MARKETING PLAN

The Marketing Plan: An Introduction

As a marketer, you’ll need a good marketing plan to provide direction and focus for your brand, product, or company. With a detailed plan, any business will be better prepared to launch a new product or build sales for existing products. Nonprofit organizations also use marketing plans to guide their fundraising and outreach efforts. Even government agencies put together marketing plans for initiatives such as building public awareness of proper nutrition and stimulating area tourism.

The Purpose and Content of a Marketing Plan

Unlike a business plan, which offers a broad overview of the entire organization’s mission, objectives, strategy, and resource allocation, a marketing plan has a more limited scope. It serves to document how the organization’s strategic objectives will be achieved through specific marketing strategies and tactics, with the customer as the starting point. It is also linked to the plans of other departments within the organization. Suppose a marketing plan calls for selling 200,000 units annually. The production department must gear up to make that many units, the finance department must have funding available to cover the expenses, the human resources department must be ready to hire and train staff, and so on. Without the appropriate level of organizational support and resources, no marketing plan can succeed.

Although the exact length and layout will vary from company to company, a marketing plan usually contains the sections described in Table X on page Y. Smaller businesses may create shorter or less formal marketing plans, whereas corporations frequently require highly structured marketing plans. To guide implementation effectively, every part of the plan must be described in considerable detail. Sometimes a company will post its marketing plan on an internal Web site, which allows managers and employees in different locations to consult specific sections and collaborate on additions or changes.

The Role of Research

Marketing plans are not created in a vacuum. To develop successful strategies and action programs, marketers need up-to-date information about the environment, the competition, and the market segments to be served. Often, analysis of internal data is the starting point for assessing the current marketing situation, supplemented by marketing intelligence and research investigating the overall market, the competition, key issues, and threats and opportunities issues. As the plan is put into effect, marketers use advertising and other forms of research to measure progress toward objectives and identify areas for improvement if results fall short of projections. Finally, marketers use marketing research to learn more about their customers’ requirements, expectations, perceptions, and satisfaction levels. This deeper understanding provides a foundation for building competitive advantage through well-informed segmenting, targeting, and positioning decisions. Thus, the marketing plan should outline what marketing research will be conducted and how the findings will be applied.

The Role of Relationships

The marketing plan shows how the company will establish and maintain profitable customer relationships. In the process, however, it also shapes a number of internal and external relationships. First, it affects how marketing personnel work with each other and with other departments to deliver value and satisfy customers. Second, it affects how the company works
with suppliers, distributors, and strategic alliance partners to achieve the objectives listed in
the plan. Third, it influences the company’s dealings with other stakeholders, including gov-
ernment regulators, the media, and the community at large. All of these relationships are im-
portant to the organization’s success, so they should be considered when a marketing plan is
being developed.

From Marketing Plan to Marketing Action
Companies generally create yearly marketing plans, although some plans cover a longer pe-
riod. Marketers start planning well in advance of the implementation date to allow time for
marketing research, thorough analysis, management review, and coordination between de-
partments. Then, after each action program begins, marketers monitor ongoing results, com-
pare them with projections, analyze any differences, and take corrective steps as needed. Some
marketers design contingency plans, as in the sample plan below, for implementation if cer-
tain conditions emerge. Because of inevitable and sometimes unpredictable environmental
changes, marketers must be ready to update and adapt marketing plans at any time.

For effective implementation and control, the marketing plan should define how progress
toward objectives will be measured. Managers typically use budgets, schedules, and perfor-
mance standards for monitoring and evaluating results. With budgets, they can compare
planned expenditures with actual expenditures for a given week, month, or other period.
Schedules allow management to see when tasks were supposed to be completed—and when
they were actually completed. Performance standards track the outcomes of marketing pro-
grams to see whether the company is moving forward toward its objectives. Some examples of
performance standards are: market share, sales volume, product profitability, and customer
satisfaction.
Sample Marketing Plan for Sonic

This section takes you inside the sample marketing plan for Sonic, a hypothetical startup company. The company’s first product is the Sonic 1000, a multifunction personal digital assistant (PDA), also known as a handheld computer. Sonic will be competing with palmOne, Hewlett-Packard, and other well-established rivals in an increasingly crowded marketplace. The annotations explain more about what each section of the plan should contain—and why.

Executive Summary

Sonic is preparing to launch a new PDA product, the Sonic 1000, in a maturing market. Despite the dominance of PDA leader palmOne, we can compete because our offering combines exclusive features at a value-added price. We are targeting specific segments in the consumer and business markets, taking advantage of opportunities indicated by higher demand for easy-to-use, wireless-enabled PDAs with expanded communications functionality.

The primary marketing objectives of this plan are to achieve first-year U.S. market share of 3 percent and unit sales of 240,000. The primary financial objectives are to achieve first-year sales revenues of $60 million, keep first-year losses to less than $10 million, and break even early in the second year.

Current Marketing Situation

Sonic, founded 18 months ago by two entrepreneurs with experience in the PC market, is about to enter the PDA market dominated by palmOne. Now, however, overall PDA sales have slowed and profitability has suffered. The emergence of multifunction PDAs and advanced cell phones has increased competitive pressure. The estimated size of the market for multifunction PDAs and cell phones is $63.7 billion, with 50% growth expected within 4 years. To gain market share in this environment, Sonic must carefully target specific market segments.

Market Description

Sonic’s market consists of consumers and business users who need to conveniently store, communicate, and exchange information on the go. Specific segments being targeted during the first year include professionals, students, corporations, entrepreneurs, and medical users. Table A1.1 shows how the Sonic 1000 addresses the needs of targeted consumer and business segments.

PDA purchasers can choose between models based on two different operating systems, one created by Palm and one created by Microsoft. Sonic licenses the market-dominant Palm system because thousands of software applications and hardware peripherals are compatible with this system. Product proliferation and increased competition have resulted in lower prices and lower profit margins. Lower prices are helping sales of PDAs in the lower end of the consumer market, but at the expense of gross margins. Customers with first-generation PDAs are reentering the market by buying newer, high-end multifunction units.

Product Review

Our first product, the Sonic PDA 1000, offers the following standard features:

- Voice recognition for hands-free commands and communication
- Built-in cell phone functionality
- Wireless Web access and e-mail capabilities
- MP3 music downloading and player capabilities
- Full organization and communication functions, including calendar, address book, memo pad, Internet browser, e-mail program, and text and instant messaging programs
Connectors to accommodate all palmOne-compatible peripherals

Ability to run any palmOne-compatible application

Large color display

Keyboard for input

Cradle for synchronizing data with PC

Interchangeable case wardrobe of different colors and patterns

First-year sales revenues are projected to be $60 million, based on sales of 240,000 Sonic 1000 units at a wholesale price of $250 each. During the second year, we plan to introduce the Sonic 2000 as a higher-end product with the following standard features:

- Global positioning system for identifying locations, obtaining directions
- Built-in digital camera
- Translation capabilities to send English text as Spanish text (other languages to be offered as add-on options)

TABLE A1.1 Needs and Corresponding Features/Benefits of Sonic PDA

<table>
<thead>
<tr>
<th>Targeted Segment</th>
<th>Customer Need</th>
<th>Corresponding Feature/Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professionals (consumer market)</td>
<td>Stay in touch while on the go</td>
<td>Wireless e-mail to conveniently send and receive messages from anywhere; cell phone capability for voice communication from anywhere</td>
</tr>
<tr>
<td>Students (consumer market)</td>
<td>Record information while on the go</td>
<td>Voice recognition for no-hands recording</td>
</tr>
<tr>
<td>Corporate users (business market)</td>
<td>Perform many functions without carrying multiple gadgets</td>
<td>Compatible with numerous applications and peripherals for convenient, cost-effective functionality</td>
</tr>
<tr>
<td></td>
<td>Express style and individuality</td>
<td>Case wardrobe of different colors and patterns allows users to make a fashion statement</td>
</tr>
<tr>
<td>Entrepreneurs (business market)</td>
<td>Input and access critical data on the go</td>
<td>Compatible with widely available software</td>
</tr>
<tr>
<td></td>
<td>Use for proprietary tasks</td>
<td>Customizable to fit diverse corporate tasks and networks</td>
</tr>
<tr>
<td>Medical users (business market)</td>
<td>Organize and access contacts, schedule details</td>
<td>No-hands, wireless access to calendar and address book to easily check appointments and connect with contacts</td>
</tr>
<tr>
<td></td>
<td>Update, access, and exchange medical records</td>
<td>No-hands, wireless recording and exchange of information to reduce paperwork and increase productivity</td>
</tr>
</tbody>
</table>

The purpose of a competitive review is to identify key competitors, describe their market positions, and briefly discuss their strategies.

Competitive Review

Increased entry of established computer and cell phone companies has pressured industry participants to continually add features and cut prices. Competition from specialized devices for text and e-mail messaging, such as Blackberry devices, is also a factor. Key competitors include:

- **palmOne**, palmOne has had some financial struggles, in part because of the need to reduce prices for competitive reasons. Its acquisition of Handspring boosted its product
development strength and expanded its product mix. As the best-known maker of PDAs, palmOne has achieved good distribution in nearly every channel and is gaining distribution among U.S. cell phone service carriers. At present, palmOne products lack some of the voice recognition software that is standard in the Sonic 1000.

- **Hewlett-Packard.** HP is targeting business markets with its iPAQ Pocket PC devices, many with wireless capabilities to accommodate corporate users. For extra security, one model allows access by fingerprint match as well as by password. HP enjoys excellent distribution, and its products are priced from below $300 to more than $600.

- **Garmin.** Garmin’s iQue 3600 was the first PDA with built-in global position system (GPS) capability. Priced at $589, its mapping software and verbal commands eliminate the need for an automotive device. Garmin’s PDA uses the Palm operating system and has other unique functions, such as a digital voice recorder for brief memos.

- **Dell.** Dell’s basic PDA model is priced starting at $199. However, this product is larger than competing palmOne products, and it lacks wireless functionality as a standard feature. New, slimmer models are expected at regular intervals from this low-cost competitor, which markets directly to customers.

- **Samsung.** This is one of several manufacturers that has married cell phone capabilities with multifunction PDA features. Its i500 uses the Palm operating system, provides speedy e-mail and MP3 downloads, plays video clips and offers PDA functions such as address book, calendar, and speed dial.

Despite this strong competition, Sonic can carve out a definite image and gain recognition among the targeted segments. Our licensing arrangement with CellPort Systems allows us to provide the exclusive feature of voice recognition for hands-off operation, a critical point of differentiation for competitive advantage. Table A1.2 shows a selection of competitive PDA products and prices.

### Distribution Review
Sonic-branded products will be distributed through a network of select store and non-store retailers in the top 50 U.S. markets. Among the most important channel partners being contacted are:
Office supply superstores. Office Depot and Staples will both carry Sonic products in stores, in catalogs, and on Web sites.

Computer stores. Gateway stores will carry Sonic products.

Electronic specialty stores. Circuit City and Best Buy will carry Sonic PDAs.

Online retailers. Amazon.com will carry Sonic PDAs and, for a promotional fee, will give Sonic prominent placement on its home page during the introduction.

Although distribution will initially be restricted to the United States, we plan to expand into Canada and beyond, according to demand. We will emphasize trade sales promotion in the first year.

Strengths, Weaknesses, Opportunities, and Threat Analysis

Sonic has several powerful strengths on which to build, but our major weakness is lack of brand awareness and image. The major opportunity is growing demand for multifunction PDAs that deliver communication-specific benefits. We also face the threat of ever-higher competition and downward pressure on pricing. Table A1.3 summarizes the main strengths, weaknesses, opportunities, and threats facing Sonic.

Strengths

Sonic can build on three important strengths:

1. Innovative product. The Sonic 1000 includes a voice-recognition system that simplifies usage and allows hands-free operation. It also offers features such as built-in cell phone functionality, wireless communication, and MP3 capabilities.

2. Compatibility. Our PDA can work with the hundreds of Palm-compatible peripherals and applications currently available.

3. Pricing. Our product is priced lower than competing multifunction models—all of which lack voice recognition—which gives us an edge with price-conscious customers.

Weaknesses

By waiting to enter the PDA market until the initial shakeout and consolidation of competitors has occurred, Sonic has learned from the successes and mistakes of others. Nonetheless, we have two main weaknesses:

Weaknesses are internal elements that may interfere with the company’s ability to achieve its objectives.

Strengths are internal capabilities that can help the company reach its objectives.

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voice-recognition capabilities</td>
<td>Lack of brand awareness and image</td>
</tr>
<tr>
<td>and multiple functions valued by</td>
<td>Heavier than most competing models</td>
</tr>
<tr>
<td>customers</td>
<td></td>
</tr>
<tr>
<td>Value pricing</td>
<td></td>
</tr>
<tr>
<td>Compatibility with Palm add-ons</td>
<td></td>
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</table>

Opportunities

- Increased demand for multiple communication methods
- Availability of diverse add-ons cycle
- Availability of applications for consumer and business use

Threats

- Increasing competition
- Downward pricing pressure
- Compressed product life

TABLE A1.3
Sonic’s Strengths, Weaknesses, Opportunities, and Threats
1. Lack of brand awareness. As a start-up, Sonic has not yet established a brand or image in the marketplace, whereas palmOne and other rivals have strong brand recognition. This is an area we will address with promotion.

2. Heavier weight. To accommodate the multifunction features, the Sonic 100 is slightly heavier than most competing models. To counteract this, we will emphasize our multifunction features and value-added pricing, two important competitive strengths.

Opportunities

Sonic can take advantage of three major market opportunities:

1. Increasing demand for multiple communication methods. The market for wireless Web-enabled PDAs with cell phone functionality is projected to grow faster than the market for nonwireless models. More prospects are seeing users with PDAs in work and educational settings, which is boosting primary demand. Also, customers who bought entry-level models are now trading up.

2. Add-on peripherals. More peripherals, such as digital cameras and global positioning systems are available for PDAs that use the Palm operating system. Consumers and business users who are interested in any of these peripherals will see the Sonic 1000 as a value-priced device able to be conveniently and quickly expanded for multiple functions.

3. Diverse applications. The wide range of Palm-compatible software applications available for home and business use allows the Sonic PDA to satisfy communication and information needs.

Threats

We face three main threats at the introduction of the Sonic 1000:

1. Increased competition. More companies are entering the U.S. PDA market with models that offer some but not all of the features and benefits provided by Sonic’s PDA. Therefore, Sonic’s marketing communications must stress our clear differentiation and value-added pricing.

2. Downward pressure on pricing. Increased competition and market-share strategies are pushing PDA prices down. Still, our objective of seeking a 10% profit on second-year sales of the original model is realistic, given the lower margins in the PDA market.

3. Compressed product life cycle. PDAs seem to be reaching the maturity stage of their life cycle more quickly than earlier technology products. We have contingency plans to keep sales growing by adding new features, targeting additional segments, and adjusting prices.

Objectives and Issues

We have set aggressive but achievable objectives for the first and second years of market entry.

First-year Objectives

During the Sonic 1000’s initial year on the market, we are aiming for a 3 percent share of the U.S. PDA market through unit sales volume of 240,000.

Second-year Objectives

Our second-year objectives are to achieve a 6 percent share based on sales of two models and to achieve break-even early in this period.

Issues

One major issue is our ability to establish a well-regarded brand name linked to a meaningful positioning. We will have to invest heavily in marketing to create a memorable and
distinctive brand image projecting innovation, quality, and value. We also must measure awareness and response so we can adjust our marketing efforts if necessary.

Marketing Strategy

Sonic’s marketing strategy is based on a positioning of product differentiation. Our primary consumer target is middle- to upper-income professionals who need one portable device to coordinate their busy schedules and communicate with family and colleagues. Our secondary consumer target is high school, college, and graduate students who need a multifunction device. This segment can be described demographically by age (16–30) and education status.

Our primary business target is mid- to large-sized corporations that want to help their managers and employees stay in touch and input or access critical data on the go. This segment consists of companies with more than $25 million in annual sales and more than 100 employees. A secondary business target is entrepreneurs and small-business owners. We are also targeting medical users who want to reduce paperwork and update or access patients’ medical records.

Each of the four marketing-mix strategies conveys Sonic’s differentiation to the target market segments identified above.

Positioning

Using product differentiation, we are positioning the Sonic PDA as the most versatile, convenient, value-added model for personal and professional use. The marketing strategy will focus on the voice-recognition system as the main feature differentiating the Sonic 1000.

Product Strategy

The Sonic 1000, including all the features described in the earlier Product Review section, will be sold with a one-year warranty. We will introduce a more compact, powerful high-end model (the Sonic 2000) during the following year, with GPS functionality and other features. Building the Sonic brand is an integral part of our product strategy. The brand and logo (Sonic’s distinctive yellow thunderbolt) will be displayed on the product and its packaging, and reinforced by its prominence in the introductory marketing campaign.

Pricing Strategy

The Sonic 1000 will be introduced at $250 wholesale/$350 estimated retail price per unit. We expect to lower the price of this first model when we expand the product line by launching the Sonic 2000, to be priced at $350 wholesale per unit. These prices reflect a strategy of (1) attracting desirable channel partners and (2) taking market share from palmOne.

Distribution Strategy

Our channel strategy is to use selective distribution to have Sonic PDAs sold through well-known stores and online retailers. During the first year, we will add channel partners until we have coverage in all major U.S. markets and the product is included in the major electronics catalogs and Web sites. We will also investigate distribution through cell-phone outlets maintained by major carriers such as Cingular Wireless. In support of our channel partners, Sonic will provide demonstration products, detailed specification handouts, and full-color photos and displays featuring the product. We will also arrange special trade terms for retailers that place volume orders.

Marketing Communications Strategy

By integrating all messages in all media, we will reinforce the brand name and the main points of product differentiation, especially our exclusive voice-recognition feature. Research about media consumption patterns will help our advertising agency
choose appropriate media and timing to reach prospects before and during product introduction. Thereafter, advertising will appear on a pulsing basis to maintain brand awareness and communicate various differentiation messages. The agency will also coordinate public relations efforts to build the Sonic brand and support the differentiation message. To attract market attention and encourage purchasing, we will offer as a limited-time premium a leather carry-case. To attract, retain, and motivate channel partners for a push strategy, we will use trade sales promotions and personal selling to channel partners. Until the Sonic brand has been established, our communications will encourage purchases through channel partners rather than from our Web site.

**Marketing Research**

Using research, we are identifying the specific features and benefits that our target market segments value. Feedback from market tests, surveys, and focus groups will help us develop the Sonic 2000. We are also measuring and analyzing customers’ attitudes toward competing brands and products. Brand awareness research will help us determine the effectiveness and efficiency of our messages and media. Finally, we will use customer satisfaction studies to gauge market reaction.

**Marketing Organization**

Sonic’s chief marketing officer, Jane Melody, holds overall responsibility for marketing strategy and direction. Figure A1.1 shows the structure of the eight-person marketing organization. Sonic has hired Worldwide Marketing to handle national sales campaigns, trade and consumer sales promotions, and public relations efforts.

**Action Programs**

The Sonic 1000 will be introduced in February. Following are summaries of the action programs we will use during the first six months of next year to achieve our stated objectives.

**January**

We will initiate a $200,000 trade sales promotion campaign to educate dealers and generate excitement for the product launch in February. We will exhibit at the major consumer electronics trade shows and provide samples to selected product reviewers, opinion leaders, and celebrities as part of our public relations strategy. Our training staff

**FIGURE A1.1**

Sonic’s marketing organization
will work with sales personnel at major retail chains to explain the Sonic 1000’s features, benefits, and competitive advantages.

**February**

We will start an integrated print/radio/Internet campaign targeting professionals and consumers. The campaign will show how quickly Sonic PDA users can accomplish tasks using voice recognition. This multimedia campaign will be supported by point-of-sale signage as well as online-only specials.

**March**

As the multimedia advertising campaign continues, we will add consumer sales promotion tactics such giving away leather carry-cases as a premium. We will also distribute new point-of-purchase displays to support our retailers.

**April**

We will hold a trade sales contest offering prizes for the salesperson and retail organization that sells the most Sonic PDAs during the 4-week period.

**May**

We plan to roll out a new national advertising campaign this month. The radio ads will feature celebrity voices using the voice-recognition system to operate their Sonic PDAs. The print ads will show these celebrities holding their Sonic PDAs.

**June**

Our radio campaign will add a new voice-over tag line promoting the Sonic 1000 as a graduation gift. We will also exhibit at the semiannual electronics trade show and provide channel partners with new competitive comparison handouts as a sales aid. In addition, we will tally and analyze the results of customer satisfaction surveys for use in future promotions and to provide feedback for product and marketing activities.

**Budgets**

Total first-year sales revenue for the Sonic 1000 is projected at $60 million, with an average wholesale price of $250 per unit and variable cost per unit of $150 for unit sales volume of 240,000. We anticipate a first-year loss of up to $10 million on the Sonic 1000 model. Break-even calculations indicate that the Sonic 1000 will become profitable after the sales volume exceeds 267,500, early in the product’s second year. Our break-even analysis of Sonic’s first PDA product assumes per-unit wholesale revenue of $250 per unit, variable cost of $150 per unit, and estimated first-year fixed costs of $26,750,000. Based on these assumptions, the break-even calculation is:

\[
\begin{align*}
\frac{26,750,000}{250 - 150} &= 267,500 \text{ units}
\end{align*}
\]

**Controls**

We are planning tight control measures to closely monitor quality and customer service satisfaction. This will enable us to react very quickly in correcting any problems that may occur. Other early warning signals that will be monitored for signs of deviation from the plan include monthly sales (by segment and channel) and monthly expenses.

**Marketing Plan Tools**

Prentice Hall offers two valuable resources to assist you in developing a marketing plan:

- *The Marketing Plan: A Handbook* by Marian Burk Wood explains the process of creating a marketing plan, complete with checklists, real-world examples, and a listing of marketing-related Web sites.
Marketing Plan Pro software is an award-winning package that includes sample marketing plans, step-by-step guides, help wizards, and customizable charts for documenting a marketing plan.