

APPENDIX C Sample Marketing Plan

This sample marketing plan for a hypothetical company illustrates how the marketing planning process described in Chapter 2 might be implemented. If you are asked to create a marketing plan, this model may be a helpful guide, along with the concepts in Chapter 2.

1 The Executive Summary, one of the most frequently read components of a marketing plan, is a synopsis of the marketing plan. Although it does not provide detailed information, it does present an overview of the plan so readers can identify key issues pertaining to their roles in the planning and implementation processes. Although this is the first section in a marketing plan, it is usually written last.

2 The Environmental Analysis presents information regarding the organization's current situation with respect to the marketing environment, the current target market(s), and the firm's current marketing objectives and performance.

3 This section of the environmental analysis considers relevant external environmental forces such as competitive, economic, political, legal and regulatory, technological, and sociocultural forces.

Star Software, Inc. Marketing Plan

1 I. EXECUTIVE SUMMARY

Star Software, Inc., is a small, family-owned corporation in the first year of a transition from first-generation to second-generation leadership. Star Software sells custom-made calendar programs and related items to about 400 businesses, which use the software mainly for promotion. Star's 18 employees face scheduling challenges, as Star's business is highly seasonal, with its greatest demand during October, November, and December. In other months, the equipment and staff are sometimes idle. A major challenge facing Star Software is how to increase profits and make better use of its resources during the off-season.

An evaluation of the company's internal strengths and weaknesses and external opportunities and threats served as the foundation for this strategic analysis and marketing plan. The plan focuses on the company's growth strategy, suggesting ways in which it can build on existing customer relationships, and on the development of new products and/or services targeted to specific customer niches. Since Star Software markets a product used primarily as a promotional tool by its clients, it currently is considered a business-to-business marketer.

2 II. ENVIRONMENTAL ANALYSIS

Founded as a commercial printing company, Star Software, Inc., has evolved into a marketer of high-quality, custom-made calendar software and related business-to-business specialty items. In the mid-1960s, Bob McLemore purchased the company and, through his full-time commitment, turned it into a very successful family-run operation. In the near future, McLemore's 37-year-old son, Jonathan, will take over as Star Software's president and allow the elder McLemore to scale back his involvement.

3 A. *The Marketing Environment*

1. *Competitive forces.* The competition in the specialty advertising industry is very strong on a local and regional basis but somewhat weak nationally. Sales figures for the industry as a whole are difficult to obtain since very little business is conducted on a national scale.

The competition within the calendar industry is strong in the paper segment and weak in the software-based segment. Currently paper calendars hold a dominant market share of approximately 90 percent; however, the software-

based segment is growing rapidly. The 10 percent market share held by software-based calendars is divided among many different firms. Star Software, which holds 30 percent of the software-based calendar market, is the only company that markets a software-based calendar on a national basis. As software-based calendars become more popular, additional competition is expected to enter the market.

2. *Economic forces.* Nationwide, many companies have reduced their overall promotion budgets as they face the need to cut expenses. However, most of these reductions have occurred in the budgets for mass media advertising (television, magazines, newspapers). While overall promotion budgets are shrinking, many companies are diverting a larger percentage of their budgets to sales promotion and specialty advertising. This trend is expected to continue as a weak, slow-growth economy forces most companies to focus more on the “value” they receive from their promotion dollar. Specialty advertising, such as can be done with a software-based calendar, provides this value.
3. *Political forces.* There are no expected political influences or events that could affect the operations of Star Software.
4. *Legal and regulatory forces.* In recent years, more attention has been paid to “junk mail.” A large percentage of specialty advertising products are distributed by mail, and some of these products are considered “junk.” Although this label is attached to the type of products Star Software makes, the problem of junk mail falls on the clients of Star Software and not on the company itself. While legislation may be introduced to curb the tide of advertising delivered through the mail, the fact that more companies are diverting their promotion dollars to specialty advertising indicates that most companies do not fear the potential for increased legislation.
5. *Technological forces.* A major emerging technological trend involves personal information managers (PIMs), or personal digital assistants (PDAs). A PDA is a handheld device, similar in size to a large calculator, that can store a wide variety of information, including personal notes, addresses, and a calendar. Some PDAs even have the ability to fax letters via microwave communication. As this trend continues, current software-based calendar products may have to be adapted to match the new technology.
6. *Sociocultural forces.* In today’s society, consumers have less time for work or leisure. The hallmarks of today’s successful products are convenience and ease of use. In short, if the product does not save time and is not easy to use, consumers will simply ignore it. Software-based calendars fit this consumer need quite well. A software-based calendar also fits in with other societal trends: a move to a paperless society, the need to automate repetitive tasks, and the growing dependence on computers, for example.

4 The analysis of current target markets assesses demographic, geographic, psychographic, and product usage characteristics of the target markets. It also assesses the current needs of each of the firm's target markets, anticipated changes in those needs, and how well the organization's current products are meeting those needs.

4 B. Target Market(s)

By focusing on commitment to service and quality, Star Software has effectively implemented a niche differentiation strategy in a somewhat diverse marketplace. Its ability to differentiate its product has contributed to superior annual returns. Its target market consists of manufacturers or manufacturing divisions of large corporations that move their products through dealers, distributors, or brokers. Its most profitable product is a software program for a PC-based calendar, which can be tailored to meet client needs by means of artwork, logos, and text. Clients use this calendar software as a promotional tool, providing a disk to their customers as an advertising premium. The calendar software is not produced for resale.

The calendar software began as an ancillary product to Star's commercial printing business. However, due to the proliferation of PCs and the growth in technology, the computer calendar soon became more profitable for Star than its wall and desktop paper calendars. This led to the sale of the commercial printing plant and equipment to employees. Star Software has maintained a long-term relationship with these former employees, who have added capabilities to reproduce computer disks and whose company serves as Star's primary supplier of finished goods. Star's staff focuses on the further development and marketing of the software.

C. Current Marketing Objectives and Performance

Star Software's sales representatives call on potential clients and, using a template demonstration disk, help them create a calendar concept. Once the sale has been finalized, Star completes the concept, including design, copywriting, and customization of the demonstration disk. Specifications are then sent to the supplier, located about a thousand miles away, where the disks are produced. Perhaps what most differentiates Star from its competitors is its high level of service. Disks can be shipped to any location the buyer specifies. Since product development and customization of this type can require significant amounts of time and effort, particularly during the product's first year, Star deliberately pursues a strategy of steady, managed growth.

Star Software markets its products on a company-specific basis. It has an approximate 90 percent annual reorder rate and an average customer-reorder relationship of about eight years. The first year in dealing with a new customer is the most stressful and time consuming for Star's salespeople and product developers. The subsequent years are faster and significantly more profitable.

5 The company is currently debt free except for the mortgage on its facility. However, about 80 percent of its accounts receivable are billed during the last three months of the calendar year. Seasonal account billings, along with the added travel of its sales staff during the peak season, pose a special challenge to the company.

5 A company must set marketing objectives, measure performance against those objectives, and then take corrective action if needed.

6 Strengths are competitive advantages or core competencies that give the organization an advantage in meeting the needs of its customers.

7 Weaknesses are limitations a firm has in developing or implementing a marketing strategy.

The need for cash to fund operations in the meantime makes it necessary for the company to borrow significant amounts of money to cover the period until customer billing occurs.

Star Software's marketing objectives include increases in both revenues and profits of approximately 10 percent over the previous year. Revenues should exceed \$4 million, and profits are expected to reach \$1.3 million.

III. SWOT ANALYSIS

6 A. Strengths

1. Star Software's product differentiation strategy is the result of a strong marketing orientation, commitment to high quality, and customization of products and support services.
2. There is little turnover among employees who are well compensated and liked by customers. The relatively small size of the staff promotes camaraderie with coworkers and clients, and fosters communication and quick response to clients' needs.
3. A long-term relationship with the primary supplier has resulted in shared knowledge of the product's requirements, adherence to quality standards, and a common vision throughout the development and production process.
4. The high percentage of reorder business suggests a satisfied customer base, as well as positive word-of-mouth communication, which generates some 30 percent of new business each year.

7 B. Weaknesses

1. The highly centralized management hierarchy (the McLemores) and lack of managerial backup may impede creativity and growth. Too few people hold too much knowledge.
2. Despite the successful, long-term relationship with the supplier, single-sourcing could make Star Software vulnerable in the event of a natural disaster, strike, or dissolution of the current supplier. Contingency plans for suppliers should be considered.
3. The seasonal nature of the product line creates bottlenecks in productivity and cash flow, places excessive stress on personnel, and strains the facilities.
4. Both the product line and the client base lack diversification. Dependence on current reorder rates could breed complacency, invite competition, or create a

8 Opportunities are favorable conditions in the environment that could yield rewards for an organization if acted on properly.

9 Threats are conditions or barriers that may prevent the organization from reaching its objectives.

false sense of customer satisfaction. The development of a product that would make the software calendar obsolete would probably put Star out of business.

5. While the small size of the staff fosters camaraderie, it also impedes growth and new-business development.
6. Star Software is reactive rather than assertive in its marketing efforts because of its heavy reliance on positive word-of-mouth communication for obtaining new business.
7. Star's current facilities are crowded. There is little room for additional employees or new equipment.

8 C. Opportunities

1. Advertising expenditures in the United States exceed \$132 billion annually. More than \$25 billion of this is spent on direct-mail advertising, and another \$20 billion is spent on specialty advertising. The potential for Star Software's growth is significant in this market.
2. Technological advances have not only freed up time for Americans and brought greater efficiency but also have increased the amount of stress in their fast-paced lives. Personal computers have become commonplace, and personal information managers have gained popularity.
3. As U.S. companies look for ways to develop customer relationships rather than just close sales, reminders of this relationship could come in the form of acceptable premiums or gifts that are useful to the customer.
4. Computer-based calendars are easily distributed nationally and globally. The globalization of business creates an opportunity to establish new client relationships in foreign markets.

9 D. Threats

1. Reengineering, right-sizing, and outsourcing trends in management may alter traditional channel relationships with brokers, dealers, and distributors or eliminate them altogether.
2. Calendars are basically a generic product. The technology, knowledge, and equipment required to produce such an item, even a computer-based one, are minimal. The possible entry of new competitors is a significant threat.
3. Theft of trade secrets and software piracy through unauthorized copying are difficult to control.

10 During the development of a marketing plan, marketers attempt to match internal strengths to external opportunities. In addition, they try to convert internal weaknesses into strengths and external threats into opportunities.

11 The development of marketing objectives is based on environmental analysis, SWOT analysis, the firm's overall corporate objectives, and the organization's resources. For each objective, this section should answer the question, "What is the specific and measurable outcome and time frame for completing this objective?"

4. Specialty advertising through promotional items relies on gadgetry and ideas that are new and different. As a result, product life cycles may be quite short.
5. Single-sourcing can be detrimental or even fatal to a company if the buyer-supplier relationship is damaged or if the supplying company has financial difficulty.
6. Competition from traditional paper calendars and other promotional items is strong.

10 E. *Matching Strengths to Opportunities/Converting Weaknesses and Threats*

1. The acceptance of technological advances and the desire to control time create a potential need for a computer-based calendar.
2. Star Software has more opportunity for business growth during its peak season than it can presently handle because of resource (human and capital) constraints.
3. Star Software must modify its management hierarchy, empowering its employees through a more decentralized marketing organization.
4. Star Software should discuss future growth strategies with its supplier and develop contingency plans to deal with unforeseen events. Possible satellite facilities in other geographic locations should be explored.
5. Star Software should consider diversifying its product line to satisfy new market niches and develop nonseasonal products.
6. Star Software should consider surveying its current customers and its customers' clients to gain a better understanding of their changing needs and desires.

11 IV. **MARKETING OBJECTIVES**

Star Software, Inc., is in the business of helping other companies market their products and/or services. Besides formulating a marketing-oriented and customer-focused mission statement, Star Software should establish an objective to achieve cumulative growth in net profit of at least 50 percent over the next five years. At least half of this 50 percent growth should come from new, nonmanufacturing customers and from products that are nonseasonal or that are generally delivered in the off-peak period of the calendar cycle.

To accomplish its marketing objectives, Star Software should develop benchmarks to measure progress. Regular reviews of these objectives will provide feedback and possible corrective actions on a timely basis. The major marketing objective is to gain a better understanding of the needs and satisfaction of current customers. Since Star Software is benefiting from a 90 percent reorder rate, it must be satisfying its current customers. Star could use the knowledge of its successes with current clients to market to new customers. To capitalize on its success with current clients, benchmarks should be established to learn how Star can improve the products it now offers through knowledge of its clients' needs and specific opportunities for new product offerings. These benchmarks should be determined through marketing research and Star's marketing information system.

Another objective should be to analyze the billing cycle Star now uses to determine if there are ways to bill accounts receivable in a more evenly distributed manner throughout the year. Alternatively, repeat customers might be willing to place orders at off-peak cycles in return for discounts or added customer services.

Star Software also should create new products that can utilize its current equipment, technology, and knowledge base. It should conduct simple research and analyses of similar products or product lines with an eye toward developing specialty advertising products that are software based but not necessarily calendar related.

V. MARKETING STRATEGIES

12 The marketing plan clearly specifies and describes the target market(s) toward which the organization will aim its marketing efforts. The difference between this section and the earlier section covering target markets is that the earlier section deals with present target markets, whereas this section looks at future target markets.

12 A. Target Market(s)

Target market 1: Large manufacturers or stand-alone manufacturing divisions of large corporations with extensive broker, dealer, or distributor networks

Example: An agricultural chemical producer, such as Dow Chemical, distributes its products to numerous rural "feed and seed" dealers.

Customizing calendars with Chicago Board of Trade futures or USDA agricultural report dates would be beneficial to these potential clients.

Target market 2: Nonmanufacturing, nonindustrial segments of the business-to-business market with extensive customer networks, such as banks, medical services, or financial planners

Example: Various sporting goods manufacturers distribute to specialty shop dealers. Calendars could be customized to the particular sport, such as golf (with PGA, Virginia Slims, or other tour dates), running (with various national marathon dates), or bowling (with national tour dates).

Target market 3: Direct consumer markets for brands with successful licensing arrangements for consumer products, such as Coca-Cola

Example: Products with major brand recognition and fan club membership, such as Harley-Davidson motorcycles or the Bloomington Gold Corvette Association, could provide additional markets for customized computer calendars. Brands with licensing agreements for consumer products could provide a market for consumer computer calendars in addition to the specialty advertising product, which would be marketed to the manufacturer/dealer.

Target market 4: Industry associations that regularly hold or sponsor trade shows, meetings, conferences, or conventions

Example: National associations, such as the National Dairy Association or the American Marketing Association, frequently host meetings or annual conventions. Customized calendars could be developed for any of these groups.

13 Though the marketing mix section in this plan is abbreviated, this component should provide considerable details regarding each element of the marketing mix: product, price, distribution, and promotion.

13 B. Marketing Mix

1. *Products.* Star Software markets not only calendar software but also the service of specialty advertising to its clients. Star's intangible attributes are its ability to meet or exceed customer expectations consistently, its speed in responding to customers' demands, and its anticipation of new customer needs. Intangible attributes are difficult for competitors to copy, thereby giving Star Software a competitive advantage.
2. *Price.* Star Software provides a high-quality specialty advertising product customized to its clients' needs. The value of this product and service is reflected in its premium price. Star should be sensitive to the price elasticity of its product and overall consumer demand.
3. *Distribution.* Star Software uses direct marketing. Since its product is compact, lightweight, and nonperishable, it can be shipped from a central location direct to the client via United Parcel Service, FedEx, or the U.S. Postal Service. The fact that Star can ship to multiple locations for each customer is an asset in selling its products.
4. *Promotion.* Since 90 percent of Star's customers reorder each year, the bulk of promotional expenditures should focus on new product offerings through direct-mail advertising and trade journals or specialty publications. Any remaining promotional dollars could be directed to personal selling (in the form of sales performance bonuses) of current and new products.

14 This section of the marketing plan details how the firm will be organized—by functions, products, regions, or types of customers—to implement its marketing strategies. It also indicates where decision-making authority will rest within the marketing unit.

15 This component of the marketing plan outlines the specific activities required to implement the marketing plan, who is responsible for performing these activities, and when these activities should be accomplished based on a specified schedule.

VI. MARKETING IMPLEMENTATION

14 A. Marketing Organization

Because Star's current and future products require extensive customization to match clients' needs, it is necessary to organize the marketing function by customer groups. This will allow Star to focus its marketing efforts exclusively on the needs and specifications of each target customer segment. Star's marketing efforts will be organized around the following customer groups: (1) manufacturing group; (2) non-manufacturing, business-to-business group; (3) consumer product licensing group; and (4) industry associations group. Each group will be headed by a sales manager who will report to the marketing director (these positions must be created). Each group is responsible for the marketing of Star's products within that customer segment. In addition, each group will have full decision-making authority. This represents a shift from the current highly centralized management hierarchy. Frontline salespeople will be empowered to make decisions that will better satisfy Star's clients.

These changes in marketing organization will enable Star Software to be more creative and flexible in meeting customers' needs. Likewise, these changes will overcome the current lack of diversification in Star's product lines and client base. Finally, this new marketing organization will give Star a better opportunity to monitor the activities of competitors.

15 B. Activities, Responsibility, and Timetables for Completion

All implementation activities are to begin at the start of the next fiscal year on April 1. Unless specified, all activities are the responsibility of Star Software's next president, Jonathan McLemore.

- On April 1, create four sales manager positions and the position of marketing director. The marketing director will serve as project leader of a new business analysis team, to be composed of nine employees from a variety of positions within the company.
- By April 15, assign three members of the analysis team to each of the following projects: (1) research potential new product offerings and clients, (2) analyze the current billing cycle and billing practices, and (3) design a customer survey project. The marketing director is responsible.
- By June 30, the three project groups will report the results of their analyses. The full business analysis team will review all recommendations.
- By July 31, develop a marketing information system to monitor client reorder patterns and customer satisfaction.

- By July 31, implement any changes in billing practices as recommended by the business analysis team.
- By July 31, make initial contact with new potential clients for the current product line. Each sales manager is responsible.
- By August 31, develop a plan for one new product offering along with an analysis of its potential customers. The business analysis team is responsible.
- By August 31, finalize a customer satisfaction survey for current clients. In addition, the company will contact those customers who did not reorder for the 2001 product year to discuss their concerns. The marketing director is responsible.
- By January, implement the customer satisfaction survey with a random sample of 20 percent of current clients who reordered for the 2001 product year. The marketing director is responsible.
- By February, implement a new product offering, advertising to current customers and to a sample of potential clients. The business analysis team is responsible.
- By March, analyze and report the results of all customer satisfaction surveys and evaluate the new product offering. The marketing director is responsible.
- Reestablish the objectives of the business analysis team for the next fiscal year. The marketing director is responsible.

16 This section details how the results of the marketing plan will be measured and evaluated. The control portion of this section includes the types of actions the firm can take to reduce the differences between the planned and the actual performance.

16 VII. EVALUATION AND CONTROL

A. Performance Standards and Financial Controls

A comparison of the financial expenditures with the plan goals will be included in the project report. The following performance standards and financial controls are suggested:

- The total budget for the billing analysis, new-product research, and the customer survey will be equal to 60 percent of the annual promotional budget for the coming year.
- The breakdown of the budget within the project will be a 20 percent allocation to the billing cycle study, a 30 percent allocation to the customer survey and marketing information system development, and a 50 percent allocation to new-business development and new-product implementation.
- Each project team is responsible for reporting all financial expenditures, including personnel salaries and direct expenses, for their segment of the project. A standardized reporting form will be developed and provided by the marketing director.

- The marketing director is responsible for adherence to the project budget and will report overages to the company president on a weekly basis. The marketing director also is responsible for any redirection of budget dollars, as required for each project of the business analysis team.
- Any new product offering will be evaluated on a quarterly basis to determine its profitability. Product development expenses will be distributed over a two-year period, by calendar quarters, and will be compared with gross income generated during the same period.

B. Monitoring Procedures

To analyze the effectiveness of Star Software's marketing plan, it is necessary to compare its actual performance with plan objectives. To facilitate this analysis, monitoring procedures should be developed for the various activities required to bring the marketing plan to fruition. These procedures include, but are not limited to, the following:

- A project management concept will be used to evaluate the implementation of the marketing plan by establishing time requirements, human resource needs, and financial or budgetary expenditures.
- A perpetual comparison of actual and planned activities will be conducted on a monthly basis for the first year and on a quarterly basis after the initial implementation phase. The business analysis team, including the marketing director, will report their comparison of actual and planned outcomes directly to the company president.
- Each project team is responsible for determining what changes must be made in procedures, product focus, or operations as a result of the studies conducted in its area.