Setting Marketing Objectives

Introductory Comments

All marketers should understand the importance of setting objectives. Operating a business without objectives is like traveling with no destination in mind. Although enjoying a simple Sunday drive may be a relaxing way to spend your time, meandering about is certainly no way to run a business.

Exhibit 1 presents a snapshot of why setting objectives is useful for virtually every business endeavor. Many of the statements in the exhibit will seem fairly obvious to you; however, you’d probably be surprised at the number of businesses (especially smaller ones) that give little effort to setting objectives. That’s why the list below bears repeating even though it may seem obvious. Planning takes time, so when busy managers spend much of their time “putting out fires,” planning seems a luxury. Hopefully, this brief discussion will emphasize to you that setting good objectives is not a luxury but a necessity. Effective managers take the time to do it and do it well.

Large or complex marketing operations may set a wide variety of objectives for different activities and time periods. Yet this array of objectives cannot exist in isolation from each other; objectives must be mutually supporting. Therefore, developing an appreciation of how objectives work together helps marketing managers set better, more realistic objectives.

Typology of Objectives

To follow, drawing somewhat from Tellis (1998), I develop a typology of marketing objectives that may help you appreciate their interrelated nature. Please bear in mind that the labels I apply to the objectives are strictly for purposes of this discussion. Though many businesses use objectives in similar ways to those described here, they probably do not give them the same names I do.

Ultimate Objectives

Tellis correctly contends that all businesses strive to achieve what he calls “ultimate objectives.” Ultimate objectives refer to the financial or sales performance of a business or its marketing operations. Tellis identifies three types of ultimate objectives, each measured with relatively straightforward variables.

- absolute sales measures: dollar sales, unit sales
- relative sales measures: market share, market rank
- profitability measures: return on investment, return on sales, gross profit, contribution margin

You can easily understand why these performance measures might be used to set ultimate objectives. To the extent that they gauge the financial performance of a firm’s marketing operations, these measures are
Exhibit 1. Rationale for Setting Marketing Objectives

<table>
<thead>
<tr>
<th>Reason</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>direction</td>
<td>Objectives provide a sense of common purpose to members of an organization. This is particularly important to promotional activities because of their integrated nature.</td>
</tr>
<tr>
<td>motivation</td>
<td>By providing performance targets to employees, objectives give them &quot;something to shoot for,&quot; which is fundamental to human motivation.</td>
</tr>
<tr>
<td>decision guidelines</td>
<td>Objectives offer managers a rationale and guidelines for making promotion decisions.</td>
</tr>
<tr>
<td>performance criteria</td>
<td>Objectives specify how an organization measures its performance. Objectives tell the organization's members whether or not they're doing well.</td>
</tr>
<tr>
<td>coordination</td>
<td>Objectives provide a focus through which members of an organization can coordinate their activities.</td>
</tr>
<tr>
<td>communication</td>
<td>The nature of objectives requires that they be communicated and periodically evaluated. When set and administered properly, they encourage communication between organizational members and functions.</td>
</tr>
</tbody>
</table>

“ultimately” what investors seek from a company.

Functional Objectives

Functional objectives are so-named because they relate to each of marketing’s four functions as categorized by the marketing mix (the “four Ps”). In other words, marketing managers often set specific objectives for products, pricing, physical distribution, and promotion.

Interrelated and reinforcing nature of functional objectives. Exhibit 2 lists a few examples of measures used to set objectives for the four functions of marketing. As you look over these measures, think about how they might relate to or reinforce one another – within a single marketing function or across two or more marketing functions. In other words, reaching an objective set in one area may require that you accomplish objectives in another area.

For example, achieving some level of perceived product quality may require reaching goals for the perceived prestige of the dealers through which your product is sold. The reverse might also be true.

Placing your products with dealers of a certain perceived prestige may require that you attain certain levels of perceived quality or satisfaction among your customers.

Time horizons of objectives.

Importantly, functional objectives may operate over many time horizons. Some authors apply different labels to these different time periods. Longer term objectives, for example, may be called “strategic objectives” while short-term objectives might be labeled “tactical objectives.” The labels themselves are not so important. However, marketers must recognize that, depending on the product and the target audience, some goals take more time to accomplish than others.

For example, inducing product trial in categories such as personal care items has historically proven difficult among men middle-aged and older, who tend to be creatures of habit more so than their female counterparts. So, among middle-aged men, meeting a brand-switching objective for personal care products may require several years, while a similar goal for different people or for a different product category may require only a few months.
Exhibit 2. Marketing Performance Variables and Measures

<table>
<thead>
<tr>
<th>Product Measures</th>
<th>Pricing Measures</th>
<th>Physical Distribution Measures</th>
<th>Promotion Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>• number of different products offered</td>
<td>• breadth of price points for a given product, brand or line.</td>
<td>• number of dealers or outlets</td>
<td>• product trial</td>
</tr>
<tr>
<td>• number of different brands</td>
<td>• price relative to relevant competitor or set of competitors</td>
<td>• variety of dealers or outlets</td>
<td>• store traffic</td>
</tr>
<tr>
<td>• variety of products</td>
<td>• perceived value (ratio of price to perceived quality)</td>
<td>• prestige or perception of dealers or outlets</td>
<td>• telephone inquiries</td>
</tr>
<tr>
<td>• depth of products</td>
<td></td>
<td>• delivery time</td>
<td>• increase purchase frequency</td>
</tr>
<tr>
<td>• perceived product quality</td>
<td></td>
<td></td>
<td>• brand switching</td>
</tr>
<tr>
<td>• customer satisfaction</td>
<td></td>
<td></td>
<td>• product or brand awareness</td>
</tr>
</tbody>
</table>

Qualities of Good Objectives

Occasionally you may read or hear of a company executive declaring an objective such as, “Our goal is to be the undisputed quality leader in our industry.” Often company officials phrase such objectives for public consumption; they sound good. And while in general companies may be quite serious about achieving such an objective, as stated, it is largely meaningless. In its current form, this objective is vague, poorly structured and not actionable.

When setting objectives for any endeavor, you should formulate your objectives so that everyone involved in achieving it knows precisely what the objectives call for. To do this, I recommend the S.M.A.C. acronym as a way of formulating good objectives.

Good Objectives are “Specific”

Don’t be vague. Instead, spell out in detail exactly what the objective requires. To be specific, objectives should feature the following:

*Target market from whom a response is desired.* In other words, to whom does the objective apply? If we desire to sell more of our product to college-educated women between the ages of twenty-four and thirty-five, then we must be certain that our objectives clearly identify this group – rather than something vague like “young women.”

*Degree of desired change in some variable.* The word “objective” may be defined as a “desired future state of affairs.” This implies that objectives stipulate how the future should look in comparison to the present. If our objective is to increase sales among college-educated women between twenty-four and thirty-five, then to be specific we must say by how much we expect sales to change.

*Time period to which the objective applies.* No objective should be open-ended; good objectives set deadlines for accomplishment. As noted above, objectives come with a variety of time horizons. Some objectives apply to periods far into the future, while others relate to only a few days. No matter the case, the objective should make clear its relevant time period.

Good Objectives are “Measurable”

To be measurable means only one thing: expressible in numbers. Whatever the performance variable in question, marketers must find a way to quantify it. Without this
characteristic, you’ll likely not know whether you actually achieve the objective. Some variables, such as sales, market share, number of dealers, or store traffic are numerical in nature and therefore lend themselves easily to objective setting. In other cases, quantifying variables may be more difficult. Distinguishing between direct and indirect performance measures may be useful in this regard.

Using indirect measures in objective setting. Often, marketers set objectives about variables for which no easily applied numerical measure exists. For example, many firms set product quality objectives, but how do they quantify a concept such as “product quality?” These firms may use any of several quantifiable measures to indirectly measure product quality. For example

- number of customer complaints
- product defect rates
- frequency of repair calls
- warranty work expense

We could reasonably expect that each of these measures would be related to product quality. For example, if perceived product quality was higher, we would also expect customer complaints, defect rates, repair call frequency, and warranty work expense all to be lower. But none of these measures directly measures customer perceptions of product quality. Indirect measures work well when we’re certain that the indirect measure we use is in fact a good indicator of the performance measure we desire. However, when indirect measures are affected by factors other than the performance variable we’re using in our objectives, marketing planners may face a serious problem. For example, suppose we used warranty work expenses to indicate product quality. If many customers experienced product quality problems not covered by the warranty or that occurred after their warranties expired, then warranty work expense might overstate product quality.

Marketers can take two steps to avoid being misled by indirect measures. First, if possible do not rely on a single indirect measure of a performance variable. Instead rely on several. Rather than only use warranty work expenses to measure product quality, use all four listed above. That way, you can spot irregularities that might lead you to incorrect conclusions about the progress you’re making toward your objectives.

Second, marketers also rely on direct measures of performance variables, which is discussed in the following section.

Using direct measures in objective setting. Even though a performance variable such as product quality cannot easily be directly quantified, doing so is hardly impossible. Variables such as product quality come from customer perceptions. A quality product is more than a well-made product. It’s a well-designed product and a product that solves customer problems. Therefore, directly measuring product quality involves asking customers for their perceptions. Consequently, marketers might develop a scale that asks customers to rate the product’s quality. For example

- The product is: poorly made 1 2 3 4 5 well made
- The product’s materials are: inferior 1 2 3 4 5 superior
- The product’s design is: poor 1 2 3 4 5 excellent
- Overall, the product quality is: low 1 2 3 4 5 high

Responses to each of the items could be averaged or summed to produce a product quality rating, which more directly gauges customer perceptions of product
quality. The biggest drawback to the use of direct measures in such cases is the frequent need for expensive and time-consuming research. Finding out the opinions of a properly selected sample of customers may incur costs that managers are hesitant to spend.

The issue of measurability brings marketing researchers into the objective setting process. Because objectives must be measurable, and because their measurement may not be obvious, marketing managers call on researchers to help develop measures for variables used to set objectives, then conducting the research necessary to see if the objectives are being met.

**Good Objectives are “Achievable”**

Like any manager, marketing managers should over time develop a “feel” or an intuition regarding where to set objectives. Clearly the hope is to set objectives that are high enough to be worthwhile, but no high as to be dispiriting. Reaching this balance between high standards and realistic expectations takes time and experience that’s situation specific and cannot be taught in a classroom.

**Good Objectives are “Consistent”**

One of the main messages early in this discussion of objectives centered on how complex objective setting can be because of the multiplicity of functions, activities, departments, and people that comprise even medium sized organizations. Because objectives must be mutually reinforcing in order to work, they absolutely must not be at cross-purposes. On other words, they must be consistent with each other.

Companies often write mission statements to give broad guidance to planners about the nature of their businesses. Corporate level objectives cannot contradict or even be unsupportive of the mission statement. Likewise, objectives that span a corporation may be disseminated to broad corporate divisions such as finance, manufacturing, operations, and marketing. Objectives in each of these areas must be set so as to help the others work together toward the corporate objectives, and so on. Unless the objectives work together up and down an organization as well as across the organization, the energy and resources used to set them may prove to have been in vain.