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Marketing to Win:
A Guide to Strategic Planning

Eric H. Shaw, Ph.D.

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Eric H. Shaw, Ph.D.
Boca Raton, Florida

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"Wishing consumes as much energy as planning" Chinese Proverb

"By failing to plan you are planning to fail."
Benjamin Franklin, American printer, philosopher, scientist, statesman

"A good plan acted on today is better than a great plan tomorrow."
George S. Patton, American General

"Plans are nothing, planning is everything."
Dwight D. Eisenhower, American General and President

"It is far better to plan even with uncertainty than not to plan ahead at all."
Henri Poincare, French scientist and philosopher

"I don't plan at all. I don't know what I'm doing tomorrow. I don't have a day planner and I don't have a diary. I completely live in the present, not in the past, not in the future. Heath Ledger, American actor 1979-2008

"A good plan is the first step to success. The man who plans knows where he is going, knows what progress he is making and has a pretty good idea when he will arrive." Basil S. Walsh, American writer

"Have a plan, follow the plan, and you'll be surprised how easy it is to be a winner. Most people don't have a plan, that's why it's easy to beat most people."
Paul "Bear" Bryant, American championship football coach

INTRODUCTION

Marketing to win involves planning ahead. Winning, in the market, results from making more effective decisions than those of your competitors. Effective decision-making, in turn, requires working within a planning framework. There are three critical steps: (1) recognizing what is happening around you (a situation analysis), (2) realizing where you want to go (setting objectives, and (3) knowing how to get there (developing strategy).

The key to making winning decisions in marketing is organizing information into a logically coherent framework and methodically thinking alternative courses of action through in advance. Simply stated, developing a plan. The next few paragraphs of the introduction explain why it is worth the time and effort to develop a marketing plan. The remainder of this booklet explains how to write the marketing plan. An appendix provides an example of what a plan should look like, and the bibliography shows you where to find additional resources about marketing planning.

The marketing plan provides a systematic framework for understanding the current status and deciding the future direction of an organization. The plan answers three questions essential to the survival and growth of all businesses: (1) How well is it doing? (2) Where is the business going? (3) How will it get there?

If a manager cannot answer these three questions clearly, concisely, and convincingly, then decisions become hostage to events. Decision-making becomes reactive, characterized by crisis management in a hostile and confusing environment. The marketing plan offers an alternative. Planning allows a manager to operate proactively by systematically avoiding threats and seizing opportunities in the ever-changing but anticipated environment.

A marketing plan serves two purposes, one internal the other external, each directed toward a different audience. Internally the plan provides a blueprint or guide for managing future operations, and the plan is read and critiqued by superiors within the organizational hierarchy. Externally, the purpose of a plan is to provide a basis for funding. Loan officers and investors insist on a written plan to determine the soundness and feasibility of an organization's request for start-up or expansion capital. Although there are two distinct purposes and audiences for a plan, they are not mutually exclusive. The plan that works its way up the organizational ladder is often the same one marched into the vaults of the moneylenders.

Regardless of who reads the plan, or for what purpose, each wants a response to the three questions describing the status and direction of the business. Answers are found in the three major elements of the marketing plan. First, a *situation analysis* addresses how well the organization is doing, and identifies the conditions and trends in the business environment. Next, setting *objectives* provides general and specific answers to the question of where the organization is going. Third, creating a *marketing strategy* details how the business intends to get there.

"Quick decisions are unsafe decisions." Sophocles, Greek playwright

"*You have to be fast on your feet and adaptive or else a strategy is useless."*
Charles de Gaulle, French General and President

"It is not the strongest of the species that survive, or the most intelligent, but the one most responsive to change." Charles Darwin, British scientist

"Victory is ninety percent information" Napoleon Bonaparte, French general

"An investment in knowledge always pays the best interest."
Benjamin Franklin, American printer, philosopher, scientist, statesman

"The essence of management is to make knowledge productive."
Peter Drucker, American management consultant

"*When we know our own strength, we shall the better know what to undertake with hope of success." John Locke, British philosopher*

"Every advantage is temporary." Katerina S. Klemer, American writer

"Do not repeat the tactics which have gained you one victory, but let your methods be regulated by the infinite variety of circumstances."
Sun Tzu, Chinese general

"If we could first know where we are, and whither we are tending, we could better judge what to do, and how to do it." Abraham Lincoln, American president

SITUATION ANALYSIS

A situation analysis provides information on where the business has come from, how well it is currently doing, and what is going on around it. This section includes a description of the company background and an analysis of the organization, the external environment, the industry, and the competition.

Company Background

The company background includes a brief description of the history of the business, the evolution of major product lines, any significant mergers or acquisitions, and recent trends in sales and profits. A more detailed discussion is necessary if the firm is pioneering a new product or service concept. Unless the product or service is intuitively obvious, it is important to explain the customer needs or the problem to which the new concept offers a solution. The section ends with a statement of the purpose for writing the plan. The purpose of the plan is to develop a marketing strategy to achieve an important organizational objective, such as increasing sales or market share or profits (from some specified amount in the current year to some specified amount three or five years hence, as taken from the forecasted performance goals, discussed subsequently).

Organizational Analysis

The organizational analysis is concerned with identifying significant strengths and weakness within the enterprise. Strengths refer to areas that an organization has advantages over its direct competitors. Weaknesses are areas that the firm is at a disadvantage relative to its direct competition.

Some areas to consider for identifying strengths and weaknesses include: an assessment of management quality and depth, finances, manufacturing, R&D, employee morale and labor relations, engineering, and so on. Of course, strengths and weaknesses may be found in any aspect of marketing as well, such as customer loyalty, products or services, prices, promotions and distribution. If a firm is doing about the same as its competitors, say an average price, then pricing is neither a strength nor weakness.

An absolute strength or weakness is not as important as a relative strength or weakness. For example, Mitel Ltd., headquartered in Canada, an international manufacturer of telephone switchboards and related telecommunications equipment, had sales of about $1.6 billion. That may seem like a lot of sales, but not when Mitel is compared with some of its competition. Direct competitors include: AT&T in the U.S., Nippon T&T in Japan, Siemens in Germany, British Telecom in England, Ericsson in Sweden, and NorTel in Canada. Their smallest competitors have sales more than fifteen times larger than Mitel, and the largest competitors have more than 100 times their sales. Thus, relative to the competition, finances represent a significant weakness for Mitel.

Environmental Analysis

The environment is everything outside the organization. An environmental analysis identifies significant developments and trends outside the business that represent opportunities and threats. An opportunity is a situation in the environment that the organization can profitably exploit if it occurs. Conversely, a threat is a situation in the environment that will negatively impact the organization if it is not avoided. In a competitive environment, an opportunity for one firm is invariably a threat for others. Consequently, it is important to monitor the environment for new developments and even monitor continuing trends, which may be reaching a tipping point. Environmental monitoring should include social, cultural, demographic, economic, technological, legal, political and regulatory trends, as well as natural and climatic developments if applicable.

A classic failure to appreciate environmental trends is found in a famous quote of the Literary Digest. In 1899 the magazine advised its readers that "the horseless carriage is at present a luxury for the wealthy; and although its price will fall in the future, it will never, of course, come into as common use as the horse and carriage." Nonetheless, despite their assurance, an observant blacksmith would recognize it was time to trade in his horseshoes and anvil for automobile repair work. Similarly, in the early 1970s, a trade magazine argued that because of hand-held calculators' high prices they did not really pose a threat to manufacturers of slide rulers. Within a decade the price dropped from hundreds of dollars to just a few dollars. By the late 1980s, to see the once ubiquitous slide ruler required a visit to a museum.

Industry Analysis

Although part of the environment, the industry and competition are so important that they are discussed in the plan separately. The industry analysis concentrates on competition in the aggregate, whereas the competitive analysis focuses on competitors individually.

The analysis starts with the size of the industry, preferably last year's sales, in dollars or units, its average projected rate of growth for the next three to five years, and a graph of the industry life cycle. The graph of industry sales contains both historical data, going back as many years as necessary to establish the stage in the industry life cycle, and the projected trend (see Exhibit 1, in the Appendix Sample Marketing Plan, for an example of an Industry Life Cycle). Finally, give an explanation justifying your projection. This justification of the forecast includes significant developments affecting the industry, such as the economy entering recession, any recent technological breakthrough, or pending government regulations. Typically, the justification elaborates on one or two of the most important environmental trends.

Competitive Analysis

A competitive analysis identifies both direct and indirect competitors. Direct competitors are those who serve the same set of customer requirements and operate in an essentially similar fashion. Indirect competitors serve similar customer requirements but operate in substantially different ways. For example, Tide, All and Cheer brands of laundry detergent are in direct competition. Dry cleaning would be an indirect competitor for laundry detergent.

Analyzing direct competitors is made easier by developing a competitive matrix. The matrix juxtaposes a profile of each major competitor to facilitate comparison of sales, market share, customer targets, products and services, prices and discounts, promotion and advertising budgets, media and themes, sales force and distribution outlets; or as much of this type of competitive information as obtainable (See Exhibit 2, in the Appendix Sample Marketing Plan, for an example of a Competitive Matrix). Additionally, potential direct competitors should be identified. Potential competitors include those firms that have *both* the resource capability and some likelihood of entering the market within the timeframe of the plan.

Types of indirect competitors are also listed, for they may be of interest. The decline of an industry usually results from innovation developed by those outside the industry. Consequently, indirect competition is often a source of possible latent threats; a technological breakthrough could result in a serious erosion of a firm's core customer base.

For example, one of the weakest and most rapidly declining industries in America at the dawn of the Twenty-first Century is the railroad industry. And yet, at the dawn of the Twentieth Century, railroads represented one of the strongest and most rapidly growing industries in the United States. Missing the clear and present competitive dangers lead directly to their demise. The railroads missed these threats because they were only concerned with competing against each other. The New York Central Railroad, for example, would build parallel tracks along a Pennsylvania Central Railroad route, in areas that could not support two competing railroads. These “railroad wars of attrition” sapped the industry’s financial strength. Moreover, by myopically viewing themselves as only in the railroad industry rather than the transportation business, they narrowly focused their attention on the direct competition of other railroads. Rather than broadly viewing themselves as transportation companies and gaining insight into their indirect competition, the railroads overlooked the threats of airlines carrying passengers and trucking lines hauling freight. The railroads failed to perceive the threat of indirect competition because they did not define their mission clearly.

"Our plans miscarry because they have no aim."
Lucius Seneca, Roman philosopher

"If you don't know where you are going, how can you expect to get there?
Basil S. Walsh, American businessman, author

"A man who does not plan ahead will find trouble at his door."
Confucius, Chinese philosopher

"This one step—choosing a goal and sticking to it—changes everything."
Scott Reed, American political analyst

"Sound strategy starts with having the right goal."
Michael Porter, American management professor

"Goals are dreams we convert to plans and take action to fulfill."
Zig Ziglar, American motivational speaker

"Good plans shape good decisions. That's why good planning helps to make elusive dreams come true."
Lester Robert Bittel, American editor, engineering professor

"Where there is no vision, the people perish." Proverbs 29:18

"Prediction is difficult, especially about the future."
Yogi Berra, American baseball player and coach

"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 care where" replied Alice.
"Then it doesn't much matter which way you go," said the Cat.
Lewis Carroll (Henry Dodgson), British novelist and mathematics professor

OBJECTIVES

Objectives define "where" the organization wants to go. This provides focus, direction and cohesion to the enterprise. Also, quantitative objectives also furnish a means for evaluating business performance. Included are two distinct types of objectives: (1) a business mission that provides a broad overall statement of organizational purpose, and (2) performance goals, which identifies specific indicators of a firm's anticipated financial and market performance at various points in the plan (monthly, quarterly, annually, etc.).

As shown in the railroad example, firms often have problems when they narrowly define their mission, but the other extreme of an overly broad business mission is equally problematic. The danger is that a poorly defined mission will often result in overlooking opportunities that ultimately turn into threats. Also, avoid establishing a generic or vague mission statement.

Business Mission

The mission statement is a general expression of the scope and purpose of an organization. The mission should be expressed in one clear concise sentence defining the purpose of the business in terms of the customers it serves and its major strengths. For example, one large telecommunication firm declared: Verizon's "mission is to provide our customers with high value communication services...and equipment that is exactly right for residential and business needs." A government agency stated: "The mission of the Florida Department of Environmental Regulation is to protect, conserve and restore the air, water, and natural resources [for the citizens] of the state." Always define the business in terms of customer needs or the market it serves, rather than by the industry or products it sells.

As shown in the railroad example, firms often have problems when they narrowly define their mission, but the other extreme of an overly broad business mission is equally problematic. The danger is that a poorly defined mission will often result in overlooking opportunities that ultimately turn into threats. Also, avoid establishing a generic or vague mission statement.

Rather than defining a company as a television manufacturer, define it as an entertainment provider; not a telephone manufacturer, but a communications supplier; not a railroad company, but a transportation provider. The distinction could determine the fate of the industry. Remember, railroad companies saw themselves as rail service suppliers, not as providers of transportation services, and lost much of their passenger business to airlines and most of their freight business to trucking. They currently survive largely by hauling truck trailers and containers filled with freight "piggyback" on flatbed rail cars; and with government subsidized passenger services. Although with the increasing dissatisfaction with airline providers, there may be an opportunity for a comeback through the advent of high speed rail.

Performance Goals

Performance goals provide a means to determine how well the organization is doing compared to the competition and itself at other points in time. Goals include unit sales, sales revenue, market share, profits, and others that may be relevant. These goals are all interrelated. Unit sales multiplied by the average price equals sales revenue. Company sales divided by industry sales (from the Industry Analysis) equals market share. Sales revenue minus costs (from the Pro forma Income Statement) equals profits (or losses). Depending on the type of firm, additional goals should be considered, such as occupancy rates for a hotel, passenger miles for an airline, or new stores opened for a fast food franchiser.

Goals should be quantifiable to facilitate measurement. A performance goal that is excessively optimistic or pessimistic or is too easy or difficult to achieve often creates more of an obstacle than a benefit. What are required are goals that are realistic. They may stretch the organization but goals should be within the realm of attainment. Periodic comparison between planned and actual results, termed a marketing audit, highlights deviations and indicates the kind of corrective actions necessary to get back on track. Forecasting performance goals reflect the prior analyses of the organization, environment, industry, and competition. At this point in the plan, however, goals are only ballpark estimates. The numbers are continually refined and updated throughout the planning process, particularly during the subsequent development of a marketing strategy.

"Unless a variety of opinions are laid before us, we have no opportunity of selection, but are bound of necessity to adopt the particular view which may have been brought forward." Herodotus, Greek Historian

"Consider the little mouse, how intelligent an animal it is which never entrusts its life to only one hole." Plautus, Roman playwright

"Let your plans be dark and impenetrable as night; and when you move, fall like a thunderbolt." Sun Tzu, Chinese general

"However beautiful the strategy, you should occasionally look at the results."
Winston Churchill, British prime minister

"Change is not a destination, just as hope is not a strategy."
Rudy Giuliani, American politician

"You've got to think about big things while you're doing small things, so that all the small things go in the right direction." Alvin Toffler, American writer

"Tactics require observation, strategy requires thought."
Max Euwe, Dutch chess world champion, mathematics professor

"All men can see these tactics whereby I conquer, but what none can see is the strategy out of which victory is evolved." Sun Tzu, Chinese general

MARKETING STRATEGY

The strategy component of the marketing plan explains "how" the mission and performance goals will be achieved. Consequently, strategy should be mission driven. There are three steps in this section: (1) a strategic overview, (2) identifying potential customers and (3) creating the marketing program (or "marketing mix") to find, attract, and satisfy customers. The choice of an overall marketing strategy is dependent on a number of factors, such as the organization's strengths and weaknesses, environmental opportunities and threats, industry trends and competitive conditions, and the stage in the life cycle. Ideally, the strategy will relate the organization's strengths to environmental opportunities. Contingencies for changing environmental conditions should also be considered.

Strategic Overview

The strategic overview gives name to the strategies considered. It identifies the strategy chosen, the rejected alternatives, and the reasoning behind the choice. Marketing strategies are organized first by stage of the product life cycle and then by timing of market entry.

Strategies by Stage of the Life Cycle

Although there are variations on the concept, the product life cycle is typically divided in four stages: introduction, growth, maturity, and decline. Here, the stage of the life cycle refers to the stage of product from the firm's viewpoint, not the perspective of the industry.. For example, a firm introducing a product into a mature market would use an introduction strategy not a maturity strategy.

Introduction Strategies

In the introductory stage of the life cycle, a financially strong firm facing weaker competitors would probably employ a penetration strategy. The penetration strategy aims at the mass market, or a very large market segment, with an aggressive marketing mix: usually a combination of basic product, low price, large advertising and promotional campaign, and intensive distribution. This strategy represents overwhelming force in the sense that greater expenditures are made than competitors can match. Penetration works best in the early stages of the life cycle, when there is a high return on marketing investment.

On the other hand, a small firm with limited financial resources facing stronger competitors typically enters a new market by finding a niche. With a niche strategy, the firm targets a narrowly defined customer segment, usually with a premium product, prestige pricing, exclusive distribution, and well-placed promotions and advertising. The value of this strategy is in its focus, tailoring its marketing mix expenditures to a select segment of the market. A niche strategy works during any stage of the life cycle. BIC pens uses a penetration strategy aimed at the mass market for inexpensive writing instruments, whereas Cross pens uses a niche strategy targeted toward the gift segment of the writing market.

Growth Strategies

Usually employed during the growth phase, an expansion strategy may be used during any stage of the life cycle, even to recycle a mature or declining product. There are two types of expansion strategies, one based on customers the other based on products.

Firms can expand by adding new customer segments. For example, Johnson & Johnson expanded sales of their Baby Oil, by emphasizing "it's not just for babies, it's good for the whole family." Similarly, Tums expanded from the antacid segment of the market when they realized they could attract consumers who wanted Tums as a calcium supplement. Segment expansion strategies are discussed further in the Targeting Section.

Although, technically, it is also a customer segment, geographical areas are significant enough to be considered as a separate type of customer expansion strategy. An organization can expand geographically, by going from local to regional, regional to national, or national to international. One small company started out as a local single unit grocery store primarily selling imported tea in 1859. It grew into a multiple-unit northeastern regional chain. But it had a larger mission, and expressed its geographical expansion strategy within the corporate name. Becoming the world's largest supermarket chain store, from the 1930's to the 1970's, A&P was the nickname of the Great Atlantic and Pacific Tea Company. Its successful national expansion was based on an economy oriented strategy that proved extremely profitable during the great depression, of the 1930s, in which it peaked at 16,000 stores and a 75 percent share of the grocery market. However, in attempting to replicate their earlier success during the recession of the 1970s, A&P's "Where Economy Originates (WEO)" stratagem proved unsuccessful and created a negative company image. A&P retrenched back to its original northeastern regional strategy with the number of stores continually declining from 3,700 in 1979 down to about 370 at its 150 year anniversary in 2009.

A firm could also expand by adding new product lines, such as a shirt store adding pants and jackets, and other products. Product line expansion is the strategy Roland Macy and John Wanamaker used in expanding from single-line specialty stores to multi-line department stores in the 1870s. A more unusual example of a product line expansion strategy was a home appliance and electronics retailer's surprising announcement in 1993 that Circuit City planned to sell used cars. This was compared, at the time, to supermarkets selling television sets. Circuit City, however, was successful with its subsidiary CarMax, which it later profitably sold. Unfortunately, in 2009 Circuit City itself went into bankruptcy.

In the late introduction and early growth stage of the life cycle, a firm should consider its position in the market, or where it stands in the minds of customers relative to competitors. If the firm is dissatisfied with its current positioning, it can employ a repositioning strategy for the product or service. When Philip Morris introduced an early brand of filter cigarettes in the 1950's, it was targeted toward women because filters were not considered "manly" enough for men. However, subsequent consumer research showed that a significant segment of men would smoke a filter cigarette and the brand was repositioned away from women toward men. How well did the repositioning strategy work? That brand is Marlboro.

Maturity Strategies

During the maturity stage of the life cycle there are several strategic alternatives. These include maintenance, harvesting, and differentiation strategies. A maintenance (or hold) strategy attempts to maintain market share by maintaining marketing effort; essentially, keeping things the way they are. It is a non-aggressive strategy designed to maintain the status quo. Many oligopolies, such as large airlines, follow a maintenance strategy. The danger occurs when one competitor becomes aggressive, such as upstart Southwest Airlines.

Toward the end of maturity, many firms shift from maintenance to a harvesting strategy. The product is treated as a "cash cow;" which involves accepting some reduction in market share in exchange for a more than proportional retrenchment in marketing effort. Since this strategy involves cutting-back it is even more passive than maintenance. Its main benefit is using the savings from older more mature products to support newer products in the pipeline, providing funding for potential product stars.

In contrast to the passive maintenance and harvesting strategies, a differentiation strategy keeps the firm aggressive during the maturity phase of the life cycle. Differentiation involves creating brand uniqueness in the minds of customers. Any aspect of the marketing mix could serve as the basis for differentiation: the best quality product in a category, e.g., Rolls Royce automobiles or Mont Blanc fountain pens; or the lowest priced brand, e.g., Wal-Mart, or the most convenient, e.g., 7-Eleven stores. Differentiation can be based on a catchy slogan: "Ivory Soap is 99.44 Percent Pure, It Floats", Pepsi's "The Choice of a New Generation", or BMW's "The Ultimate Driving Machine." Brands can be differentiated with a symbol: McDonald's golden arches, Nike's swish, or Marlboro's cowboy. A differentiation strategy can be based on almost anything, physical, symbolic or psychological, that separates one brand from the competition in the minds of customers.

Decline Strategies

Finally, at some time in the decline stage of the life cycle, a divestment strategy becomes necessary because a product or service with declining sales consumes disproportionate amounts of marketing time, effort and money. Consequently, the product must be withdrawn from the market. If almost all other competitors are dropping out of the market, however, it may be possible to profitably stay alive a little longer as the sole survivor. For example, with the introduction and growth of filter cigarettes, non-filters started to decline. And yet, there remained a loyal core of old smokers who preferred them. When almost all cigarette brands became filtered it left room in the market for a few non-filters to survive, at least as long as the laggards remained alive to keep smoking them.

Timing of Entry Considerations

Timing of entry is also a strategic consideration. There are different implications of being a pioneer, close follower, or late entrant into a market.

Market Pioneers

Being the pioneer or first mover is very expensive, but pioneers have an opportunity to develop customer loyalty that competitors find difficult to overcome. Some examples of companies that were first in market share in 1925, and are still first today: Campbell soup, Gillette razorblades, Goodyear tires, Kellogg breakfast cereal, Kodak cameras, Lipton tea, Sherwin-Williams paint, and Wrigley chewing gum, to name a few.

Sony, for example, is one of most innovative consumer electronics firms in the world and has become very profitable pioneering such products as transistorized radios, audio cassette recorders, video cassette recorders (VCRs), camcorders, Walkmans, Watchmans, digital audio tape (DAT), mini discs (MDs), CDs, DVDs, HDTVs, 3-D TVs, and eyeglasses with a built-in TV. Being first mover, give pioneers an initial advantage, but even starting with a successful market entry strategy is not sufficient to remain profitable, the successful strategy must be modified over the life cycle.

Close Followers

Close followers have the advantage of entering a partially developed market at a much lower cost. For example, the world's largest consumer electronic company, Matsushita Electric Works, dwarfing Sony in size, usually follows them to the market. Yet by designing a brand for every segment, their large number of brands, Panasonic, Quasar, National, etc., has allowed Matsushita to become very profitable. Thus, close follower strategies also offer prospects for success.

An example of a close follower surpassing the leader is found in the VCR War of the 1980s. Sony pioneered the VCR using the “Betamax” format, but kept it proprietary; they were the only seller. Shortly thereafter, a much smaller company, JVC, launched a VCR using the “VHS” format. In contrast to Sony, however, JVC leased their VHS format to the world's electronic giants: Matsushita of Japan, Philips of the Netherlands, Siemens of Germany, Thompson of France, Olivetti of Italy, and RCA in the U.S., among others. Although experts regarded Beta as the better technology, VHS had far greater marketing clout. With many manufacturers selling VHS through a multitude of brands, they acquired more product titles, greater promotion, wider distribution and ultimately dominance in the market. As its market share continued to decline, Sony was forced to withdraw Betamax.

Sometimes even a small firm with a winning marketing strategy can bring down giants. The advantage of giants, however, is possessing significant resources to provide staying power. Sony lived to fight another day. Two decades later, Sony was on the winning side of the High Definition Optical Disc War of the mid-2000s. In 2006, Toshiba introduced the “HD DVD” player and within a few months Sony marketed its “Blu-ray.” Again, incompatible competing formats. Learning from the VCR War of the 1980s, Sony quickly lined up other electronics manufacturers and distributors, as well as movie studios and software content providers to support the Blu-ray format. Finding itself overwhelmed by the strategic alliance arrayed against it, in February 2008 Toshiba officially announced it was halting production and withdrawing HD DVD players from the market.

Late Entrants

Late entrants can often gain a toehold in a mature market by employing a niche strategy. La Quinta Motor Inns was a late entrant to the stable lodging market. Yet they have grown from a single-unit operation in San Antonio, Texas to hundreds of units across the United States by focusing on a niche strategy. Their strategy was to ignore pleasure travelers and instead target the low to mid-level business traveler segment of the market. Their marketing mix emphasized economy pricing and sound-proof rooms designed for both work and comfort. As they have grown they have expanded from their original niche to a multi-segment customer strategy. To be successful as a late entrant almost always requires starting with a niche strategy.

Customer Analysis

Knowing your customers is the key to successful marketing. What a firm needs to know is how to find, attract and satisfy customers. The better a firm satisfies its customers, the greater the likelihood of repeat sales, positive word of mouth, and ultimately profitability. Consequently, analyzing customers is the starting point for a successful marketing strategy. The customer analysis involves segmenting, targeting, profiling and positioning the market offering to potential customers.

Segmentation

Segmentation is the process of identifying subgroups or segments within the total market based on customers with similar characteristics. Customer characteristics may be organized by demographics: age, sex, income, etc.; geographics: rural, urban, suburban, or county, state, national, etc.; psychographics: attitudes, interests, opinions, etc.; sociographics: social class, subculture, etc.; and behavioral variables: time, place and frequency of purchase, heavy vs. light users, etc. An example of behavioral segmentation is the airlines' segmenting pleasure travelers and business travelers based on their trip behavior—a Saturday night stay-over. Movie theatres charging different prices by matinee and nighttime audiences, is another example of behavioral segmentation based on time use. Movie theatres also segment based on demographics, by charging different prices to different age groups—children, students, adults, and seniors. (See Exhibit 3, in the Appendix Sample Marketing Plan, for an example of a Segmentation Matrix).

The customer characteristics used in segmenting the market must be relevant for designing the marketing program. That is, effective segmentation requires that the chosen targets are reachable and responsive to changes in the marketing mix.

Runner's World Magazine, for example, segmented their market into serious runners and leisure joggers and created a split cover for different appeals to each. For serious runners the magazine used a cover picture of runners crossing a bridge during the New York Marathon; but for leisure joggers the cover picture was actress Donna Mills stretching to tie her running shoes. Except for the cover, the rest of the magazine was identical, the same stories and same advertisements on the same pages. The only difference was the split cover appeal to the two segments. Sales increased almost 50 percent. The more popular actress cover was sold at newsstands and other locations to the general public, while the more serious marathon cover was mailed to subscribers. The different segments were reachable and responsive, resulting in a successful segmentation and targeting strategy.

Many companies have shifted emphasis from national to regional segmentation, that is from mass marketing to target marketing. In catering to local tastes, Campbell Soup, for example, uses different recipes for some of its products in different regions of the country. After experiencing declining sales for its pork and beans in the Southwest, Campbell reduced the pork and added chili pepper and ranchero beans to satisfy local tastes. Sales surged. Again, the different segments were reachable and responsive to changes in the marketing mix, another example of a successful segmentation and targeting strategy.

Targeting

After segmenting the market, one or more segments are chosen as the most likely customers to target. It is toward these designated customer targets that the firm will aim its marketing mix. A company can target the entire market with a single marketing mix. This approach is not really targeting, it is a mass marketing strategy, a shotgun approach to reaching customers. It is effective when markets are in the embryonic stage and segments have not yet developed. It is also effective with inexpensive commodity products, such as paper clips and pencils.

In contrast to the shotgun approach of a mass marketing strategy most marketers generally prefer a rifle approach targeting specific customer segments, because it is usually more effective and profitable. The three most common targeting strategies include: (1) niche, (2) multi-segment and (3) across-the-board. First, using a niche targeting strategy a single marketing mix is aimed at a single segment of the market; it is particularly effective when entering a new market. When Toyota entered the U.S. automobile market, in 1957, they started with a single, small, fuel-efficient, and inexpensive subcompact model, the Toyota Crown, targeted to budget-minded customers.

Next, if a niche proves successful, firms often expand to followers in an industry often use a multi-segment strategy. This strategy involves targeting several segments of the market with a different marketing mix for each. As Toyota proved successful in the U.S. market, they expanded from cars for the budget-minded into automobiles and vans targeted to multiple segments, including sports-oriented, large families, and luxury-oriented customers. Toyota is increasingly leaving the low margin economy cars to newer rivals, such as South Korea's Hyundai and Isuzu who are following Toyota's original niche strategy, as Toyota expands into the more expensive and prestigious segments of the market.

Finally, an across the board targeting strategy is typically used by the industry leader. With this strategy, the firm targets all segments of the market with a different marketing mix. A General Motors slogan once stated: “A car for every size purse,” meaning GM offered a product for every customer’s level of income. When Alfred Sloan reorganized GM into divisions, in the 1920s, it was based on segmenting the market by household income. Cadillac was targeted toward customers with the highest income, Buick for those with relatively high income, Pontiac for more modest income levels, Oldsmobile for those with less income, and Chevrolet for customers with the lowest income (designed to compete with Ford's Model T). As people became more affluent they were encouraged to trade up their automobile purchases to the next higher price level. Even within segments there was a wide range of options and prices for each car model.

Similarly, when IBM was the largest computer manufacturer in the world it targeted government agencies for supercomputers, large businesses for large and medium sized computers, small businesses for micro-computers, and government, business, and households and individuals for personal computers. In just the PC market, Hewlett & Packard targets each of their different segments with different products, different prices, different promotions and different distribution outlets; in short, different marketing mixes are targeted to different customer segments. To successfully target distinct marketing mixes to different segments requires an in-depth knowledge of customer characteristics, often called a customer profile.

Customer Profile

The customer profile contains relevant information about the targets. The idea is to create a mental profile of the typical customers in each segment targeted. Before introducing the Saturn automobile in 1990, for example, pictures of typical customers were posted on a large bulletin board. When making design, engineering, production, or marketing decisions, executives were encouraged to frequently view the picture board. It was important that management think of customers in terms of real live people buying and driving their cars, rather than abstract faceless statistics.

Market Positioning

Positioning refers to how customers perceive a firm's offering relative to competition. Positioning provides the bridge between targeting and the marketing mix. If customers perceive the product unfavorably, it can be made more attractive by physically altering it or by repositioning the product in the minds of customers. Repositioning can dramatically alter consumer perceptions. If there are any doubts about how much, remember the Marlboro story. The quintessential cigarette for men started its life cycle, in the 1950s, as a cigarette targeted for women. Repositioning to men was not easy; the brand had to overcome such feminine appeals as “Marlboro is Mild as May,” and “Ivory tips to protect your lips.” But, by repeatedly emphasizing that Marlboro was for the rugged outdoor he-man types, and changing the color of the filter tips from feminine white (and the even more feminine red filter tips to hide lipstick marks) to a more masculine tan, even dramatic repositioning from women to men or night to day can be successful—as the Marlboro story demonstrates. (See Exhibit 4, in the Appendix Sample Marketing Plan, for an example of a Positioning Matrix).

Marketing Program

The marketing program (popularly called the marketing mix) is the set of variables that managers use to influence customers. These variables include the product or service, price, advertising and promotion, and distribution and sales force. It is useful to think of a marketing mix as ingredients that are blended together to provide a consistent “package” or brand image to the targeted customer segments. The better the marketing mix satisfies customers, relative to the competition, the greater the resulting market share. For each element of the marketing mix first describe the current situation, next identify any additions, deletions or modifications you recommend and then explain why you recommend either making changes or keeping things the same. Providing a rationale for decisions give those who approve and implement the plan confidence that you thought things through.

Product/Service

This section describes the product or service. It includes brand names, packaging, warranties, hot lines, or any other ancillary services included with the product. It should also discuss future product or service modifications and extensions.

If a firm has several different product lines, or different brands within a product line, it must balance the product portfolio in the sense that some products are net cash generators (cash cows and dogs) while others are net cash users (question marks and stars). In a balanced portfolio there are products in each stage of the life cycle. Those in maturity and sometimes the decline stage serve as cash cows to finance R & D efforts to introduce new products, which start as question marks, and support growing stars.

Pricing

In discussing pricing, include the rationale for choosing the price, as well as any discounts, allowances, trade margins or adjustments. Three generic approaches to pricing are known as the 3 C's: (1) customer (or demand), (2) competitor, and (3) cost oriented pricing. The highest price possible to charge is the maximum that a customer is willing to pay. The lowest price a firm can offer, and remain in business for long, is its cost of goods plus operating expenses. Typically prices are set somewhere between these two extremes based on competitors' prices.

First, In demand oriented pricing, customers are charged the highest price that each segment will pay, usually phrased: "what the traffic will bear." Price skimming is an example of demand oriented pricing. With skimming a high price is charged initially. After those who are willing to pay the most actually buy the product and sales begin to level off, the price is lowered to the next segment, and the process is repeated. This approach works especially well if the firm has a patent or there are barriers to entry. Otherwise, the same high prices that generate big profits also attract competitors like sharks at a feeding frenzy.

Second, competitor oriented pricing is particularly common in industries known as oligopolies. These industries sell commodities like steel or aluminum or coal, and all competitors charge the same price. Since a firm can sell all of its output at the prevailing market price, by lowering price it loses revenue. If a firm charges a higher price than competitors, no one buys from them. Competition oriented pricing is also prevalent in mature markets, where firms are afraid to rock the boat. Stable prices are the hallmark of firms following a maintenance strategy, but remember the pitfalls.

Third, cost oriented pricing relates the price to cost. This method is particularly popular in wholesaling and retailing where a standard markup is common, such as “keystone” pricing using 100 percent markup above cost. In a more sophisticated version, General Motors pioneered the method known as target return (on investment) pricing. To use target return pricing, a firm sets a profit goal percentage (the targeted return) and multiplies by the investment, this figure is divided by estimated unit sales to determine the price necessary to reach the target return.

Advertising and Promotion

The promotional mix includes advertising, sales promotions and public relations. Advertising involves various media, such as TV, radio, Internet, newspapers, magazines, billboards, telemarketing, direct mail and social media. Sales promotions include coupons, free giveaways, product placements in movies, trading stamps, two for the price of one deals, point of purchase displays, trade shows, sweepstakes and contests. Public relations offer another type of promotion that involves free publicity, such as newspaper articles written about the firm's products. More recent forms of promotion involve generating Internet buzz, known as viral marketing, using blogs, product reviews and videos such as You Tube.

The easiest way to develop this section is to start with the total promotional budget and break it down into advertising and sales promotions. Then explain the rationale for your breakdown.

The advertising budget may be broken down into media subcategories, such as TV, radio magazines, Internet, etc. Each subcategory may be subdivided further such as NBC, ABC or cable television shows, or Time and Life magazines, or pop-ups and search engine optimization. Choosing between media within a category is usually based on various measures of advertising cost comparisons. Alternative television programs or radio programs can be compared by using the CRP (cost per rating point or cost per one percent of a specified audience); alternative magazines using the CPM (cost per 1,000 people reached); and alternative newspapers using the milline rate (cost of advertising space per agate line x 1,000,000 ÷ circulation). Costs and circulation/audience size can be obtained by calling the advertising departments of the various media or by using books of “Standard Rate and Data Services” that are found in most libraries or on the Internet. Measuring the effectiveness of Internet advertising is still in a rudimentary state and is usually based on the CTR (click through rate also known as the ATR for ad click rate). The CTR is measured as the percentage of a website's visitors who click on an advertisement or click through to the advertiser's website from the host site, and typically ranges from one to three percent. All of the measures discussed relate the size of audience or readership to the advertising cost, essentially measuring people exposed or attending to the ad. However, exposure and attention are only early steps in the buying process. Ideally, advertising cost should be related to sales, measuring the return on an advertising investment but such measures are difficult to obtain.

With sales promotions, breakdown the budget by consumer and trade promotions, then into types, such as coupons, contests, and so forth. Again, explain your reasoning. Consider how each advertising medium and sales promotion will reach a specific customer target. For consumer markets, in particular, suggest a theme or slogan to guide the advertising and sales promotion. If you can think of any means of receiving free publicity, then describe it as well.

Emphasis on advertising is usually termed a "pull" strategy, because ads are directed to household consumers who demand the brand from distributors who, in turn, demand it from manufacturers. Thus the brand is pulled through the channel of distribution. In contrast to advertising pull, there is a "push" strategy that emphasizes sales promotions. With push, manufacturers provide incentives to distributors who, in turn, encourage household consumers to buy the particular brand being pushed through the channel.

A general rule of thumb in choosing between the two is to spend more heavily on advertising in the earlier stages of the life cycle and sales promotions more heavily in the later stages. For example, shortly after its introduction, Gillette divided the promotional budget for its new Fusion Pro Glide brand about 60% advertising vs. 40% sales promotions; with its mature Mach 3 brand Gillette reversed the budget, about 30% advertising vs. 70% promotion. The proportion for the Double Edged brand, in the decline stage of its life cycle, but a sole survivor still selling to laggards, was even more dramatic, only 5% advertising pull and 95% sales promotions push.

In using sales promotions, those directed toward the trade are often more important than consumer promotions. If you were a Bloomingdale's appliance salesperson and General Electric sponsored a contest giving a free trip to Hawaii to the salesperson selling the most GE products in a year, other things being equal, which brand would you recommend to customers?

Sales force

If the firm employs its own sales force, it is usually considered an element of the promotional mix. However, if a firm employs manufacturer's representatives or sales agents, rather than its own sales force, then it is considered an element of distribution. It is less clear where personal selling should be considered when choosing between a company's own sales force or independent reps and agents. To avoid confusion, it is often clearest to discuss sales force issues separately in its own section.

Many considerations are involved in choosing between a company sales force or manufacturers' representatives. A small financially weak firm attempting to reach a large market would probably use reps or agents, whereas a large financially secure firm could afford its own sales force. Reps are generally paid on commission, a variable cost, while a sales force is usually paid a base salary (plus expenses), a fixed cost. For small companies variable costs are less risky, in contrast to large firms that can absorb the risk and afford the fixed expenses of in-house activities. A company's own sales force is obviously more loyal and focused on company products, but they also have to be trained and motivated. Manufacturers' representatives and agents sell complimentary, but non-competing, lines for several companies, but have less incentive to sell any particular firm's products.

Information about salaries, commissions and other forms of compensation, as well as recruitment and training should also be described in this section.

Distribution (Location)

Distribution includes channel members, i.e., wholesalers and retailers, or types of outlets that will sell the manufacturer's products. The functions performed by wholesalers, agents and retailers, and the store image of retailers, along with costs, are the primary reasons for choosing among the various types of channel members.

At the retail level of distribution, channel selection also involves the number of retailers, in a given geographical market, carrying a seller's products. Retail coverage may be intensive, selective or exclusive. Intensive distribution attempts to sell products through every available outlet in a given geographical area. For example, Wrigley gum or Marlboro cigarettes can be found in every convenience store, drug store, and supermarket in a given area. But other brands of gum and cigarettes are also sold in every outlet, so none get special attention. Exclusive distribution reduces coverage to a single store, or chain, in the desired market. One seldom finds more than a single retail store in a geographical area selling Bang and Olufsen stereo equipment or Rolls Royce automobiles. Dealing with a single brand, the sales people are experts in the product and provide a high level of services. Selective distribution provides coverage between every outlet available and a single outlet by offering a firm's products to a select group of outlets in a chosen area. Several chains of electronics and appliance stores carry Hewlett Packard computers, for example; but they also sell a few others, such as Lenovo, Toshiba, Samsung, Sharp and Sony. Consequently, each brand gets some sales attention, but none get exclusive attention.

If necessary, discussion of physical distribution, i.e., storing and transporting products, also goes in this section. Issues typically involve the trade-off between moving goods to customers or moving customers to goods. Typically it is less expensive to move goods, so goods are moved from distant manufacturers and wholesalers to local retailers, and consumers travel the remaining distance, "the last mile," to their neighborhood retail store.

In the case of services, this section is usually relabeled *"Location"* and discusses places where outlets are currently located and where they will locate in the future. Convenience and fast food stores obviously want to open new outlets in high traffic locations with little competition. Some considerations for locating outlets domestically include: size of population, rate of growth, and income levels. Internationally, consideration should also be given to political stability and cultural differences.

Other Marketing Mix Elements

Other elements of the marketing mix (beyond the four P's) may be included as needed. For example, if consumer surveys, focus groups or competitive information are necessary for future decision-making, then a *Market Research* section could be added. If there is a necessity for a major public relations campaign it might be included under *Advertising and Promotion* or a separate *Public Relations* section could be added. Similarly, if the management of a small company does not have expertise in marketing, then it might be useful to add a *Marketing Manager* section detailing the job qualifications, duties and compensation.

OTHER SECTIONS OF THE PLAN

Other sections of the plan are also included as needed. If there are problems with reporting relationships within the organization, a section called Organizational Structure could be included. If it is important to explain technical characteristics of the product a section on Product Design may be necessary (or it may be discussed in an Appendix).

In some plans a conclusion section is warranted. For example, it may not be possible to achieve profitability or other financial goals during the time horizon of the plan. This is particularly true for new entry strategies. In such a case include a Conclusion section stating that there does not appear to be any feasible strategy that will achieve the financial goals, and therefore the product should not be introduced to the market.

A marketing plan may stand alone, but it is often incorporated into a business plan. The business plan is more encompassing than a marketing plan because it includes additional sections, such as organizational structure, a section on production in a manufacturing firm, merchandising in a retailing company, or operations in a service firm. Moreover, a business plan generally contains a more detailed discussion of finances, including cash flow and ratio analysis, than a typical marketing plan. In a new venture seeking start-up capital, include a section with biographies of key management personnel. Other than these additions, the two plans are very similar because a marketing plan is the dominant element in a business plan. If it is necessary to expand the marketing plan into a business plan, just include the additional sections, R & D or Operations or Human Resources, as required.

APPENDICES

Appendices contain relevant information that support points made in the body of the plan. One appendix that is mandatory is a Pro forma Income Statement (see Appendix A in the Appendix Sample Marketing Plan for an example). Here, revenues, expenses and profits are projected monthly, quarterly or annually. Budget statements and cash flow projections are also important.

Another useful appendix is a Breakeven Analysis. The number of units that must be sold to breakeven (where profits and losses equal zero) is calculated by dividing total fixed costs by contribution margin. The contribution margin is calculated on a per unit basis by subtracting variable costs from selling price. (See Appendices B or C in the Appendix Sample Marketing Plan for examples of a Breakeven Analysis.)

Include any other appendices that are needed. These may involve tables, charts, maps, or calculations of figures to support points made in the body of the plan. Any other relevant information of a technical nature not included in the body of the plan may also be included as an appendix.

EXECUTIVE SUMMARY

Although written last, the executive summary is the first page of the plan. As the name suggests, it summarizes and highlights the most important points in the plan. The executive summary, for the most part, follows the same organization as the plan. Each section of the plan is summarized in one to a few sentences. The easiest, fastest and most effective method of writing the executive summary is to follow the paragraph by paragraph format below.

The first paragraph summarizes the important elements of the situation analysis. In the first sentence state: (a) the name of the company, (b) the year founded, and (c) what business the firm is in or market they are thinking of entering. If the focus of the plan is a strategic business unit

(SBU), rather than the company as a whole, then use a transition sentence from the former to the latter. For instance, "Procter and Gamble sells eleven brands of detergents and this plan focuses on Tide." Then state the same three elements in the first sentence for the SBU. As an option, if something important is going on in the company, such as a merger or a new product launch, say it in a sentence or two.

Describe the purpose for writing the plan in the next sentence (and if you want to raise funds, include capitalization requirements). For example: "The purpose of this plan is to develop a marketing strategy to (state your specific goal: raise $5 million in capital to achieve $15 million in profits by 2012." Or: "The purpose of this plan is to increase market share from 12 percent in 2009 to 18 percent in 2013." The final sentence describes the opportunities in the environment that will allow you to achieve the goal. For example, "it is likely that XYZ Inc., will achieve this goal because the industry is growing at 50 percent per year." However, if the environment is stable, turbulent or hostile, then state your competitive advantage (described below) as the reason you expect to achieve your goal.

The second paragraph contains the key points of the industry analysis and competitive analysis. The first sentence focuses on the industry. Identify (a) last year's sales (in dollars or units), (b) the projected rate of growth for the next 3 to 5 years, and (c) the stage of the industry lifecycle. Alternatively, instead of the entire industry (e.g., automobiles), you could focus on your targeted segment (e.g., subcompacts, SUVs, or luxury automobiles).

Identify the direct competitors in the next sentence of the second paragraph. For example: "The direct competition for BMW's Z4 includes Mercedes-Benz's SLK, Porche's Boxter, Audi's TT and similar brands of luxury sport roadsters." In the final sentence state the company's competitive advantage. For example: "The ABC company's competitive advantage is the largest advertising budget in the industry."

Although it appears next in the plan, skip the objectives section until the last paragraph. Marketing strategy and customer targeting are described in the third paragraph. State your strategy in the first sentence, and what it means in the second. For example: "The CBA Company should use a penetration strategy. CBA should reduce price, increase advertising, and expand distribution." Explain why this strategy was chosen over the next best alternative. Such as: "A penetration strategy was chosen over a niche strategy because the firm has the resources to dominate the market." After the strategy identify your target market(s). If you use a targeting strategy (niche, single segment, multi-segment, across the board, etc.) you can combine strategy and targeting into one sentence. For example: "XYZ should use a niche strategy targeting affluent-healthy-retired people" or "PQR should use a multi-segment strategy targeting high income Professionals, Executives, and Entrepreneurs. Unless obvious, explain why you choose your target(s).

The next paragraph discusses the marketing mix. If it becomes excessively long divide it into two (three or four) paragraphs. The general format for each marketing mix element is the same: (a) state the current situation, (b) what you are going to change over the next three to five years (or that you are going to keep things the same), and (c) why.

With the product, mention its key features, what you plan to modify, add, delete. Why? State the price, the impact of reducing or increasing it 20 percent or so, and why you accepted or rejected the change. Provide a budget for advertising and promotion and state the primary media you will use and the main sales promotions. If a sales force is involved, how many? Which territories? How compensated? What changes over the next three years? If you are dealing with a service: which locations? How many new stores or offices will be added? Where? When? Why? If a product, what channels of distribution will you use? If B2B, how are suppliers integrated? If B2C, what type(s) of retail outlets? How many? Where? Why? Include a sentence or two about any additional elements of the marketing mix that are included in the plan.

If there are "Other" sections in your plan, such as key personnel and organizational structure or manufacturing operations, describe each in a paragraph, even a one-sentence paragraph.

The last paragraph states your confidence in achieving the goal: "Based on the marketing strategy detailed in this plan, it is anticipated that ZYX Inc., is likely to achieve [restate goal from first paragraph] achieve $15 million in profits by 2012."

After the executive summary is completed it is placed at the front of the plan, before the Table of Contents (see the Appendix Sample Marketing Plan for an example of an Executive Summary and a Table of Contents).

CONCLUSION

The marketing plan offers management a systematic method for capitalizing on market opportunities as well as addressing future business contingencies. It provides a framework and a guide to making more effective marketing decisions—decisions that get winning results. It is as relevant to a small business as it is for the largest corporations. The planning horizon can range from short term, a year or less, to long term, five or more years. Generally, larger sized businesses require longer planning horizons.

Planning is a continuous process and should not be just a one-time activity. Effective planning results from frequent practice in developing and analyzing plans, just as good forecasts result from frequent practice and analysis of forecasting variances. After writing a marketing plan it should not be ignored, the plan should be routinely audited. Deviations from performance goals should be identified, by subtracting actual from projected results, and corrective actions undertaken. Small deviations may suggest such actions as a minor price adjustment or increased promotional effort. Large deviations may require fundamental changes in overall strategy, customer targets or brand positioning.

The marketing audit is the basis for developing a new situation analysis, and it is therefore the foundation for future objectives and strategies. Consequently, while the audit is based upon the plan, the subsequent plan is based upon the audit. Thus, we come full circle, having arrived at the final step in the planning process, the first step in developing a new plan has been reached again as well.

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APPENDIX:
SAMPLE MARKETING PLAN

STRATEGIC MARKETING PLAN

for

APPLIED RESEARCH SYSTEM'S

“ACCUTEMP”

prepared by

Dr. Eric H. Shaw & Associates
Consultants in Business Planning & Marketing Strategy
Boca Raton, Florida
www.ericshaw.com

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EXECUTIVE SUMMARY

Applied Research Systems (ARS) was founded in 1999, in Boca Raton, Florida, to provide environmental consulting services. These services fluctuate widely from year to year and consulting operations have not proven profitable. The development of the Accutemp product in 2006 offers ARS an exciting opportunity in the temperature measurement field. Accutemp is the most accurate temperature measurement instrument in the world. The purpose of this plan is to develop a marketing strategy to introduce Accutemp into the market and achieve profits of $4.5 million by 2009. Achieving this goal is likely because of pending FDA guidelines requiring more accurate temperature measurement for pharmaceutical and medicine manufacturers.

The high accuracy segment of the temperature measurement industry is estimated at $100 million for 2006, is expected to grow at 30% per year for at least the next three years and is in the growth stage of its life cycle. There are two entrenched direct competitors, ABC and XYZ. Two potential competitors, LMN and PQR, have the capability to enter this segment of the market. Accutemp's competitive advantage is the highest accuracy in the industry.

It is recommended that ARS use a niche strategy for 2007, targeting Pharmaceutical and Medicine Manufacturers who require the highest accuracy in temperature measurement. In subsequent years, a multi-segment expansion strategy is recommended.

Accutemp is a micro-processor based temperature measurement instrument using platinum resistance measurement probes to achieve an accuracy of $\pm$0.02°C; the highest accuracy in the industry. The R&D budget is set at $60,000 for 2005, increasing 40 percent by the third year. ARS will use price skimming, charging a premium price of $12,000 and reducing it by about $1,000 per year for the next two years. The advertising and promotional budget should be $80,000 for the first year and is expected to increase 50 percent by the third year of the plan. Advertising will consist of pharmaceutical trade journal advertisements, direct mail, email, and a professional website will be developed and maintained. Promotions will involve pharmaceutical trade shows and will also include public relations. All advertising and promotion will emphasize the "Accuracy of Accutemp." Direct orders from advertising and promotion are expected to account for about 50 percent of sales. The remaining 50 percent of sales are projected to come from manufacturers' representatives who will be hired at 10 percent commission. In addition, a marketing manager will be hired to handle all aspects of the Accutemp marketing program. The manager will be paid a salary of about $90,000 plus a bonus for exceeding the profitability goals.

Based on the recommendations described in this strategic marketing plan, it is anticipated that Accutemp will increase profits from less than $950,000 in 2004 to $4,500,000 in 2007.

TABLE OF CONTENTS

ACCUTEMP SITUATION ANALYSIS

This section includes a description of the company background and analyses of the organization, environment, industry and competition.

COMPANY BACKGROUND

Applied Research Systems (ARS) was founded in 1999 in Boca Raton, Florida to provide research and consulting services in the environmental control field. While ARS has grown to a five million dollar business, sales fluctuate widely from year to year and profits are less than a million.

To reverse this unsatisfactory performance, and reduce dependence on its consulting services, ARS is considering the feasibility of marketing a highly accurate electronic temperature measurement instrument named "Accutemp." With the exception of relatively minor technical problems, response to the Accutemp prototype has been extremely favorable among users. The purpose of this plan is to develop a marketing strategy to introduce Accutemp into the market and achieve profits of $4.5 million by 2009.

ORGANIZATIONAL ANALYSIS

This section identifies organizational strengths and weaknesses relative to competitors.

Strengths

1. Accutemp is the most accurate electronic temperature measurement instrument available in the market.

Weaknesses

1. ARS management has limited knowledge of the digital measurement field compared to competitors.

2. ARS has no experience in product marketing.

3. ARS has almost no retained earnings, relative to competition, for R&D or marketing.

ENVIRONMENTAL ANALYSIS

This section identifies external conditions and trends that represent opportunities or threats.

Opportunities

1. Pending FDA Guidelines requiring pharmaceutical manufacturers to provide greater temperature measurement accuracy will create immediate demand for Accutemp.

2. The high accuracy segment of temperature instrument market is projected to grow at 30 percent per year for at least the next three to five years

Threats

1. Competitors in the temperature measurement market could duplicate ARS state-of-the-art technology within a few years.

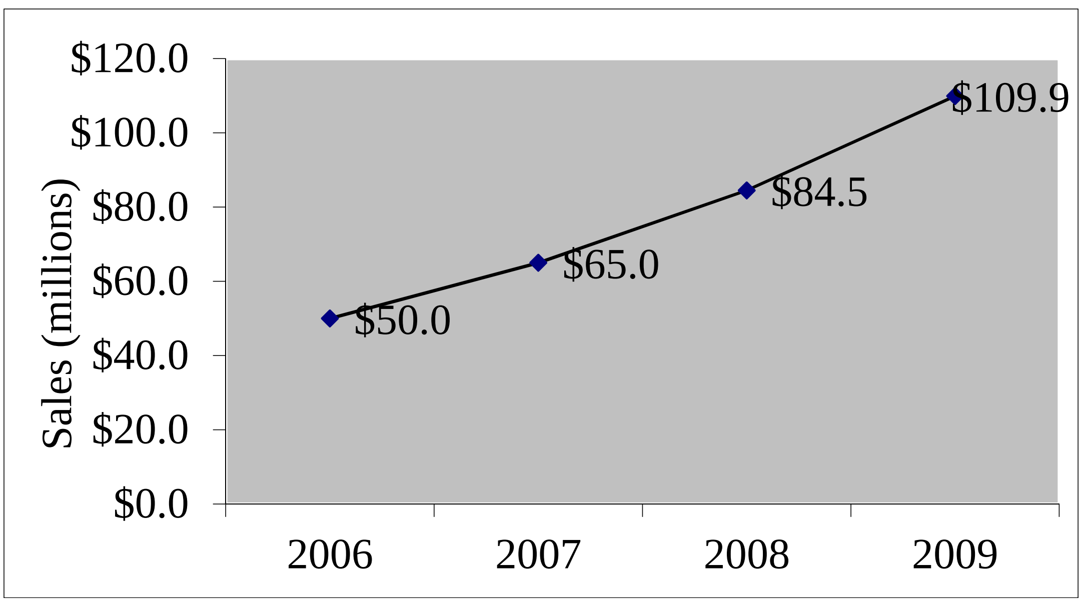
2. The economy is expected to continue at a low 1 to 2 percent growth rate for at least another year, a slow growing economy is generally a bad time to introduce a relatively expensive new product.

INDUSTRY ANALYSIS

Industry sales for electronic temperature measurement instruments are almost $1 billion, in 2006, and they are projected to grow about 11.3 percent per year over the next three years. The industry is divided into three categories, each growing at different rates. The low accuracy category is the largest segment of the market estimated at $600 million in 2006 with the slowest growth rate at 5 percent a year. The intermediate segment is projected at $300 million growing at 15 percent annually.

For Accutemp, however, the obvious target is the high accuracy category. It is estimated at $50 million in 2006 with a forecasted growth rate of 30 percent annually, over the next three years. The high accuracy temperature measurement category is in the growth stage of the industry life cycle. See Exhibit 1.

EXHIBIT 1
HIGH ACCURACY TEMPERATURE MEASUREMENT LIFE CYCLE, 2006-2009



2006 actual, 2007-2009 projected

The rapid growth of the high accuracy segment of the industry will be fueled by pending FDA guidelines requiring better quality control in pharmaceutical and medicine manufacturing.

COMPETITIVE ANALYSIS

Direct Competition

The direct competition for Accutemp includes two firms, ABC Inc. and XYZ Co. Another two firms, in the intermediate segment of the market, LMN Inc. and QPR Ltd. also appear capable of achieving high accuracy instruments and they represent potential direct competition. It is expected that one or both of these firms will expand into the high accuracy segment within one or two years.

It is unlikely that any of the above firms will be able to develop a comparable instrument to Accutemp for at least one or two years without violating ARS patents. See Competitive Matrix, Exhibit 2.

EXHIBIT 2
COMPETITIVE MATRIX FOR HIGH ACCURACY TEMPERATURE MEASUREMENT INSTRUMENTS, 2006

Competitor	Sales (mil.)	Market Share	Degree of Accuracy	Selling Price	Advertising Budget
ABC Inc.	$30.0	60.0%	±0.4°C	$5,000	$500,000
XYZ Co.	$20.0	40.0%	±0.2°C	$6,000	$300,000
ACCUTEMP*	**$ .12**	**<0.01%**	**±0.02°C**	**$10,000**	**$20,000**

The Matrix shows that Accutemp's competitive advantage is the highest degree of accuracy in the market.

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*Based on a two month Accutemp test market in 2006, consisting of one trade journal advertisement and one trade show (total cost $20,000) ARS sold twelve units at an average selling price of $10,000 for $120,000.

Indirect Competition

There are more than 20 firms in the low and intermediate segments of the market who represent indirect competition to ARS. Their instruments are of much lower accuracy and they have virtually no potential to match Accutemp.

ACCUTEMP OBJECTIVES

The objectives section consists of the business mission and performance goals.

ACCUTEMP MISSION

Accutemp's mission is to provide industrial customers with the most accurate temperature measurement instrument in the world.

ACCUTEMP PERFORMANCE GOALS

Performance goals for Accutemp are shown in Exhibit 3, below:

EXHIBIT 3
ACCUTEMP PERFORMANCE GOALS
2007-2009

	2007	2008	2009
Unit Sales[1]	200	400	800
Sales Revenue[2]	$2,400,000	$4,400,000	$8,000,000
Market Share[3]	3.7%	5.2%	7.3%
Profits[4]	$950,000	$2,140,000	$4,520,000

The forecast of performance goals show Accutemp increasing profits almost 500 percent from 2007 to 2009.

[1]Unit Sales forecast for 2007 estimated to grow at 60 percent (twice the industry average) based on competitive advantage and niche marketing strategy.
[2]Sales Revenue = unit sales x price ($12,000 in 2007, $11,000 in 2008, and $10,000 in 2009; see Pricing section for details).
[3]Market Share = sales revenue / high accuracy segment of industry sales (see Industry Analysis section for figures).
[4]Profits = sales revenue – costs (see Appendix A, Pro forma Income Statement for calculation of costs and expenses).

ACCUTEMP STRATEGY

The strategy section consists of a strategic overview, a customer analysis, and a marketing program.

STRATEGIC OVERVIEW

It is recommended that Accutemp follow a niche strategy for 2007 targeting pharmaceutical and medicine manufacturers requiring the highest accuracy temperature measurement instrument. A penetration strategy was considered. The penetration strategy was rejected because ARS does not have the funds to support a massive advertising and promotional campaign nor blanket the market with a large sales force.

After Accutemp gains a toehold with their primary target market, during 2008 or 2009, it should move toward a multi-segment expansion strategy, additionally targeting university labs and electric utility segments that require very high accuracy instruments.

ARS's major competitive advantage is a superior product, therefore ARS should place heavy emphasis on R&D to maintain its lead in the temperature measurement field. Over the next two years, ARS should aggressively reduce price to delay competitive entry.

CUSTOMER ANALYSIS

The customer analysis includes sections on segmentation, targeting, customer profile and positioning.

Segmentation

The market for temperature measurement can be segmented by industry sector and degree of accuracy required, see the segmentation matrix, Exhibit 4.

EXHIBIT 4
SEGMENTATION MATRIX FOR
TEMPERATURE MEASUREMENT MARKET

	Industry Sector			
Degree of Accuracy	Pharmaceu-ticals	Universities Labs	Electric Utilities	Other
Low				
Intermediate				
High	X			

Targeting

For 2007, it is recommended that ARS target Pharmaceutical and Medicine Manufacturers requiring the highest accuracy in temperature measurement because of the pending FDA guidelines. If the profitability goals are achieved, in 2008 or 2009, the additional segments of universities and electrical utilities requiring high accuracy could be targeted.

Customer Profile

Pharmaceutical and medicine manufacturers (NAICS Code 32541 requiring high accuracy, the primary target, are concerned with the pending FDA guidelines. These guidelines mandate better quality control in manufacturing processes, which means more accurate temperature measurement will be required. In 2007, the latest year of NAICS data, there were approximately 3,000 pharmaceutical and medicine manufacturers in the United States.

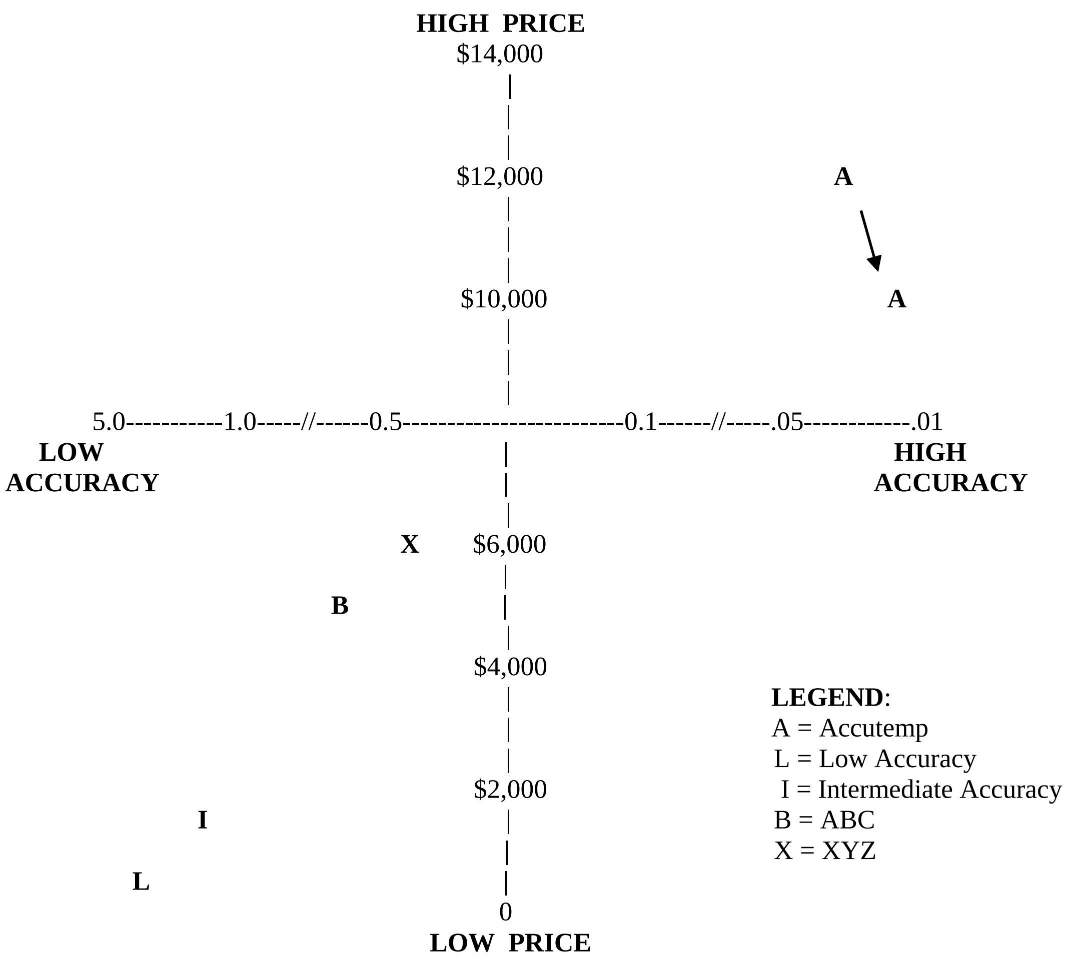
Also considered for targeting in 2008 or 2009 are universities and electric utilities requiring high accuracy. Universities need to keep current with the latest technology for scientific purposes. There are roughly 400 universities that are large enough or that have sufficient resources to use Accutemp.

Electric utilities could also benefit from high accuracy measurement by reducing generating and plant costs. There are roughly 200 utilities that are potential customers for Accutemp.

Market Positioning

Accutemp and its competitors are positioned in the market based on their accuracy and price. See Positioning Matrix below:

EXHIBIT 5
POSITIONING MATRIX 2006-2009



Accutemp is positioned with ±.02º C accuracy and a price of $12,000. By 2009 Accutemp will be repositioned to an accuracy of ±.01º C and a price of $10,000.

MARKETING PROGRAM

The section discusses the product/service, pricing policy, advertising and promotion, distribution and sales force.

Product/Service

AccuTemp is a superior high accuracy temperature measurement instrument. It measures 6"x2"x1/2", is micro-processor based, and uses platinum resistance measurement probes with an accuracy of $\pm 0.02°$ C. The temperature readout is similar to a digital watch.

An instruction manual and a one year full-service warranty will be included. A toll free 800 numbers and website will be available for customer orders, inquiries and service.

R&D will be budgeted at $60,000 in 2007 to continue work on improving Accutemp.

Pricing Policy

The $10,000 selling price for the prototype will be raised to $12,000 in 2006. Demand for Accutemp is likely to be highly inelastic due to the pending FDA guidelines, and also because it will take competition at least a year or two to develop a comparable instrument. Consequently, ARS can employ a price skimming strategy. The initial $12,000 price will allow ARS to recoup costs more rapidly (as shown in the breakeven comparison below) and make additional funds available for R&D and marketing.

If customer resistance is encountered at the higher price, it could be lowered back to $10,000. As costs are reduced by economies of scale in production, it is anticipated that the price will fall from $12,000 in 2007 to $11,000 in 2008 and to $10,000 in 2009. The reduction in price should also provide a barrier to potential competitive entrants.

Breakeven at the $12,000 price is 78 units, at $11,000 it is 93 units, and at a price of $10,000 breakeven is 111 units (see Appendix B for alternative price break even calculations).

Advertising and Promotion

The total advertising and promotional budget is allocated at $80,000 for 2007. It will consist of a mix of trade journal advertising and booths at trade shows for the primary target, and direct mail for both primary and secondary targets. Free publicity will also be developed. The theme of all promotions will emphasize: "The Accuracy of Accutemp," and the FDA's new guidelines.

A half-page advertisement will be taken out bi-monthly in the leading pharmaceutical trade journal—*Pharmacology Today*. Cost is estimated at $5,000 per insertion and $10,000 for production of the ad, or $40,000 total.

Booths will be taken at the semi-annual pharmaceutical manufacturers' trade shows. Costs are estimated at $6,000 per booth and $4,000 for travel and expenses, or $20,000 total.

A trifold four-color brochure will be mailed to the primary and secondary targets twice a year. The mailer will include a toll free number and mailing address for inquiries and orders. The pieces will be mailed a month before "traditional" budget submission dates for fiscal years beginning January 1 and July 1. Costs of production are estimated at $9,000; and mailing costs, labels, etc. about $1,000 ($.16 per piece bulk mail x 2,600 (customers) x 2 (times); plus $ 160 for labels, etc.); for a total cost of $10,000.

An Internet web site will be developed and maintained. It will emphasize key word for search engine optimization. Again, it will emphasize: "The Accuracy of Accutemp," and include product and contact information, at an estimated cost of $5,000 annually for development and maintenance.

Free publicity can be obtained by mailing a press release to major journals in the targeted industries as well as general news publications. The cost of a PR consultant to write the press release and solicit its publication in major public and scientific news outlets is estimated at $5,000.

Sales force

Due to ARS management's lack of expertise in the temperature measurement industry, and ARS's minimal financial resources, manufacturers' representatives are a more feasible alternative than a company sales force. First, manufacturers' reps are already knowledgeable in the temperature measurement field, compared to ARS management who would have to train the sales force or hire salespeople from competitors.

Second, manufacturers' reps receive commissions after the sale and represent a variable expense rather than the fixed cost of a company sales force. Moreover, manufacturers' reps pay their own travel expenses. The breakeven point for two salespeople at $50,000 salary plus $50,000 in expenses is 92 units; however, the breakeven point is only 78 units for an unlimited number of manufacturers' reps at 10 percent commission (see Appendix C for calculations).

It is anticipated that manufacturers' reps will produce 50% of Accutemp revenues and the remaining 50% of sales will be generated by direct customer inquiries to ARS's advertising and promotional program.

Distribution

ARS should concentrate sales in Florida and the Southeastern region during 2000. This will reduce the costs of sales calls, shipping and service until significant revenues are received. By 2006, Accutemp sales are expected to be strong enough to expand to the national market.

Marketing Manager

Since no one in the organization has familiarity with product management in the temperature measurement field, it is recommended that ARS hire a full time marketing manager for Accutemp. The ideal candidate is a mid-level product manager, with an MBA, and experience in the temperature measurement industry. A starting salary of $90,000 to $110,000, depending on qualifications, is recommended. Significant bonuses should be linked to achieving ARS's profitability goals.

APPENDIX A
PRO FORMA INCOME STATEMENT
FOR ACCUTEMP 2007-2009
(thousands)

	2007	2008	2009
Sales Revenues[1]	$2,400	$4,400	$8,000
Cost of Materials & Labor[2]	800	1,440	2,400
Gross Margin	1,600	2,960	$5,600
Expenses:			
Allocated Overhead[3]	200	200	200
Administration[4]	100	120	150
Marketing Manager[5]	90	100	110
R&D[6]	60	80	100
Advertising & Promotion[7]	80	100	120
Sales Commissions[8]	120	220	400
Total Expenses	650	820	1,080
Profits (EBIT)	$950	$2,140	$4,520

[1]Sales Revenues are taken from Performance Goals Section.

[2]Cost of materials and labor estimated at $4,000 per unit in 2007, declining to $3,600 in 2008 and $3,000 per unit in 2009 due to economies of scale.

[3]Allocated overhead estimated by the Executive Committee.

[4]Administration costs estimated by Executive Committee.

[5]Marketing Manager's salary based on Executive Compensation Comparisons. Annual increases include bonuses for meeting profitability goals.

[6]For R&D budget see Product/Service Section.

[7]See Advertising and Promotion Section for details.

[8]Sales Commissions estimated at 10 percent of half the sales revenues.

APPENDIX B
BREAKEVEN CALCULATIONS
FOR PRICING ALTERNATIVES, 2007

The breakeven calculations are based on the formula:

fixed costs / (selling price - variable costs) = breakeven point

Price Alternatives:

a. @ $12,000 price: $530,000 / ($12,000 - 5,200) = 78 units

b. @ $11,000 price: $530,000 / ($11,000 - 5,200) = 93 units

c. @ $10,000 price: $530,000 / ($10,000 - 5,200) = 111 units

Fixed costs include all Expenses shown in the Pro forma Income Statement, Appendix A, excluding variable costs. Variable costs include the per unit cost of Materials and Labor plus Sales Commissions.

APPENDIX C
BREAKEVEN CALCULATIONS
FOR DISTRIBUTION ALTERNATIVES, 2007

The breakeven calculations are based on the formula:

fixed costs / (selling price - variable costs) = breakeven point

Distribution Alternatives (at a selling price of $12,000):

a. Sales force: 2 people @ $100,000 salary and expenses:

$$\frac{\$530{,}000 + \$200{,}000}{\$12{,}000 - \$4{,}000} = 92 \text{ units}$$

With the sales force alternative, salary plus expenses are added to fixed costs and manufacturers representatives' commissions ($1,200 per unit) are removed from variable costs.

b. Manufacturers Reps: unlimited number @ 10% commission

$$\frac{\$530{,}000}{\$12{,}000 – (\$4{,}000 + \$1{,}200)} = 78 \text{ units}$$

Using the manufacturer representative alternative, fixed costs remain the same as shown in Appendix B, and the per unit commissions for manufacturer representatives are added to the per unit variable costs of labor and materials.

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