage, but you also must be able to sustain it. But for how long? Certainly not indefinitely. The environment will change sooner or later and you will lose your competitive advantage, regardless of what you do. Rolles in England once held the monopoly on the self-sharpening razor for men, the sustainable competitive advantage being the patents on its unique self-contained sharpening system. Then in the 1960s, advanced steel manufacturing processes enabled the production of razor blades sharper than any manufactured previously. Rolles's advantage became irrelevant, and the Rolles Razor was withdrawn from the market. Your competitive advantage needs to be sustainable over the life of your planned strategy, not forever.

Include the concept of competitive advantage in your marketing plan. Once established, you must think about, develop, and find ways to promote your competitive advantage. If you have no competitive advantage, you will not succeed. Why should customers buy your product or service if it is identical to a competitor's product with which they are satisfied? Therefore the key question is, "Why should anyone buy from us as opposed to one or more of our competitors?"

Although your objectives and goals focus on what *you* want, the differential competitive advantage focuses on what your customer wants. What is the advantage of the customer buying your product or service? Think this through to determine how the two are linked. Your competitive advantage is derived from an eventual customer benefit.

Let's look at an example of this linkage. Why have so many Americans bought Japanese cars? Americans saw a benefit over American-made cars. It may be stated as "quality at an affordable price" or "value for the price."

This level of quality was made possible by a combination of factors. First was the notion that much higher quality than had previously been achieved was possible. Also, the Japanese automobile industry was automated to a far greater extent than its American competitors. This meant its labor force was more productive. Finally, the Japanese had a lower cost of labor. These factors were competitive advantages over American automobile manufacturers. Together they resulted in the benefit of "high quality at an affordable price."

This is not to say that American manufacturers may not also have competitive differential advantages that may exceed those offered by Japanese companies. As a matter of fact, American manufacturers in recent years have been capitalizing on their own differential advantages to achieve a link to customer benefits in addition to raising quality.

Competitive advantages can be derived from a number of widely varying factors. A competitive differential advantage could be the ability to buy in quantity from special sources not enjoyed by others. The resulting benefit to the customer: low price. You may have a great number of Ph.D.s in your research and development department. The resulting benefit to the customer: state-of-the-art technology. You may have a restaurant for which you have employed the best chef in your geographical area. The resulting benefit to the customer: the best gourmet food. Knowledge can also be a competitive differential advantage that will result in customer benefits; for example, marketing know-how translates into customer needs that are better satisfied.

You can even find competitive advantages in what you might think are disadvantages. When Mercedes-Benz introduced its diesel models, they didn't sell. Diesel fuel sold for almost the same price as gasoline then. Also, diesel fuel wasn't sold at many gasoline stations, so it was not as convenient to use. Finally, if you've ever heard a diesel engine, you know that it's much noisier than one burning gasoline.

Mercedes-Benz saved the product line by turning these disadvantages into competitive advantages. They promoted the fuel as exotic and exclusive, "not available at every gasoline station." As for the noisy engine? Mercedes-Benz said it was unique too. "It wasn't like gasoline burning engines that were so quiet you couldn't even tell if they were running or not. When you start up a diesel engine, you can hear its power." Mercedes-Benz knew that to the wealthy segments at which these products were targeted, uniqueness and exclusivity were major benefits.

Make sure that any competitive advantages have the following characteristics.

Advantages must be real. Wishes will not make it so. Some retail stores claim that their prices are lower than those of all their competitors. Sometimes even a cursory inspection will prove that this is untrue or that they are lower only in certain circumstances or with certain products. Thus the competitors' advantage will *not* be translated into a benefit for the customer. The benefits must be important to the customer. Note that I say *to the customer,* and not *to you.* Freeman Gosden Jr., who was once president of the largest direct response agency in the world, says, "It's not what you want to sell, but what your customer wants to buy." This principle is directly applicable to the competitive advantage. It's not the competitive advantage that you seek but rather the benefits as the customer sees them.

A major supplier of U.S. Air Force helmets once thought about getting into the motorcycle helmet market. As this company saw it, it could make a better protective motorcycle helmet than its competitors because of its experience with pilot helmets. This it did. These were more protective helmets. However, they were priced at approximately 30 percent more than the preceding top-of-the-line motorcycle helmets. This pricing was not arbitrary, merely based on higher manufacturing costs for a more protective product. If that was not enough, this expensive helmet was 15 percent heavier than competitive models. Despite all this, the company actually thought it had a competitive edge because of the greater protection. Within a year this manufacturer learned a hard lesson when the product failed. The customer did not want a more protective helmet. At least, not to the degree that the customer would pay 30 percent more and accept a 15 percent weight penalty. When the perception of competitive differential advantage differs between marketer and customer, the customer always wins.

Lee Iacocca says that in 1956, Ford decided that safety was of primary interest to the consumer and emphasized it in all the advertising of its 1956 models. Ford's sales plummeted, and the competition won on all fronts. Ford's claims were questionable. Quickly realizing that he lacked a competitive differential advantage, and needed one fast, Iacocca hit on what was really the main issue: ability to purchase the car. The year 1956 was one of mild recession, so Iacocca instituted a policy by which customers could purchase new cars for only $20 down and $56 a month. This made it easier to buy a Ford than competitive cars. Iacocca hit on the correct differential advantage, as perceived by his potential customers. His district went from last place to number one in sales.[6]

Advantages must be specific. Whatever your competitive differential advantages, they must be specific, just as objectives and goals must be specific. It is not enough to say, "We're the best." The question is, the best what? And why? To the customer nonspecificity translates into mere puffery and is not a competitive differential advantage.

Advantages must be promotable. Whatever your competitive differential advantages are, they must be promotable to the customer. The Edsel was a great failure in the marketplace and is frequently cited as a prime example of poor marketing. Yet Ford did extensive market research to determine what the customer wanted before introducing the Edsel line. This research indicated that power was an important competitive differential advantage. The Edsel was designed to be one of the most powerful cars ever built for its price range. Unfortunately, in the same year that the Edsel was introduced, a new government regulation limited automobile advertisers from promoting the high horsepower of engines. As a result this competitive differential advantage, although it existed and may have been desired by the customer, could not be promoted. If you are planning on a specific differential advantage, it is essential that your customer know it; otherwise it might as well not exist.

When you have thought through this challenge, return to Figure 3-1 and enter your statement of competitive differential advantage in the space provided on the form. What is it that you have that others haven't, and how does it translate into benefits to your potential customers?

SUMMARY

In this chapter we have examined objectives and goals: objectives being what you are trying to achieve, and goals being the specifics of your objectives. In both cases it is very important to indicate the time frame within which these objectives and goals should fall. Remember, there is a sound psychological basis for both specificity and time frame that will help you to organize your efforts. Although your objectives and goals are what *you* want, you must also be aware of what is wanted by your potential customers. Thus you must build and emphasize a concept of competitive differential advantage. This should be something unique that you will have but your competition will not. Otherwise there is no reason for your customers to buy from you, and they won't. And your competitive differential advantages must translate into benefits and satisfaction as perceived by your customers.

Develop strong objectives, goals, and competitive advantages and you will be well on your way to success. You will be in a position to develop strategy to reach your objectives and goals building on the competitive advantages you have formulated.

NOTES

1. Paul C. Nutt, "Surprising but True: Half the Decisions in Organizations Fail," *The Academy of Management Executive* (November 1999), p. 75.
2. *Darrel W. Ray*, "The Key to Building Productive Teams," *Nonprofit World 21,* 4 (July/August 2003), p. 21.
3. George A. Steiner, *Strategic Planning* (New York: Free Press, 1979), pp. 164–168.
4. Warren Bennis and Burt Nanus, *Leaders* (New York: Harper & Row, 1985).
5. William A. Cohen, *The Stuff of Heroes: The Eight Universal Laws of Leadership* (Marietta, Ga.: Longstreet Press, 1998).
6. Lee Iacocca, *Iacocca* (New York: Bantam, 1984), p. 39.