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Chapter 8

The Marketing Plan

The New Britain Rock Cats



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The New Britain Rock Cats were founded in 1983 in New Britain, Connecticut. They are the double-A minor league baseball affiliate of the Minnesota Twins major league baseball club, competing in the Eastern League. The 2011 season marked the 29th anniversary of Eastern League Baseball in New Britain.

There is a rich history of baseball in New Britain, and the Rock Cats are the Nutmeg State's oldest, continuously operating professional sports franchise. From Cy Young Award-winners to most valuable players (MVPs) and batting champions to rookie of the year award winners and all-stars, New Britain has been an enormously productive foundation for major league baseball. Over four million fans have seen professional baseball in New Britain over the years. The Rock Cats have many notable alumni, including MVPs Jeff Bagwell (third baseman) and Mo Vaughn (first baseman). All-stars include Brady Anderson (outfielder), Ellis Burks (outfielder), Aaron Sele (right-handed pitcher), John Valentin (shortstop), and Cy Young Award winner Roger Clemens.

In 2000, the club was sold to a group of investors headed by a local attorney, Coleman Levy, and William Dowling, a former New York Yankees executive vice president. Dowling is the president and CEO of the club, and Levy is the vice president. With a substantially new front office and new increased promotions, the club saw every attendance record fall, passing the 300,000 mark for the past 3 years.

The Rock Cats see themselves as selling affordable family entertainment, not baseball. They target women and children. They integrated the Internet into their marketing activities three years ago and have found it very useful for selling tickets. They also have a Facebook and Twitter presence. About 3 years ago, they spent \$5,000

for a professionally prepared marketing research report. As Dowling commented, “It made the company more sophisticated.”

The marketing planning process is relatively informal, with everyone participating. There is no formal document. Dowling’s philosophy is that if something costs less than \$1,000, “go do it.” If it costs more than \$1,000, “justify it.” The Rock Cats are run out of a small office in New Britain. The communication among the staff is regular and effective. Here is an instance in which a formal marketing plan does not seem necessary. Whatever they are doing, it is working just fine. William Dowling (Rock Cats president and CEO), personal interview, March 15, 2011; “Rock Cats History,” *Minor League Baseball*, accessed December 2, 2011, web.minorleaguebaseball.com/team5/page.jsp?ymd=20100316&content_id=8806396&vkey=team5_t538&fext=.jsp&sid=t538; “New Britain Rock Cats,” *Wikipedia*, accessed December 2, 2011, en.wikipedia.org/wiki/New_Britain_Rock_Cats.

Video Clip 8.1

Rock Cats Baseball

[\(click to see video\)](#)

A fun look at what the Rock Cats offer to fans.

8.1 The Need for a Marketing Plan

LEARNING OBJECTIVES

1. Understand why a small business should have a marketing plan.
2. Understand the implications of not having a marketing plan.

Let's face it, as a small business owner, you are really in the business of marketing. John Jantsch, *Duct Tape Marketing: The World's Most Practical Small Business Marketing Guide* (Nashville, TN: Thomas Nelson, Inc., 2006), back cover copy.

- John Jantsch

Many small businesses do not have a marketing plan, choosing instead to market their products and services on an intuitive, sometimes seat-of-the-pants basis. As long as there is regular and effective communication with the rest of the people in the organization, a formal written plan may not be necessary. However, as the business grows and regular and effective communication becomes more difficult, a written marketing plan should be seriously considered. For the small businesses that do have a marketing plan, few actually use it. Becky McCray, "Simplify Your Small Business Marketing Plan," *Small Biz Survival*, February 12, 2010, accessed December 2, 2011, www.smallbizsurvival.com/2010/02/simplify-your-small-business-marketing.html.

There are many reasons why so many small businesses do not have marketing plans. Among the reasons are the following: Adapted from Danielle MacInnis, "74% of Small Business [sic] Have No Marketing Plan!" *Marketing Blog for Small Businesses*, February 7, 2011, accessed December 2, 2011, www.daniellemacinnis.com/small-business-marketing/74-of-small-business-have-no-marketing-plan.

- They do not have enough knowledge of marketing.
- They take a scatter-gun approach to marketing.
- They do not know how to go about developing a marketing plan.
- They do not have enough money to do marketing properly.
- They do not have enough time to do marketing properly.
- They do not have good people or resources to help them with marketing.

This tells us that understanding what a marketing plan is all about and how a marketing plan can be put together simply and inexpensively are invaluable parts of a small business owner's tool kit.

What Is a Marketing Plan?

A **marketing plan**¹ “is a written document that summarizes what the marketer has learned about the marketplace and indicates how the firm plans to reach its marketing objectives. It contains tactical guidelines for the marketing programs and financial allocations over the planning period.” Philip Kotler and Kevin Lane Keller, *Marketing Management* (Upper Saddle River, NJ: Pearson Prentice Hall, 2009), 56. A marketing plan provides a specific marketing direction for a small business and is a very valuable tool if it is done correctly. Because the ultimate purpose of the plan is to generate efficient, profitable action, the marketing plan should consist of usable, practical instructions that are designed to ensure that resources are properly applied. “How to Write Small Business Marketing Plans,” *SmallBusiness-Marketing-Plans.com*, accessed December 2, 2011, www.smallbusiness-marketing-plans.com.

Marketing plans can range from a one-page summary to more than one hundred pages. Although it is said by some that the ideal marketing plan length for a stand-alone document (i.e., a document that is not part of the total business plan for a company) is twenty to fifty pages, “How to Write Small Business Marketing Plans,” *SmallBusiness-Marketing-Plans.com*, accessed December 2, 2011, www.smallbusiness-marketing-plans.com. the length of a marketing plan for a small business can be any length that will satisfy the needs of the business. The page count of the plan may not be a good way to measure the adequacy of the plan. The marketing plan should be measured by readability and summarization. A good marketing plan will provide the reader with a good general idea of its main contents even after only a quick skim in fifteen minutes or less. Tim Berry, “How Long Should a Business Plan Be?,” *BPlans*, accessed December 2, 2011, articles.bplans.com/writing-a-business-plan/how-long-should-a-business-plan-be/49. No matter the length, the plan should be practical, to the point, with useful graphics as appropriate, and worded clearly with no flowery or legalistic language. “How to Write Small Business Marketing Plans,” *SmallBusiness-Marketing-Plans.com*, accessed December 2, 2011, www.smallbusiness-marketing-plans.com.

1. A written document that summarizes what the marketer has learned about the marketplace and indicates how the firm plans to reach its marketing objectives.

The plan should cover one year, which is often the best way to think about marketing for the small company. This is not to say that you should not also think about the long term. It just means that things change more rapidly in the short term. People leave, markets evolve, and customers come and go. Consideration should be given to two to four years down the road. “How to Create a Marketing

Plan,” *Entrepreneur*, August 7, 2001, accessed June 1, 2012, <http://www.entrepreneur.com/article/186830>.

Because small business owners have very little time to spend on writing an elaborate marketing plan, it is worth considering using software or online templates to put the plan together. One software program is Marketing Plan Pro, which is now included as part of **Sales and Marketing Pro**. The number one best-selling marketing plan software tool for building small business marketing plans for several years, Marketing Plan Pro provides step-by-step guidance, easy forecasts and budgets, customization options, execution guidance, and several sample plans across a wide variety of business types. Marketing plan assistance is also available through the Small Business Administration (SBA) and the Service Corps of Retired Executives (SCORE) program. **SCORE**—a nonprofit association dedicated to educating entrepreneurs and helping small businesses start, grow, and succeed—is an SBA resource partner that has been mentoring small business owners for more than forty years. “About SCORE,” *Score.org*, accessed December 1, 2011, www.score.org/about-score.

Why Have a Marketing Plan?

A marketing plan is a very important part of the small business roadmap to success. The plan drives action and points the way. Joanna L. Krotz, “5 Easy Steps to Create a Marketing Plan,” *Microsoft*, accessed December 2, 2011, www.microsoft.com/business/en-us/resources/marketing/market-research/5-easy-steps-to-create-a-marketing-plan.aspx?fbid=WTbndqFrlli. There are many good reasons for developing a marketing plan, including the following: “Marketing,” *University of Missouri*, January 2010, accessed December 2, 2011, www.missouribusiness.net/sbtcd/docs/marketing.pdf; Entrepreneur, “How to Create a Marketing Plan,” *Entrepreneur*, August 7, 2001, accessed December 2, 2011, www.entrepreneur.com/article/43018; Joanna L. Krotz, “5 Easy Steps to Create a Marketing Plan,” *Microsoft*, accessed December 2, 2011, www.microsoft.com/business/en-us/resources/marketing/market-research/5-easy-steps-to-create-a-marketing-plan.aspx?fbid=WTbndqFrlli; Emily Suess, “Marketing Plan Basics for Small Business,” *Small Business Bonfire*, April 13, 2011, accessed December 2, 2011, smallbusinessbonfire.com/marketing-plan-basics-for-small-business-owners; “How to Write Small Business Marketing Plans,” *SmallBusiness-Marketing-Plans.com*, accessed December 2, 2011, www.smallbusiness-marketing-plans.com.

- It forces you to identify the target market. A company’s best customers, and hopefully the ideal customer, should be in the target market.
- You get a higher return on investment (ROI). Every dollar will work harder when it is focused.

- It forces you to think about both short- and long-term marketing strategies. Focusing only on the short term can be devastating to the future of the company.
- It provides a basis on which to evaluate a company against its industry or market in terms of strengths, weaknesses, opportunities, and threats.
- You can eliminate waste by building efficiency. Limited resources can be allocated to create the greatest return.
- It will be easier to see where past decisions have helped or hindered the growth of a business. The plan will provide a guide for measuring progress and outcomes.
- It will help you to minimize risk, mistakes, and failures.
- It helps you to establish a timeline, keeping people accountable for the growth and success of operation.
- It gives clarity to who does what, when, and with what marketing tools.
- It lays out a company's game plan. If people leave, if new people arrive, if memories falter, if events bring pressure to alter the givens, the information in the written marketing plan is a reminder of what you agreed on.

What If There Is No Marketing Plan?

In *Alice in Wonderland*, Alice encounters the Cheshire cat. He asks her where she is going. She answers that she does not know. The Cheshire cat answers that any road will take her there. It is clear that Alice did not have a marketing plan. David Campbell has a similar philosophy as reflected in the title of his book: *If You Don't Know Where You're Going, You'll Probably End Up Somewhere Else*. David Campbell, *If You Don't Know Where You're Going, You'll Probably End Up Somewhere Else* (Allen, TX: Thomas Moore Publishing, 1974). Without a marketing plan, a small business could be moving at great speed...but in the entirely wrong direction.

Because many small businesses seem to operate successfully without a marketing plan, depending on how you want to define successfully, the absence of a marketing plan does not mean automatic failure. However, there are some distinct disadvantages to not having a marketing plan. The following are some examples:

- Not having a marketing plan, whether it be a stand-alone document or a section in the business plan, will put you at a significant disadvantage when trying to get any type of business loan.
- Not having a marketing plan can push a business into a meandering mode that could result in slowed growth, missed opportunities, and ignored threats.
- The target market may not be defined correctly.

- Not having a marketing plan may force you to focus on the short term with little or no attention to the long term. This can be devastating to the future of a company.
- Potential efficiencies will not be realized.
- Risk will likely increase.

In short, not having a marketing plan means that you will not realize the advantages of having one. Even if you are an owner-only business, a marketing plan can provide a discipline and a structure for growing the business—if that is desired. On the other hand, if an owner is perfectly satisfied with where and how things are, a marketing plan will most likely not be helpful. Just remember that change is constant. Without a marketing plan, a business may not be ready for change.

KEY TAKEAWAYS

- Many small businesses do not have a marketing plan.
- There are many reasons why small businesses do not have a marketing plan. One very important reason is that they do not know how to develop a plan.
- A marketing plan provides a specific marketing direction for a small business. The ultimate purpose of the plan is to generate efficient, profitable action.
- Although a marketing plan should cover one year in detail, this does not mean that a business should ignore the longer term.
- There are many reasons why small businesses should have a marketing plan, not the least of which is that a marketing plan can help the business minimize risk, mistakes, and failures.
- Without a marketing plan, a small business could be moving at great speed...but in the wrong direction.
- Not having a marketing plan means that the business cannot realize the many benefits of having one.
- A marketing plan may not be for all businesses. If one is happy with where and how a business is, one may think that a marketing plan is not needed. Remember, though, that change will happen, and a business may not be ready for it without a marketing plan.

EXERCISE

1. At Frank's All-American BarBeQue, Frank is pleased with the profitability of the business and the standing that the company has in the local community. Not as pleased is Frank's son, Robert, who thinks that the business can be bigger and better. The new store that is opening in neighboring Darien, Connecticut, is a good start, but Robert still thinks that the business is not realizing its full potential. A business plan has been prepared except for the marketing plan section. Robert wants to develop the marketing plan for Frank's, but his father is balking at the idea. His father's position is, "If it ain't broke, why fix it?" Taking the position of Robert, make the case for preparing a marketing plan for Frank's. Think critically when developing your argument, integrating specifics from Frank's business. Resist the temptation to simply list the advantages of having a plan versus the disadvantages of not having a plan. Frank will need to see something much more persuasive than this.

8.2 The Marketing Plan

LEARNING OBJECTIVE

1. Understand the components of a marketing plan.

Although there is no universally accepted format for a marketing plan, the requirements can be grouped into the seven sections identified in [Figure 8.1 "The Marketing Plan"](#). The marketing plan can be a stand-alone document or a section of the business plan. If it is part of the business plan, it will duplicate information that is presented in other sections of the business plan.

A solid marketing strategy is the foundation of a well-written marketing plan, Cash Miller, "Why Does Your Business Need a Good Marketing Plan?," *Yesformn*, October 27, 2010, accessed December 2, 2011, www.yesformn.org/why-does-your-business-need-a-good-marketing-plan.php. and the marketing strategy should have onground and online components if the small business has or wants to have a web presence. The online portion of the marketing plan should be a plan that can be implemented easily, be changed rapidly as appropriate, and show results quickly. "An Online Marketing Plan for the Small Business Owner," *WebMarketingNow*, accessed December 1, 2011, www.webmarketingnow.com/who/who-business-owner.html.

Figure 8.1 *The Marketing Plan*



Executive Summary

The executive summary is a one- to two-page synopsis of a company's marketing plan. The summary gives a quick overview of the main points of the plan, a synopsis of what a company has done, what it plans to do, and how it plans to get there. "How to Write a Marketing Plan," *Arizona Office of Tourism*, accessed December 1, 2011, www.azot.gov/documents/Marketing_Tool_Kit.pdf. The executive summary is for the people who lack the time and interest to read the entire marketing plan but who need a good basic understanding of what it is about. "Marketing Plan: The Executive Summary," *Small Business Notes*, accessed December 1, 2011, www.smallbusinessnotes.com/starting-a-business/marketing-plan-the-executive-summary.html.

Executive Summary Example

Sigmund's Gourmet Pasta

Note: The marketing plan for Sigmund's Gourmet Pasta is a sample small business marketing plan provided by and copyrighted by Palo Alto Software. Permission has been given to the authors to use this plan as the basis for this chapter. This plan will be used throughout this chapter to illustrate marketing plan concepts. Additional complete sample marketing plans for small businesses are available at <http://www.mplans.com>.

Sigmund's Gourmet Pasta will be the leading pasta restaurant in Eugene, Oregon, with a rapidly developing consumer brand and growing customer base. The signature line of innovative, premium pasta dishes include pesto with smoked salmon, pancetta and peas linguine in an Alfredo sauce, lobster ravioli in a lobster sauce, and fresh mussels and clams in a marinara sauce. Sigmund's Gourmet Pasta also serves distinct salads, desserts, and beverages. All desserts are made on-site.

Sigmund's Gourmet Pasta will reinvent the pasta experience for individuals, families, and takeout customers with discretionary income by selling high-quality, innovative products at a reasonable price; designing tasteful, convenient locations; and providing industry-benchmark customer service. Our web presence enhances our brand.

To grow at a rate consistent with our objectives, Sigmund's is offering an additional \$500,000 in equity. Existing members will be given the first option to subscribe to the additional equity to allow each of them to maintain their percentage of ownership. The portion not subscribed by existing members will be available to prospective new investors. Adapted from "Pasta Restaurant Marketing Plan: Sigmund's Gourmet Pasta," *Mplans.com*, accessed December 1, 2011, www.mplans.com/pasta_restaurant_marketing_plan/executive_summary_fc.php.

2. A document that articulates the long-term purpose and idealized notion of what the business wishes to become.

Vision and Mission

The **vision statement**² tries to articulate the long-term purpose and idealized notion of what the business hopes to be in terms of growth, values, employees,

contributions to society, and so forth—that is, where the owner sees the business going. Self-reflection by the business founder is a vital activity if a meaningful vision is to be developed. Jay Ebben, “Developing Effective Vision and Mission Statements,” *Inc.*, February 1, 2005, accessed December 2, 2011, www.inc.com/resources/startup/articles/20050201/missionstatement.html.

Vision Statement Examples

Mobile News Games: Developer of Mobile Games Relating to Current News Events

“Our vision is to provide people with a brief escape of fun over the course of their normal day. We do this by providing them with timely interactive games that they can access on their mobile devices—games that are easy to play and have some connection with current pop culture news.” “Sample Marketing Plan,” *MoreBusiness.com*, accessed December 1, 2011, www.morebusiness.com/templates_worksheets/bplans/printpre.brc.

Neon Memories Diner

“Neon Memories Diner is a place for family togetherness organized around a common love of the traditional American diner and the simpler times of the ’50s and ’60s. Neon Memories Diner transcends a typical theme restaurant by putting real heart into customer service and the quality of its food so that its unique presentation and references to times past are just part of the picture.” “Restaurant Marketing Plan: Neon Memories Diner,” *MPlans.com*, accessed December 2, 2011, www.mplans.com/restaurant_marketing_plan/marketing_vision_fc.php.

By contrast, the **mission statement**³ for the marketing plan looks to articulate the more fundamental nature of the business (i.e., why the business exists). A company’s mission is its sense of purpose—the reason why the owner gets up every day and does what he or she does. It captures the owner’s values and visions, along with that of the employees (if applicable) and community plus suppliers and stakeholders. It literally is the foundation of a company’s future. Corte Swearingen, “Writing a Mission Statement,” *SmallBiz Marketing Tips*, accessed December 2, 2011, www.small-biz-marketing-tips.com/writing-a-mission-statement.html. As such, the mission statement is an important foundation of a business’s marketing plan. It

3. A document that articulates the fundamental nature of the business. It should address what business the company is in, the company’s potential customers, and how customer value will be provided.

is common for the mission statement to appear in the marketing strategy section of the marketing plan. It is also common for the plan to include either a vision statement or a mission statement but not both.

Mission Statement Examples

Disney

“To make people happy.”Corte Swearingen, “Writing a Mission Statement,” *SmallBiz Marketing Tips*, accessed December 2, 2011, www.small-biz-marketing-tips.com/writing-a-mission-statement.html.

Coca-Cola

“To Refresh the World...in body, mind, and spirit.”Corte Swearingen, “Writing a Mission Statement,” *SmallBiz Marketing Tips*, accessed December 2, 2011, www.small-biz-marketing-tips.com/writing-a-mission-statement.html.

Organic Body Products, Inc. (Small Business)

“To provide high-quality skincare and body care products to women who want what goes on their bodies to have as high a quality as what goes in their bodies.”Kristie Lorette, “Examples of How to Write a Marketing Plan,” *Chron.com*, accessed December 2, 2011, smallbusiness.chron.com/examples-write-marketing-plan-1689.html.

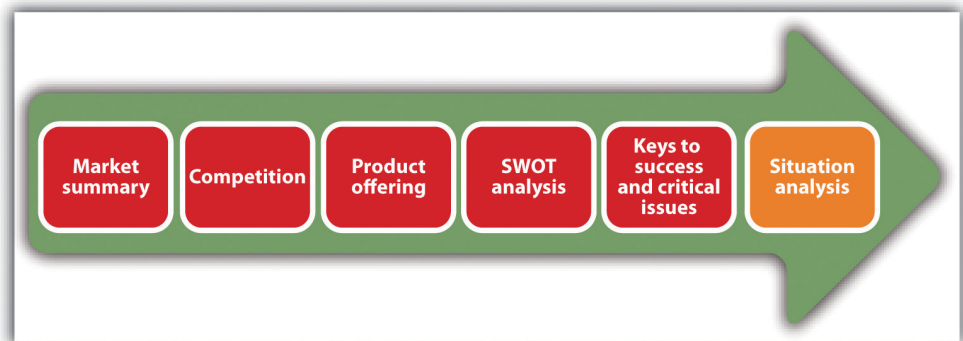
Sigmund’s Gourmet Pasta (Small Business)

“Sigmund’s Gourmet Pasta’s mission is to provide the customer the finest pasta meal and dining experience. We exist to attract and maintain customers. When we adhere to this maxim, everything else will fall into place. Our services will exceed the expectations of customers.”“Pasta Restaurant Marketing Plan: Sigmund’s Gourmet Pasta,” *Mplans.com*, accessed December 1, 2011, www.mplans.com/pasta_restaurant_marketing_plan/marketing_strategy_fc.php.

Situation Analysis

The **situation analysis**⁴ gives a picture of where a company is now in the market and details the context for its marketing efforts (see [Figure 8.2 "Situation Analysis"](#)). Although individual analyses will vary, the contents will generally include relevant information about current products or services, sales, the market (defining it and determining how big it is and how fast it is growing), competition, target market(s), trends, and keys to success. These factors can be combined to develop a **SWOT analysis**⁵—an identification of a company’s strengths, weaknesses, opportunities, and threats—to help a company differentiate itself from its competitors.

Figure 8.2 Situation Analysis



Market Summary

As the title implies, the **market summary**⁶ summarizes what is known about the market in which a company competes, plans to compete, or both. This summary may be all that is read, so it must be short and concise. The market summary should include a description of the market and its attributes, market needs, market trends, and market growth. See [Figure 8.3 "Market Summary"](#).

4. A picture of where a business is now in the market, detailing the context for its marketing efforts.
5. An identification of a company’s strengths, weaknesses, opportunities, and threats.
6. What is known about the market in which a company competes, plans to compete, or both.

Figure 8.3 Market Summary



Market Summary Example

Introductory Paragraph: Sigmund's Gourmet Pasta

Sigmund's Gourmet Pasta possesses good information about the market and knows a great deal about the common attributes of our most prized and loyal customers. Sigmund's Gourmet Pasta will leverage this information to better understand who is served, their specific needs, and how Sigmund's can better communicate with them. "Pasta Restaurant Marketing Plan: Sigmund's Gourmet Pasta," *Mplans.com*, accessed December 1, 2011, www.mplans.com/pasta_restaurant_marketing_plan/marketing_strategy_fc.php.

The Market and Its Attributes

This section of the marketing plan is where a company's customers are identified. If a business has an online presence or wants to have one, information needs to be generated for online customers as well. Some, perhaps most but not all, of a company's online customers will come from the company's onground customers. This depends on the company's marketing strategy. However, a web presence can considerably expand a company's market.

The information that should be provided about customers is as follows: Adapted from "Marketing," *University of Missouri*, January 2010, accessed December 2, 2011, www.missouribusiness.net/sbt/dc/docs/marketing.pdf.

1. All relevant demographic (e.g., age and gender) and lifestyle or behavior (e.g., activities, interests, and spending patterns) information. This information can be linked to important differences in buyer behavior.

Demographics for Sigmund's Gourmet Pasta

- Male and female
- Ages 25–50, this segment makes up 53 percent of the Eugene market according to the Eugene Chamber of Commerce
- Young professionals who work close to the location
- Yuppies
- Have attended college and/or graduate school
- Income over \$40,000 "Pasta Restaurant Marketing Plan: Sigmund's Gourmet Pasta," *Mplans.com*, accessed December 1, 2011, www.mplans.com/pasta_restaurant_marketing_plan/marketing_strategy_fc.php.

Behavior and Lifestyle Factors for Sigmund’s Gourmet Pasta

- Eat out several times a week
- Tend to patronize higher-quality restaurants
- Are cognizant about their health
- Enjoy a high-quality meal without the mess of making it themselves
- When ordering, health concerns in regard to foods are taken into account
- There is a value attributed to the appearance or the presentation of food“Pasta Restaurant Marketing Plan: Sigmund’s Gourmet Pasta,” *Mplans.com*, accessed December 1, 2011, www.mplans.com/pasta_restaurant_marketing_plan/marketing_strategy_fc.php.

2. The location of the customers (local, regional, national, or international). There are often distinct differences in buyer behavior based on geographic location, so it is important to know what those differences are to tap into them. For example, grits are a common breakfast item in the South, but they are not a menu staple anywhere else in the United States.

Geographics for Sigmund’s Gourmet Pasta

- Sigmund’s immediate geographic target is the city of Eugene with a population of 130,000.
- A 15-mile geographic area is in need of Sigmund’s services.“Pasta Restaurant Marketing Plan: Sigmund’s Gourmet Pasta,” *Mplans.com*, accessed December 1, 2011, www.mplans.com/pasta_restaurant_marketing_plan/marketing_strategy_fc.php.

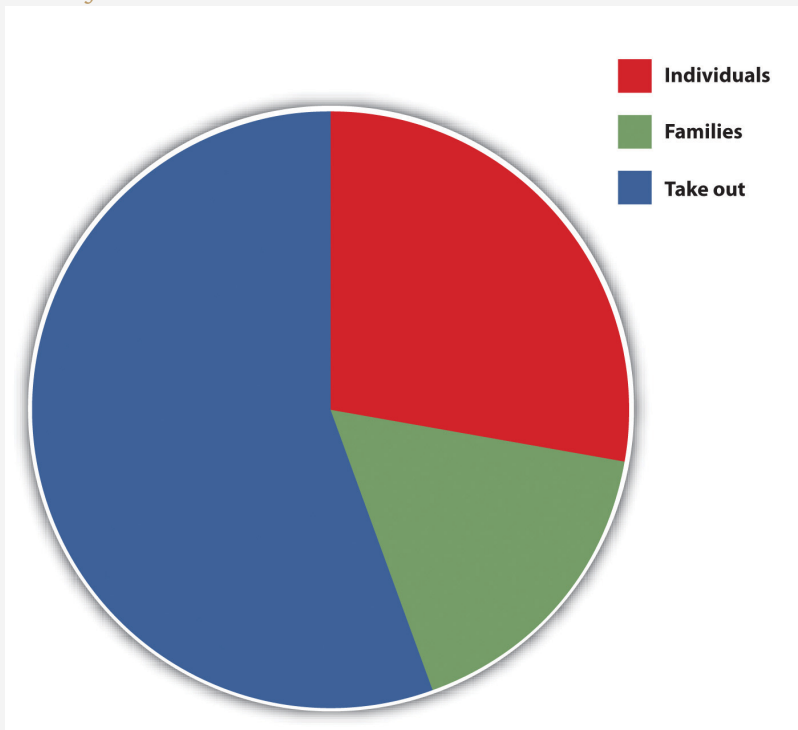
3. An assessment of the size of the market and its estimated growth. There should be enough of a market to justify a business’s existence in the first place. Even a niche market must be large enough to offer profitability potential. At the same time, a company will want the

market to grow so that the business can grow (assuming growth is desired). If, on the other hand, a company wants to remain small, market growth is not as important—except that it may present opportunities for new competitors to enter the marketplace.

Market Size for Sigmund’s Gourmet Pasta

- The total targeted population is estimated at 46,000.
- The target markets are individuals, families, and takeout. “Pasta Restaurant Marketing Plan: Sigmund’s Gourmet Pasta,” *Mplans.com*, accessed December 1, 2011, www.mplans.com/pasta_restaurant_marketing_plan/marketing_strategy_fc.php.

Figure 8.4
Target Markets—Sigmund’s Gourmet Pasta



Source: “Pasta Restaurant Marketing Plan: Sigmund’s Gourmet Pasta: Situation Analysis,” *Mplans.com*, accessed December 2, 2011, http://www.mplans.com/pasta_restaurant_marketing_plan/situation_analysis_fc.php. Reprinted by permission of Palo Alto Software.

Estimated Market Growth for Sigmund’s Gourmet Pasta

In 2010, the global pasta market reached \$8 billion. Pasta sales are estimated to grow by at least 10 percent for the next few years. This growth can be attributed to several different factors. The first factor is an appreciation for health-conscious food. Although not all pasta is “good for you,” particularly cream-based sauces, pasta can be very tasty yet health conscious at the same time. Pasta is seen as a healthy food because of its high percentage of carbohydrates relative to fat.

Another variable that contributes to market growth is an increase in the number of hours our demographic is working. Over the last five years, the number of hours spent at work of our archetype customer has significantly increased. As the number of work hours increases, there is a high correlation of people who eat out at restaurants. This is intuitively explained by the fact that with a limited number of hours available each day, people have less time to prepare their meals, and eating out is one way to maximize their time. Adapted from “Pasta Restaurant Marketing Plan: Sigmund’s Gourmet Pasta,” *Mplans.com*, accessed December 1, 2011, www.mplans.com/pasta_restaurant_marketing_plan/marketing_strategy_fc.php.

Table 8.1 Projected Market Growth—Sigmund’s Gourmet Pasta*

Potential Customers	Growth (%)	2011	2012	2013	2014	2015	CAGR (%)**
Individuals	8	12,457	13,454	14,530	15,692	16,947	8.00
Families	9	8,974	9,782	10,662	11,622	12,668	9.00
Takeout	10	24,574	27,031	29,734	32,707	35,978	10.00
TOTAL	9.27	46,005	50,267	54,926	60,021	65,593	9.27
*All numbers are hypothetical.							
** Compound annual growth rate.							

Source: Adapted from “Pasta Restaurant Marketing Plan: Sigmund’s Gourmet Pasta,” *Mplans.com*, accessed December 1, 2011, http://www.mplans.com/pasta_restaurant_marketing_plan/marketing_strategy_fc.php.

4. An identification of market needs and how a business plans to meet them. “Pasta Restaurant Marketing Plan: Sigmund’s Gourmet Pasta,” *Mplans.com*, accessed December 1, 2011, www.mplans.com/pasta_restaurant_marketing_plan/marketing_strategy_fc.php. Without knowing and understanding market needs, it is extremely difficult to create a marketing mix that will successfully meet those needs. There are instances of small businesses that are successful because of an intuitive sense for what the market needs, but these businesses may eventually experience limited growth opportunities because their intuition can take them only so far. Market needs change, so small businesses must adapt quickly to those changes. They cannot adapt to changes they do not know about.

Identifying and Meeting Market Needs for Sigmund’s Gourmet Pasta

Sigmund’s Gourmet Pasta is providing its customers with a wide selection of high-quality pasta dishes and salads that are unique and pleasing in presentation, offering a wide selection of health-conscious choices, and using top-shelf ingredients. Sigmund’s Gourmet Pasta seeks to fulfill the following benefits that are important to their customers:

- **Selection.** There is a wide choice of pasta and salad options.
- **Accessibility.** The patron can gain access to the restaurant with minimal waits and can choose the option of dine in or takeout.
- **Customer service.** Patrons will be impressed with the level of attention that they receive.
- **Competitive pricing.** All products/services will be competitively priced relative to comparable high-end pasta and Italian restaurants.

5. An identification of market trends. Adapted from “Pasta Restaurant Marketing Plan: Sigmund’s Gourmet Pasta,” *Mplans.com*, accessed December 1, 2011, www.mplans.com/pasta_restaurant_marketing_plan/marketing_strategy_fc.php. Just as it is important to understand market needs, a small business should be able to identify where the market is going so that its marketing mix can be adjusted accordingly. Capitalizing on market trends early in the game can offer a powerful competitive advantage.

Identifying Market Trends for Sigmund's Gourmet Pasta

The market trend for restaurants is headed toward a more sophisticated customer. The restaurant patron today relative to yesterday is more sophisticated in several different ways.

- **Food quality.** The preference for high-quality ingredients is increasing as customers learn to appreciate the qualitative difference.
- **Presentation/appearance.** As presentation of an element of the culinary experience becomes more pervasive, patrons are learning to appreciate this aspect of the industry.
- **Health consciousness.** As Americans in general are more cognizant of their health, evidenced by the increase in individuals exercising and health-club memberships, patrons are requesting more healthy alternatives when they eat out. They recognize that an entrée can be both quite tasty and reasonably good for you.
- **Selection.** People are demanding a larger selection of foods. They no longer accept a limited menu.

The reason for this trend is that within the last few years, restaurant offerings have increased, providing customers with new choices. Restaurant patrons no longer need to accept a limited number of options. With more choices, patrons have become more sophisticated. This trend is intuitive as you can observe a more sophisticated patron in larger city markets such as Seattle, Portland, or New York, where there are more choices. People are also increasingly expecting a web presence for restaurants. This presence includes a website, a membership on Facebook, and oftentimes a Twitter presence. The importance of a website and the use of social media cannot be underestimated.

Competition

Every marketing plan should include an assessment of the competition: who they are, what they offer, their growth rates (if known), and their market share (if known). Market share is defined as the percentage of total sales volume in a market that is captured by a brand, a product, or a company. "Market Share," *BusinessDictionary.com*, accessed December 1, 2011, www.businessdictionary.com/definition/market-share.html. Think of the market as a pie, with each slice being a "share" of that pie. The larger the slice, the larger the percentage of sales volume

captured by a brand, a product, or a company. With all this knowledge, a business will be in the best position to differentiate itself in the marketplace. However, while the sales figures of a business are easily accessible, it is not likely that the owner will have either total market sales figures or growth rate, sales figures, and market share information for the competition. This information, if available at all, is usually available from trade associations and market research firms, “Market Share,” *QuickMBA*, accessed December 1, 2011, www.quickmba.com/marketing/market-share. with the likelihood being even less if the information desired is about other small businesses. Competitor websites and Internet searches may prove helpful, but because most small businesses are privately held, the information available online will be limited. As a result, you will be restricted in the information that you can collect about the competition to things that can easily be observed in person or are available on company websites. Examples include product selection, price points, service quality, and product quality.

Competition should be addressed in terms of being direct or indirect. **Direct competition**⁷ refers to competition from similar businesses or products, whereas **indirect competition**⁸ refers to competition from alternative, substitutable businesses or products. In the case of Sigmund’s Gourmet Pasta, direct competition would come from other restaurants that serve pasta. Indirect competition would come from other types of full-service restaurants, fast food, the freezer- or prepared-foods areas in the grocery store, delis, preparation services that target the home, and even online businesses that sell prepared foods (*DineWise*). Many if not most small business marketing plans address only direct competition.

7. Competition from similar businesses or products.

8. Competition from alternative, substitutable businesses or products.

Direct Competition for Sigmund's Gourmet Pasta

1. National Competition

- **Pastabilities.** Offers consumers their choice of noodles, sauces, and ingredients, allowing customers to assemble their dishes as they wish. Food quality is average.
- **PastaFresh.** Has a limited selection, but the dishes are assembled with high-quality ingredients. The price point is high, but the food is quite good.
- **Pasta Works.** Offers pasta that is reasonably fresh, reasonably innovative, and at a lower price point. The company was sold a few years ago, and consequently the direction of management has been stagnant lately, which has resulted in excessive employee turnover.
- **Perfect Pasta.** Offers medium-priced pasta dishes that use average ingredients, no creativity, and a less than average store atmosphere. Sigmund's is not sure how this company has been able to grow in size as their whole product is mediocre at best.

2. Local Competition

- **Restaurant A.** This is an upscale Italian restaurant with a limited selection of pasta dishes. Although the selection is limited and pricey, the dishes are quite good.
- **Restaurant B.** An Italian restaurant with a decent pasta selection; however, the quality is inconsistent.
- **Restaurant C.** An upscale restaurant with a large wine selection and good salads. Everything else is mediocre at best and overpriced. Service can often be poor. "Pasta Restaurant Marketing Plan: Sigmund's Gourmet Pasta," *Mplans.com*, accessed December 1, 2011, www.mplans.com/pasta_restaurant_marketing_plan/marketing_strategy_fc.php.

Product or Service Offering

The marketing plan must be very clear about the product or the service that is being offered to the marketplace because the product drives the creation of the marketing mix and the marketing strategy. An error in product identification and definition can wreak havoc in the company and in the marketplace because

misdirected marketing actions can occur. The responsibility for the product definitions rests squarely with the owner. For example, if a business is a live theater that features very sophisticated plays, would you define the product as entertainment or art? The answer to this question will have major implications for a company's marketing strategy.

The product or the service offering must also consider a company's website because a web presence will be an important part of what is offered to customers.

Service Offering for Sigmund's Gourmet Pasta

Sigmund's has created gourmet pastas and salads that are differentiated and superior to competitors. Customers can taste the quality and freshness of the product in every bite. The following are the characteristics of the product:

- Sigmund's pasta dough is made with Italian semolina flour.
- All cheeses are imported.
- Vegetables are organic and fresh with three shipments a week.
- Meats are all top-shelf varieties and organic when possible.
- Wines are personally selected by the owner. The authors of this textbook added this product characteristic.

At Sigmund's, food is not a product; the experience of dining is a service. Sigmund's prides itself on providing service that is on par with fine dining. This is accomplished through an extensive training program and hiring only experienced employees. "Pasta Restaurant Marketing Plan: Sigmund's Gourmet Pasta," *Mplans.com*, accessed December 1, 2011, www.mplans.com/pasta_restaurant_marketing_plan/marketing_strategy_fc.php.

At a Glance—The Prototype Sigmund's Store

- Location: an upscale mall, a suburban neighborhood, or an urban retail district
- Design: bright, hip, clean
- Size: 1,200–1,700 square feet
- For people who dine in, an interactive dining experience will be available through the iPad. A virtual wine cellar application will allow diners to flip through Sigmund's assortment of wines and make an educated decision. Diners will be able to spin the bottles around to view the back label, read reviews, view the vineyard on Google maps, search wine by price and region, and see information about food pairings. The authors of this textbook added this dimension of Sigmund's Prototype Store, drawing from the following two articles: Brodie Beta, "How Restaurants Are Using the iPad," *The Next Web*, May 1, 2011, accessed December 2, 2011, thenextweb.com/apple/2011/01/05/how-restaurants-are-using-the-ipad/; "Apple iPad Restaurant Menus: The New Way to Order Food," *QuickOnlineTips.com*, June 6, 2010, accessed December 2,

2011, www.quickonlinetips.com/archives/2010/06/apple-ipad-restaurant-menus.

- Employees: six to seven full time
- Seating: 35–45
- Types of transactions: 80 percent dine in, 20 percent takeout

Sigmund's website This information about the Sigmund's website is a combination of the ideas of the authors of this textbook and the following two sample marketing plans: "Locally Produced Clothing Retailer Marketing Plan: Local Threads," *MPlans.com*, accessed December 2, 2011, www.mplans.com/locally_produced_clothing_retailer_marketing_plan/marketing_vision_fc.php; "Restaurant Marketing Plan: Neon Memories Diner," *MPlans.com*, accessed December 2, 2011, www.mplans.com/restaurant_marketing_plan/marketing_vision_fc.php. will educate prospects with an eye toward encouraging them to try the restaurant and then return. Site visitors will be informed about the menu and the restaurant's commitment to quality in using homemade pasta made with Italian semolina flour, imported cheeses, organic vegetables that are delivered three times a week, and top-shelf meats. The website will not sell things directly.

Prospective customers will be encouraged through the warm and friendly atmosphere of the website. A photo gallery will provide a visual tour of the restaurant to demonstrate its décor and atmosphere. The pages of the website will include the following:

- The mission and vision of the restaurant, including a profile of the founder, emphasizing wine expertise
- A discussion of the commitment to top-quality ingredients and a top-quality customer dining experience
- A slide show virtual tour of the restaurant
- Dining-in and takeout menus
- Directions, hours, and contact information (both telephone and e-mail)
- Links to Facebook and Twitter
- Customer comments

SWOT Analysis

A **SWOT analysis** combines the key strengths and weaknesses within a company with an assessment of the opportunities and threats that are external to the company. This analysis can provide powerful insights into the potential and critical issues affecting a business. Tim Berry, “How to Perform a SWOT Analysis,” *MPlans.com*, accessed December 2, 2011, articles.mplans.com/how-to-perform-a-swot-analysis. A strength is an asset or a resource, tangible or intangible, internal to a company that is within its control. What does the company do well? What advantages does the company have over its competition? You should look to identify the positive aspects internal to a business that add value or offer a competitive advantage. “How to Write a Marketing Plan,” *Arizona Office of Tourism*, accessed December 1, 2011, www.azot.gov/documents/Marketing_Tool_Kit.pdf; Tim Berry, “How to Perform a SWOT Analysis,” *MPlans.com*, accessed December 2, 2011, articles.mplans.com/how-to-perform-a-swot-analysis. Examples of strengths are the quality of employees, company reputation, available capital and credit, established customers, unique channels of distribution, intellectual property, location, and facilities.

Strengths for Sigmund’s Gourmet Pasta

- Strong relationships with vendors that offer high-quality ingredients and fast/frequent delivery schedules
- Excellent staff who are highly trained and very customer attentive
- Great retail space that is bright, hip, clean, and located in an upscale mall, a suburban neighborhood, or an urban retail district
- High customer loyalty among repeat customers
- High-quality food offerings that exceed competitors’ offerings in quality, presentation, and price “Pasta Restaurant Marketing Plan: Sigmund’s Gourmet Pasta,” *Mplans.com*, accessed December 1, 2011, www.mplans.com/pasta_restaurant_marketing_plan/marketing_strategy_fc.php.

Video Link 8.1

Rebirth of the American-Made Baseball Mitt

The strengths of the Insignia company.

money.cnn.com/video/smallbusiness/2011/05/05/sbiz_baseball_mitt.cnnmoney

A weakness is a factor internal to a company that may cause it to have a less competitive position in the marketplace. A company can have control over this factor and should look to improve or remove it to successfully accomplish its marketing objectives. Weaknesses detract from the value of a business. Examples of weaknesses are lack of expertise, limited resources, bad location, poor facilities, inferior customer service and customer experience, difficulty in hiring and retaining good people, and weak brand recognition.

Weaknesses for Sigmund's Gourmet Pasta

- Sigmund's name lacks **brand equity**⁹. Brand equity is the commercial value of all associations and expectations (positive and negative) that people have of a brand based on all the experiences they have had with the brand over time. "The Language of Branding: Brand Equity," *Branding Strategy Insider*, January 20, 2008, accessed December 2, 2011, www.brandingstrategyinsider.com/brand_equity. The greater the positive brand equity, the more power in the marketplace.
- A limited marketing budget to develop brand awareness.
- The struggle to continually appear to be cutting edge. "Pasta Restaurant Marketing Plan: Sigmund's Gourmet Pasta," *Mplans.com*, accessed December 1, 2011, www.mplans.com/pasta_restaurant_marketing_plan/marketing_strategy_fc.php.

9. The commercial value of all associations and expectations that people have of a brand based on all the experiences they have had with the brand over time.

An opportunity is an attractive external factor that represents the reason a business exists and prospers. You have no control over opportunities, but you can

take advantage of them to benefit the business. Opportunities will come from the market, the environment, or the competition, and they reflect the potential that can be realized through marketing strategies. Tim Berry, "How to Perform a SWOT Analysis," *MPlans.com*, accessed December 2, 2011, articles.mplans.com/how-to-perform-a-swot-analysis. Examples of opportunities include market growth, a competitor going out of business, lifestyle changes, demographic changes, and an increased demand for a product or a service.

Opportunities for Sigmund's Gourmet Pasta

- Growing market with a significant percentage of the target market still not aware that Sigmund's Gourmet Pasta exists.
- Increasing sales opportunities in takeout business that can be enhanced even further by our web presence.
- The ability to spread overhead over multiple revenue centers. Sigmund's will be able to spread the management overhead costs among multiple stores, decreasing the fixed costs per store. "Pasta Restaurant Marketing Plan: Sigmund's Gourmet Pasta," *Mplans.com*, accessed December 1, 2011, www.mplans.com/pasta_restaurant_marketing_plan/marketing_strategy_fc.php.

Video Link 8.2

Vinyl Makes a Comeback

A small company in Brooklyn, New York, takes advantage of the opportunity presented by the surging interest in vinyl records.

money.cnn.com/video/smallbusiness/2011/04/15/sbiz_vinyl_comeback.cnnmoney

A threat is an external factor beyond a company's control that could place a marketing strategy, or the business itself, at risk. Threats come from an unfavorable trend or development that could lead to deteriorating revenues or profits (such as high gasoline prices); a new competitor that enters the market; a public relations

(PR) nightmare that leads to devastating media coverage; a gender discrimination lawsuit; a shift in consumer tastes and behavior that reduces sales; government regulation; an economic slump; or the introduction of a “leap frog” technology that may make a company’s products, equipment, or services obsolete. Tim Berry, “How to Perform a SWOT Analysis,” *MPlans.com*, accessed December 2, 2011, articles.mplans.com/how-to-perform-a-swot-analysis. Threats can come from anywhere and at any time, and a small business may be particularly vulnerable because of its size. At the same time, a small business may be nimble enough to effectively deal with threats because of its small size.

Threats for Sigmund’s Gourmet Pasta

- Competition from local restaurants that respond to Sigmund’s Gourmet Pasta’s superior offerings
- Gourmet pasta restaurant chains found in other markets coming to Eugene
- A slump in the economy reducing the customer’s disposable income for eating out “Pasta Restaurant Marketing Plan: Sigmund’s Gourmet Pasta,” *Mplans.com*, accessed December 1, 2011, www.mplans.com/pasta_restaurant_marketing_plan/marketing_strategy_fc.php.

Video Link 8.3

Historic Paper Company Thrives

Surviving threats and taking advantage of opportunities.

money.cnn.com/video/smallbusiness/2010/08/06/sbiz_hwgs_crane.cnnmoney

Performing a SWOT analysis is a valuable exercise. It might help an owner identify the most promising customers, perhaps even the ideal customer. The analysis is meant to improve a customer’s experience with a company, so the person who will benefit most from a SWOT analysis is the customer. Corte Swearingen, “Marketing

SWOT Analysis,” *SmallBiz Marketing Tips*, accessed December 2, 2011, www.small-biz-marketing-tips.com/marketing-swot-analysis.html.

Keys to Success and Critical Issues

The **keys to success**¹⁰ are those factors that, if achieved, will lead to a profitable and a sustainable business. Identifying these factors should be based on an understanding of the industry or the market in which a small business is competing because these things play a critical role in success and failure.

Focusing on three to five of the most important success factors makes sense for a small business. However, the actual number will be a function of the business. Whatever the number, the keys to success may change from time to time or year to year as the industry or the market changes. Kris Bovay, “Build a Successful Marketing Plan—15 Key Business Success Factors,” *eZine @rticles*, accessed December 2, 2011, ezinearticles.com/?Build-a-Successful-Marketing-Plan-15-Key-Business-Success-Factors&id=2156709. Examples of key success factors include the hiring and retention of excellent employees, successful new product introductions, a strong supplier network, a low-cost structure, retaining existing customers, a strong distribution network or channel, Kris Bovay, “Build a Successful Marketing Plan—15 Key Business Success Factors,” *eZine @rticles*, accessed December 2, 2011, ezinearticles.com/?Build-a-Successful-Marketing-Plan-15-Key-Business-Success-Factors&id=2156709. a cutting edge manufacturing process, and customer service.

10. The factors that, if achieved, will lead to a profitable and a sustainable business.

Keys to Success for Sigmund's Gourmet Pasta

Location, location, location.

Sigmund's site selection criteria are critical to its success. Arthur Johnson, the former vice president of real estate for Starbucks, helped us identify the following site selection criteria:

- Daytime and evening populations
- Shopping patterns
- Car counts
- Household income levels“Pasta Restaurant Marketing Plan: Sigmund's Gourmet Pasta,” *Mplans.com*, accessed December 1, 2011, www.mplans.com/pasta_restaurant_marketing_plan/marketing_strategy_fc.php.

Critical Issues for Sigmund's Gourmet Pasta

Sigmund's Gourmet Pasta is still in the speculative stage as a retail restaurant. Its critical issues are as follows:

- Continue to take a modest fiscal approach; expand at a reasonable rate, not for the sake of expansion in itself but because it is economically wise to do so
- Continue to build brand awareness that will drive customers to existing stores as well as ease the marketing efforts of future stores“Pasta Restaurant Marketing Plan: Sigmund's Gourmet Pasta,” *Mplans.com*, accessed December 1, 2011, www.mplans.com/pasta_restaurant_marketing_plan/marketing_strategy_fc.php.

Marketing Strategy

The marketing strategy section of the marketing plan involves selecting one or more target markets, deciding how to differentiate and position the product or the service, and creating and maintaining a marketing mix that will hopefully prove

successful with the selected target market(s)—all within the context of the marketing objectives. It also includes a web strategy for the small businesses that have or want to have a web presence. By aligning online marketing with onground efforts, a company will be in a much stronger position to accomplish marketing and overall company objectives. It will also be presenting a consistent style and message across all points of contact with its target audience. Bobette Kyle, “Internet Marketing Strategy: Developing a Website Marketing Plan,” *WebSiteMarketingPlan.com*, accessed December 1, 2011, www.websitemarketingplan.com/marketing_management/MarketingPlanningArticle.htm.

Introduction to Marketing Strategy for Sigmund’s Gourmet Pasta

Sigmund’s advertising budget is very limited, so the advertising program is simple. Sigmund’s will do direct mail, banner ads, and inserts in the *Register Guard*, which are likely to be the most successful of the campaigns. (We will also use our website and social media to promote the business.) Lastly, Sigmund’s will leverage personal relationships to get articles about Sigmund’s in the *Register Guard*. Friends who have had their restaurants featured in the *Register Guard* have seen a dramatic increase of sales immediately after the article was published. Adapted from “Pasta Restaurant Marketing Plan: Sigmund’s Gourmet Pasta,” *Mplans.com*, accessed December 1, 2011, www.mplans.com/pasta_restaurant_marketing_plan/marketing_strategy_fc.php.

Marketing Objectives

Marketing objectives¹¹ are what a company wants to accomplish with its marketing strategy. They lay the groundwork for formulating the marketing strategy, and although formulated in a variety of ways, their achievement should lead to sales. The creation of marketing objectives is one of the most critical steps a business will take. Both online and onground objectives must be included. A business must know, as precisely as possible, what it wants to achieve before allocating any resources to the marketing effort.

11. What a company wants to accomplish with its marketing strategy.

Marketing Objectives for Sigmund's Gourmet Pasta

1. Maintain positive, steady growth each month.
2. Generate at least \$40,000 in sales each month.
3. Experience an increase in new customers who become long-term customers.
4. Realize a growth strategy of one store per year. Adapted from "Pasta Restaurant Marketing Plan: Sigmund's Gourmet Pasta," *Mplans.com*, accessed December 1, 2011, www.mplans.com/pasta_restaurant_marketing_plan/marketing_strategy_fc.php.
5. Achieve one thousand Facebook fans in six months. This is an addition to "Pasta Restaurant Marketing Plan: Sigmund's Gourmet Pasta," *Mplans.com*, accessed December 1, 2011, www.mplans.com/pasta_restaurant_marketing_plan/marketing_strategy_fc.php.
6. Achieve a Twitter follower base of five hundred people in six months. This is an addition to "Pasta Restaurant Marketing Plan: Sigmund's Gourmet Pasta," *Mplans.com*, accessed December 1, 2011, www.mplans.com/pasta_restaurant_marketing_plan/marketing_strategy_fc.php.

You should note that the first and third objectives in this sample marketing plan do not meet some of the SMART criteria—specific, measurable, achievable, realistic, and time-based (a stated time frame for achievement). These two objectives are not specific enough to be measurable, and they may not be realistic. This will make it difficult to determine the extent to which they have been or can be accomplished.

Target Market

The target market is the segment that has been identified as having the greatest potential for a business. A segment is a relatively homogeneous subgroup that behaves much the same way in the marketplace. The identification of segments is a necessary precursor to selecting a target market. The more precise the target market is, the easier it will be to create a marketing mix that will appeal to the target market.

Target Markets for Sigmund's Gourmet Pasta

The market can be segmented into three target populations.

1. **Individuals.** People who dine by themselves.
2. **Families.** A group of people, either friends or a group of nuclear relatives, dining together.
3. **Takeout.** People who prefer to eat Sigmund's food in their own homes or at a location other than the actual restaurant.

Sigmund's customers are hungry individuals between the ages of 25 and 50, making up 53 percent of Eugene (according to the Eugene Chamber of Commerce). Age is not the most defined demographic of this customer base, as all age groups enjoy pasta. The most defined characteristic of the target market is income. Gourmet pasta stores have been very successful in high-rent, mixed-use urban areas, such as Northwest 23rd Street in Portland. These areas have a large day and night population consisting of businesspeople and families who have household disposable incomes over \$40,000.

Combining several key demographic factors, Sigmund's profile of the primary customer is as follows:

- Sophisticated families who live nearby
- Young professionals who work close to the location
- Shoppers who patronize high-rent stores "Pasta Restaurant Marketing Plan: Sigmund's Gourmet Pasta," *Mplans.com*, accessed December 1, 2011, www.mplans.com/pasta_restaurant_marketing_plan/marketing_strategy_fc.php.

Positioning

The **positioning**¹² section of the marketing plan reflects the decisions that have been made about how a company plans to "place" its business in a consumer's mind *in relation to* the competition. Is a particular business seen as a high-priced or a low-priced alternative? Is a business considered a high-quality or a medium-quality alternative? Is the delivery time to customers better, worse, or the same as that of the competition? There are many different approaches to positioning that the small business owner should consider, but the selected approach should be the one that

12. Placing the brand (whether store, product, or service) in the consumer's mind in relation to other competing products, based on product traits and benefits that are relevant to the consumer.

puts the company or the brand in the best light. Keep in mind that a good positioning strategy will come from a solid understanding of the market, the customer, and the competition because this knowledge will provide a basis for comparing one business with others.

Positioning for Sigmund's Gourmet Pasta

Sigmund's Gourmet Pasta will position itself as a reasonably priced, upscale, gourmet pasta restaurant. Eugene consumers who appreciate high-quality food will recognize the value and unique offerings of Sigmund's Gourmet Pasta. Patrons will be singles and families, ages twenty-five to fifty.

Sigmund's Gourmet Pasta positioning will leverage its product and service competitive edge:

- **Product.** The product will have the freshest ingredients, including homemade pasta, imported cheeses, organic vegetables, and top-shelf meats. The product will also be developed to enhance presentation. Everything will be aesthetically pleasing.
- **Service.** Customer service will be the priority. All employees will ensure that customers are having the most pleasant dining experience. All employees will go through an extensive training program, and only experienced people will be hired.

By offering a superior product, coupled with superior service, Sigmund's will excel relative to the competition. "Pasta Restaurant Marketing Plan: Sigmund's Gourmet Pasta," *Mplans.com*, accessed December 1, 2011, www.mplans.com/pasta_restaurant_marketing_plan/marketing_strategy_fc.php.

Video Clip 8.2

Small Business Market Position

[\(click to see video\)](#)

Market position refers to how the general public views the business or the product.

Video Clip 8.3

Small Business Market Position Tips

(click to see video)

Choose a unique position for a business or a product.

Video Clip 8.4

Choosing a Small Business Market Position

(click to see video)

Look ten to fifteen years into the future when thinking about positioning.

Marketing Strategy Pyramid

The **marketing strategy pyramid**¹³ assumes that the marketing strategy is built on concrete tactics that are built on specific, measurable marketing programs—activities with budgeted expenses, well-defined responsibilities, deadlines, and measurable results. Tim Berry, “What Is the Marketing Strategy Pyramid, Where Did It Come From?” *BPlans*, accessed June 1, 2012, <http://www.bplans.com/ask-bplans/640/what-is-the-marketing-strategy-pyramid-where-did-it-come-from>.

13. Assumes that the marketing strategy is built on concrete tactics that are specific, measurable marketing programs—activities with budgeted expenses, well-defined responsibilities, deadlines, and measurable results.

Figure 8.5 Marketing Strategy Pyramid



Source: Tim Berry, "What Is the Marketing Strategy Pyramid, Where Did It Come From?" BPlans, accessed December 2, 2011, <http://www.bplans.com/ask-bplans/640/what-is-the-marketing-strategy-pyramid-where-did-it-come-from>.

The strategy at the top of Figure 8.5 "Marketing Strategy Pyramid" focuses on well-defined markets and user needs. The second level consists of the tactics that you use to satisfy user needs and communicate with the target market. The third level is where specific programs are defined. Tim Berry, "What Is the Marketing Strategy Pyramid, Where Did It Come From?" BPlans, accessed June 1, 2012, <http://www.bplans.com/ask-bplans/640/what-is-the-marketing-strategy-pyramid-where-did-it-come-from>. It is this framework that is built into the sample marketing plans that are available through Palo Alto Software in Sales and Marketing Pro and at www.mplans.com. However, it is a solid approach that can be used in any marketing planning situation.

Strategy Pyramid for Sigmund's Gourmet Pasta

The single objective is to position Sigmund's as the premier gourmet pasta restaurant in the Eugene, Oregon, area, commanding a majority of the market share within five years. The marketing strategy will seek to first create customer awareness regarding the services offered, develop that customer base, and work toward building customer loyalty and referrals.

The message that Sigmund's will seek to communicate is that Sigmund's offers the freshest, most creative, health-conscious, reasonably priced, gourmet pasta in Eugene. This message will be communicated through a variety of methods. The first will be direct mail. The direct mail campaign will be a way to communicate directly with the consumer. Sigmund's will also use banner ads and inserts in the *Register Guard*. This will be particularly effective because the *Register Guard* is a popular local paper that is consulted when people are looking for things to do in Eugene. The restaurant's website will also encourage patronage because the warm and friendly atmosphere of the site will reflect the atmosphere of the actual restaurant. Facebook and Twitter followers along with customer comments will also add to brand awareness. The website and social media are additions to "Pasta Restaurant Marketing Plan: Sigmund's Gourmet Pasta," *Mplans.com*, accessed December 1, 2011, www.mplans.com/pasta_restaurant_marketing_plan/marketing_strategy_fc.php.

The last method for communicating Sigmund's message is through a grassroots PR campaign. This campaign will leverage personal relationships with people on the staff of the *Register Guard* to get a couple of articles written about Sigmund's. One will be from the business point of view, talking about the opening of the restaurant and the people behind the venture. This is likely to be run in the business section. The second article will be a food review. In speaking with many different retailers and restaurateurs, significant increases of traffic have followed articles in the *Register Guard*. Because of this level of effectiveness and low/zero cost, Sigmund's will work hard to get press in the *Register Guard*. "Pasta Restaurant Marketing Plan: Sigmund's Gourmet Pasta," *Mplans.com*, accessed December 1, 2011, www.mplans.com/pasta_restaurant_marketing_plan/marketing_strategy_fc.php.

Marketing Mix

A company's marketing mix is its unique approach to product, price, promotion, and place (distribution)—the four Ps. The marketing mix is the central activity in the implementation of a company's marketing strategy, so the decisions must be made carefully. It is through the marketing mix that marketing objectives will be achieved. The final determination of the marketing mix requires inputs from other areas, such as purchasing, manufacturing, sales, human resources, and finance. Philip Kotler and Kevin Lane Keller, *Marketing Management* (Upper Saddle River, NJ: Pearson Prentice Hall, 2009), 57.

Marketing Mix for Sigmund's Gourmet Pasta

Sigmund's marketing mix consists of the following approaches to pricing, distribution, advertising and promotion, and customer service.

- **Pricing.** Sigmund's pricing scheme is that the product cost is 45 percent of the total retail price.
- **Distribution.** Sigmund's food will be distributed through a model in which customers can either call in their orders or place them online. The authors of this textbook added the capability to place an order online, and come to the restaurant to pick them up or come into the restaurant, place their orders, and wait for them to be completed.
- **Advertising and promotion.** The most successful advertising will be banner ads and inserts in the *Register Guard* as well as a PR campaign of informational articles and reviews within the *Register Guard* and coupons available on the website. The first-timer discount coupon and code will be prominently displayed on the website's home page to encourage prospects to become customers. Coupons will also be available for repeat customers once per month. The addition of coupons is a combination of ideas from the authors of this textbook and the following sample marketing plan: "Restaurant Marketing Plan: Neon Memories Diner," *MPlans.com*, accessed June 1, 2012, http://www.mplans.com/restaurant_marketing_plan/marketing_vision_fc.php. Holiday specials will be offered on Valentine's Day, Easter, Mother's Day, and Father's Day.
- **Social media.** Sigmund's Gourmet Pasta will establish a Facebook page that will allow users to engage directly with the company by posting likes, dislikes, and ideas to the Wall, which will be answered directly by management. Customers will be encouraged to become fans of the Facebook page and then share the page with their friends. The Facebook plan was drawn from the following two sample marketing plans: "Locally Produced Clothing Retailer Marketing Plan: Local Threads," *MPlans.com*, accessed December 2, 2011, www.mplans.com/locally_produced_clothing_retailer_marketing_plan/marketing_vision_fc.php; "Restaurant Marketing Plan: Neon Memories Diner," *MPlans.com*, accessed December 2, 2011, http://www.mplans.com/restaurant_marketing_plan/marketing_vision_fc.php. Sigmund's

will also establish a Twitter presence. “Pasta Restaurant Marketing Plan: Sigmund’s Gourmet Pasta,” *Mplans.com*, accessed December 1, 2011, www.mplans.com/pasta_restaurant_marketing_plan/marketing_strategy_fc.php. The authors of this textbook added Twitter to the social media plan.

Video Clip 8.5

How To Use Twitter For Business

[\(click to see video\)](#)

A tutorial about using Twitter for business.

Video Clip 8.6

What a Business Needs to Do to Connect More on Twitter

[\(click to see video\)](#)

A humorous look at why a business should use a picture, not its business logo, on Twitter.

Marketing Research

Marketing research is about gathering the information that is needed to make business decisions, which should be an ongoing process. A marketing plan should be based on marketing research. The research can range from something very simple conducted by the owner or an employee to a more sophisticated study that is prepared by a marketing research firm. The overall goal of the research, however, is to help a company offer products that people will want, at an appealing price, in the place where they want to buy them. The research should also help a company decide how to promote its products so that people will be aware of them. People cannot buy what they do not know about.

Marketing Research for Sigmund's Gourmet Pasta

During the initial phases of developing the marketing plan, several focus groups were held to gain insight into a variety of patrons of restaurants. These focus groups provided useful insight into the decisions and decision-making processes of consumers.

An additional source of dynamic market research is a feedback mechanism based on a suggestion card system. The suggestion card system has several statements that patrons are asked to rate in terms of a given scale. There are also several open-ended questions that allow the customer to freely offer constructive criticism or praise. Sigmund's will work hard to implement reasonable suggestions to improve its service offerings as well as show its commitment to customers that their suggestions are valued. This suggestion system will also be incorporated into our website so that customers can provide feedback online. The authors of this textbook added the online suggestion system.

The last source of market research is competitive analysis and appreciation. Sigmund's will continually patronize local restaurants for two reasons. The first is for competitive analysis, providing Sigmund's with timely information regarding the service offerings of other restaurants. The second reason is that local business owners, particularly restaurant owners, are often part of an informal fraternal organization where they support each other. "Pasta Restaurant Marketing Plan: Sigmund's Gourmet Pasta," *Mplans.com*, accessed December 1, 2011, www.mplans.com/pasta_restaurant_marketing_plan/marketing_strategy_fc.php.

Financials

The financials section of the marketing plan should provide a financial overview of the company as it relates to the marketing activities. Typically addressed in this section are the breakeven analysis, a sales forecast, and an expense forecast and how they link to the marketing strategy. "Pasta Restaurant Marketing Plan: Sigmund's Gourmet Pasta," *Mplans.com*, accessed December 1, 2011, www.mplans.com/pasta_restaurant_marketing_plan/marketing_strategy_fc.php.

Breakeven Analysis

A **breakeven analysis**¹⁴ is used to determine the amount of sales volume a company needs to start making a profit. Susan Ward, “Breakeven Analysis,” *About.com*, accessed December 1, 2011, sbinfocanada.about.com/cs/startup/g/breakevenanal.htm. A company has broken even when its total sales or revenues equal its total expenses. However, a breakeven analysis is not a predictor of demand, so if a company goes into the marketplace with the wrong product or the wrong price, it may never reach the break-even point. Daniel Richards, “How to Do a Breakeven Analysis,” *About.com*, accessed December 1, 2011, entrepreneurs.about.com/od/businessplan/a/breakeven.htm.

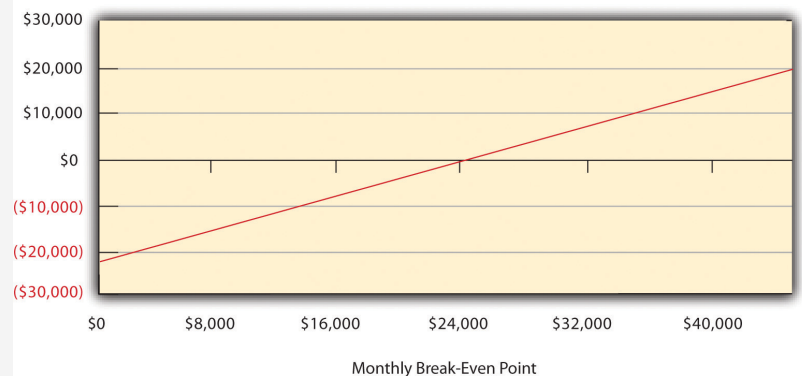
The most relevant types of costs that must be considered when preparing a breakeven analysis are **fixed costs**¹⁵ and **variable costs**¹⁶. Fixed costs are costs that must be paid whether or not any units are produced or any services are delivered. They are “fixed” over a specified period of time or range of production. Rent, insurance, and computers would be considered fixed costs because they are outlays that must occur before a company makes its first sale. Daniel Richards, “How to Do a Breakeven Analysis,” *About.com*, accessed December 1, 2011, entrepreneurs.about.com/od/businessplan/a/breakeven.htm; Susan Ward, “Breakeven Analysis,” *About.com*, accessed December 1, 2011, sbinfocanada.about.com/cs/startup/g/breakevenanal.htm.

Variable costs are recurring costs that must be absorbed with each unit or service sold. These costs vary directly with the number of units of product or the amount of service provided. Daniel Richards, “How to Do a Breakeven Analysis,” *About.com*, accessed December 1, 2011, entrepreneurs.about.com/od/businessplan/a/breakeven.htm; Susan Ward, “Breakeven Analysis,” *About.com*, accessed December 1, 2011, sbinfocanada.about.com/cs/startup/g/breakevenanal.htm. Labor costs and the cost of materials are examples of variable costs.

14. Used to determine the amount of sales volume a company needs to start making a profit: when its total sales or revenues equal its total expenses.
15. Costs that remain the same regardless of the amount of sales (e.g., rent).
16. Costs that vary directly with the number of units of product or the amount of service provided.

Breakeven Analysis for Sigmund's Gourmet Pasta

Figure 8.6
Sigmund's Breakeven Analysis



Break-even point = where line intersects with 0

Source: "Pasta Restaurant Marketing Plan: Sigmund's Gourmet Pasta: Situation Analysis," *Mplans.com*, accessed December 2, 2011, http://www.mplans.com/pasta_restaurant_marketing_plan/situation_analysis_fc.php. Reprinted by permission of Palo Alto Software.

The breakeven analysis indicates that \$23,037 in monthly revenue will be required to reach the break-even point. The analysis assumes a 45 percent annual variable cost and a \$22,000 estimated monthly fixed cost. "Pasta Restaurant Marketing Plan: Sigmund's Gourmet Pasta," *Mplans.com*, accessed December 1, 2011, www.mplans.com/pasta_restaurant_marketing_plan/marketing_strategy_fc.php.

Sales Forecast

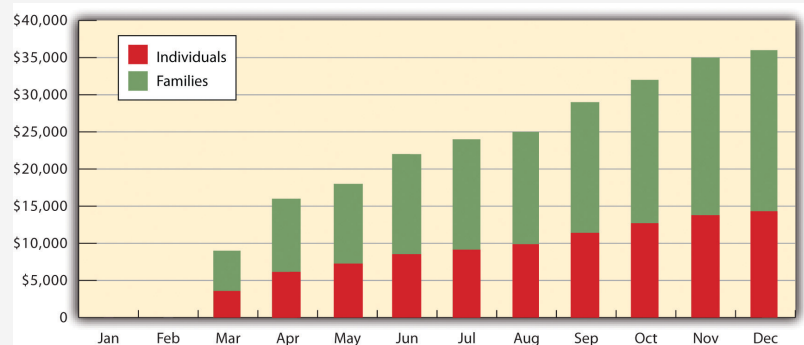
A company's **sales forecast**¹⁷ is the level of sales that a company expects based on a chosen marketing plan and an assumed marketing environment. The sales forecast does not establish a basis on which to decide how much should be spent on marketing. Rather, it is the result of an assumed marketing expenditure plan. Philip Kotler and Kevin Lane Keller, *Marketing Management* (Upper Saddle River, NJ: Pearson Prentice Hall, 2009), 112. A sales forecast can be very helpful in creating important milestones for a business. However, it is still an educated guess. No matter what a company forecasts, it will typically make less than expected. "Expense and Sales Forecasting," *Chic-CEO.com*, accessed December 2, 2011, www.chic-ceo.com/expense-and-sales-forecasting.

17. The level of sales expected based on a chosen marketing plan and an assumed marketing environment.

Sales Forecast for Sigmund’s Gourmet Pasta

The first two months will be used to get the restaurant up and running. By the third month, things will get busier. Sales will gradually increase, with profitability being achieved by the beginning of the new year. “Pasta Restaurant Marketing Plan: Sigmund’s Gourmet Pasta,” *Mplans.com*, accessed December 1, 2011, www.mplans.com/pasta_restaurant_marketing_plan/marketing_strategy_fc.php.

Figure 8.7
Sigmund’s Sales Forecast



Source: “Pasta Restaurant Marketing Plan: Sigmund’s Gourmet Pasta: Situation Analysis,” *Mplans.com*, accessed December 2, 2011, http://www.mplans.com/pasta_restaurant_marketing_plan/situation_analysis_fc.php. Reprinted by permission of Palo Alto Software.

Table 8.2 Sigmund’s Forecast of Sales and Direct Cost of Sales

Category	2011	2012	2013
Sales			
Individuals	\$103,710	\$262,527	\$327,424
Families	\$150,304	\$380,474	\$474,528
Total sales	\$254,014	\$643,001	\$801,952
Direct Cost of Sales			
Individuals	\$46,669	\$118,137	\$147,341
Note: Sigmund’s separated sales on the basis of its target market, but it did not include a separate sales forecast for takeout. It should have.			

Category	2011	2012	2013
Families	\$67,637	\$171,213	\$213,538
Total direct cost of sales	\$114,306	\$289,350	\$360,879
Note: Sigmund's separated sales on the basis of its target market, but it did not include a separate sales forecast for takeout. It should have.			

Source: "Pasta Restaurant Marketing Plan: Sigmund's Gourmet Pasta: Situation Analysis," *Mplans.com*, accessed December 1, 2011, http://www.mplans.com/pasta_restaurant_marketing_plan/situation_analysis_fc.php.

Expense Forecast

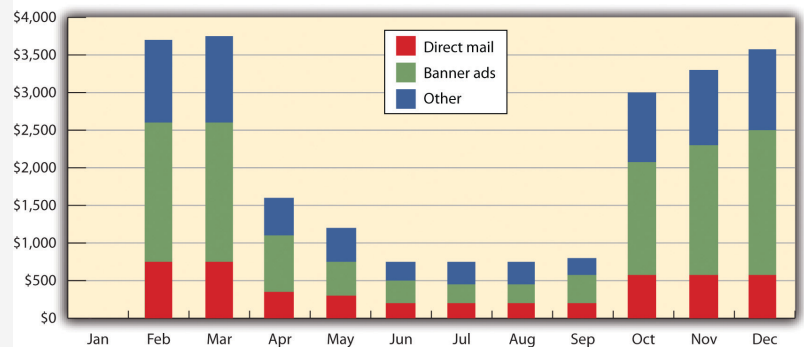
A company's **expense forecast**¹⁸ is a tool that can be used to keep its operations on target. The forecast will provide indicators when corrections or modifications are needed for the proper implementation of the marketing plan. An expense forecast is vital for a company and its sales goals because it will keep the company on track and keep costs down; however, a company will typically spend much more than expected. "Expense and Sales Forecasting," *Chic-CEO.com*, accessed December 2, 2011, www.chic-ceo.com/expense-and-sales-forecasting. If a company is not sure what to include in its expense forecast, there are online templates that can provide assistance (see www.chic-ceo.com/userfiles/ExpenseForecast.pdf for sample templates).

18. A tool that can be used to keep operations on target.

Expense Forecast for Sigmund’s Gourmet Pasta

Marketing expenses are to be budgeted so that they are ramped up for months two through four and then lower and plateau from month five to month ten. Restaurants typically have increased business in the fall. This generally occurs because during the summer, when the weather is nice and it does not get dark until late, people tend to eat out less. From month ten to month twelve, the marketing costs will increase again. “Pasta Restaurant Marketing Plan: Sigmund’s Gourmet Pasta,” *Mplans.com*, accessed December 1, 2011, www.mplans.com/pasta_restaurant_marketing_plan/marketing_strategy_fc.php.

Figure 8.8
Sigmund’s Expense Forecast



Source: “Pasta Restaurant Marketing Plan: Sigmund’s Gourmet Pasta: Situation Analysis,” *Mplans.com*, accessed December 2, 2011, http://www.mplans.com/pasta_restaurant_marketing_plan/situation_analysis_fc.php. Reprinted by permission of Palo Alto Software.

Table 8.3 Sigmund’s Marketing Expense Budget

Category	2011	2012	2013
Direct mail	\$5,267	\$5,605	\$5,421
Banner ads	\$11,704	\$12,455	\$12,047

Note: These marketing expenses do not account for website, social media, or coupon redemption expenses, and they do not reflect the cost of preparing marketing materials (e.g., the direct mail pieces, the coupons, and the banner ads). For the sake of convenience, we can include these expenses in the “Other” category. However, there should be separate figures for these expenses. Also, it should be made clear what kinds of expenses are included as “Other.”

Category	2011	2012	2013
Other	\$7,022	\$7,473	\$7,228
Total sales and marketing expenses	\$23,993	\$25,533	\$24,696
Percentage of sales	9.45%	3.97%	3.08%

Note: These marketing expenses do not account for website, social media, or coupon redemption expenses, and they do not reflect the cost of preparing marketing materials (e.g., the direct mail pieces, the coupons, and the banner ads). For the sake of convenience, we can include these expenses in the “Other” category. However, there should be separate figures for these expenses. Also, it should be made clear what kinds of expenses are included as “Other.”

Source: “Pasta Restaurant Marketing Plan: Sigmund’s Gourmet Pasta: Situation Analysis,” *Mplans.com*, accessed December 1, 2011, http://www.mplans.com/pasta_restaurant_marketing_plan/situation_analysis_fc.php.

Implementation, Evaluation, and Control

This last section of a marketing plan outlines what a company will do to implement the plan, evaluate its performance, and monitor and adjust plan implementation through controls. In other words, this section of the plan is all about numbers, results, and timelines. Philip Kotler and Kevin Lane Keller, *Marketing Management* (Upper Saddle River, NJ: Pearson Prentice Hall, 2009), 57; Emily Suess, “Marketing Plan Basics for Small Business,” *Small Business Bonfire*, April 13, 2011, accessed December 2, 2011, smallbusinessbonfire.com/marketing-plan-basics-for-small-business-owners.

Implementation

Implementation is about the day-to-day activities that effectively put a marketing plan into action and focuses on who, where, when, and how: Who will do that? Where to start and when? When to do that? How to do that? Steve Arun, “How to Successfully Implement Your Marketing Plan,” *VA4Business*, March 14, 2010, accessed December 2, 2011, www.va4business.com/business/428/how-to-successfully-implement-your-marketing-plan. Effective implementation can give a business the edge in a market with similar marketing plans simply because any company that is better and faster at execution is sure to have the advantage in terms of market share. “Implementing Your Marketing Plan,” *Marketing Plan Success*, accessed December 2, 2011, www.marketing-plan-success.com/articles/controls-

[implementation.php](#). This will be true for a small business of any size. There is, however, no such thing as a one-time implementation of a marketing plan. Rather, it is a process that evolves with the product or the service. Steve Arun, “How to Successfully Implement Your Marketing Plan,” *VA4Business*, March 14, 2010, accessed December 2, 2011, www.va4business.com/business/428/how-to-successfully-implement-your-marketing-plan.

Several steps are recommended for the proper implementation of a marketing plan. Examples include the following: “Implementing Your Marketing Plan,” *Marketing Plan Success*, accessed December 2, 2011, www.marketing-plan-success.com/articles/controls-implementation.php; Steve Arun, “How to Successfully Implement Your Marketing Plan,” *VA4Business*, March 14, 2010, accessed December 2, 2011, www.va4business.com/business/428/how-to-successfully-implement-your-marketing-plan.

1. **Be sure to always check progress.** Know what is working and what is not working. Doing so will help you stay on top of programs that need work and can build on programs that are working.
2. **Be sure to reward employees for jobs well done.** When goals are met, deadlines are met, and so forth, make sure to congratulate the people responsible for these goals and deadlines.
3. **Always try new things.** A company should never sit on its hands. The market is always changing, so a company should also change. Learn to adapt.
4. **Don’t jump ship too soon.** Give the plan time to work. If it is not working, do not give up. Work with the team. Let them help the company succeed.
5. **Be open to ideas.** Some employees may have a better idea about the reality of the market than the owner has. Listen to them. Hear what they have to say.

Implementation Milestones for Sigmund's Gourmet Pasta

The following milestones identify the key marketing programs. It is important to accomplish each one on time and on budget. "Pasta Restaurant Marketing Plan: Sigmund's Gourmet Pasta," *Mplans.com*, accessed December 1, 2011, www.mplans.com/pasta_restaurant_marketing_plan/marketing_strategy_fc.php.

Table 8.4 Sigmund's Implementation Milestones

Milestones	Start Date	End Date	Budget	Manager	Department
Advertising					
Marketing plan completion	1/1/2011	2/1/2011	\$0	Kevin	Marketing
Banner ad campaign #1	2/1/2011	4/1/2011	\$3,754	Kevin	Marketing
Banner ad campaign #2	10/1/2011	1/1/2011	\$4,900	Kevin	Marketing
Total advertising budget			\$8,654		
Direct Marketing					
Direct mail campaign #1	2/1/2011	4/1/2011	\$1,689	Kevin	Marketing
Insert campaign #1	2/1/2011	4/1/2011	\$2,252	Kevin	Marketing
Direct mail campaign #2	10/1/2011	1/1/2011	\$2,205	Kevin	Marketing
Insert campaign #2	10/1/2011	1/1/2011	\$2,940	Kevin	Marketing
Total direct marketing budget			\$9,086		
<p>Note: The authors of this textbook added the web development milestone to acknowledge that this activity still needs to be scheduled and budgeted. It was not part of the original sample marketing plan. Under normal conditions, the dates and numbers for web development would also be included.</p>					

Milestones	Start Date	End Date	Budget	Manager	Department
Web development				Outside firm	Marketing
Totals			\$17,741		

Note: The authors of this textbook added the web development milestone to acknowledge that this activity still needs to be scheduled and budgeted. It was not part of the original sample marketing plan. Under normal conditions, the dates and numbers for web development would also be included.

Source: “Pasta Restaurant Marketing Plan: Sigmund’s Gourmet Pasta: Situation Analysis,” *Mplans.com*, accessed December 1, 2011, http://www.mplans.com/pasta_restaurant_marketing_plan/situation_analysis_fc.php.

Evaluation

You can’t manage what you don’t measure. “Measuring Brand Performance,” *Branding Strategy Insider*, February 22, 2011, accessed December 2, 2011, www.brandingstrategyinsider.com/brand_equity.

- Peter Drucker

The evaluation section of the marketing plan is about assessing the strengths and weaknesses of a marketing plan to improve its effectiveness. “About Us,” *American Evaluation Association*, accessed December 2, 2011, www.eval.org/aboutus/organization/aboutus.asp. Without an evaluation process, a company will not know whether its marketing campaign is effective or whether it is spending too much or too little money to achieve its goals. The evaluation process, if done correctly, will allow a company to continually improve its tactics and assess the results of its marketing efforts. Thus it is important to set up a timely process to track, capture, and analyze collected data as it is collected. If this is done on a regular basis, a marketing activity (e.g., banner advertising) that doesn’t work can be changed to more effective tactics (e.g., advertising in the local paper) that do work. “Marketing Plan: Evaluation,” *Will It Fly*, accessed December 1, 2011, www.willitfly.com/wif/educelbrief.jsp?briefId=93&sponsorId=61&modId=241&modNm=Marketing%2BPlan§ionNm=Evaluation.

There are many ways to evaluate how well a company is doing. The following are some of the ways: Adapted from Stuart Ayling, “7 Ways to Evaluate Your Marketing Plan,” *WebSiteMarketingPlan.com*, accessed December 2, 2011, www.websitemarketingplan.com/mplan/evaluateplan.htm.

1. **Look at sales (or fee) income.** Sales or fee income should be increasing. However, some small businesses will have longer sales cycles than others, so it might be better to measure the number of new leads generated, or the number of appointments, or the number of billable hours achieved. Also remember that discounts, variances in fees, and promotional pricing will affect total sales volume. If a company is selling online and onground, look at the path of both income streams.
2. **Ask clients or customers.** Find out where and how clients and customers heard about the business. Most businesses never ask this question, so they miss out on valuable insights into how clients and customers pick a product or a service.
3. **Does advertising and/or promotional activity produce direct responses?** It should. If not, a company should work to find out why not. This is also relevant for a web presence. A company should want to know how site visitors found out about the company.
4. **Check the conversion rate.** How successful is a business at closing the sale? Has it improved? If a company is selling online, how many site visitors are actually buying something?
5. **Does the plan have a positive return on investment (ROI)?** Does it bring in enough new or repeat business to justify the expense? A company should evaluate the cost-effectiveness of each specific online and onground marketing activity so that it can change or eliminate unproductive activities. There are online tools available to help companies with this evaluation. As an example, a free ROI calculator is available at www.cymbic.com/tools/roi_calc.php.

To best evaluate the effectiveness of a marketing plan, it will be necessary to track each type of marketing activity in the plan. The data and techniques will vary widely depending on product type and market—and whether a company has an online presence only or both an onground presence and an online presence. However, most small businesses should select the simplest route possible because of the lower costs and the limited need for very sophisticated tracking. The following are some common and very doable tracking techniques for the small business:

- **Advertising efficiency.** The number of inquiries generated by an advertisement and the cost per inquiry. This applies to both online and traditional advertising. John Vencil, “The Marketing Plan

VII—Evaluation,” *VPI Strategies*, 2003, accessed December 2, 2011, www.vpistrategies.com/articles_pdf/Mktg7_Eval.pdf.

- **Sales promotion efficiency.** The number of inquiries generated by a promotion (e.g., a coupon or a banner ad) and the percentage of coupons or vouchers redeemed. This also applies to online and traditional sales promotion activities. John Vencil, “The Marketing Plan VII—Evaluation,” *VPI Strategies*, 2003, accessed December 2, 2011, www.vpistrategies.com/articles_pdf/Mktg7_Eval.pdf.
- **Sales closure rate.** The number of sales closed compared to sales leads. Collect data for both online and onground sales.
- **Direct marketing.** The number of inquiries or customers generated by a direct marketing activity. Direct marketing uses a variety of channels, such as direct mail, telemarketing, e-mail, interactive television, websites, mobile devices, door-to-door leaflet marketing, broadcast faxing, voicemail marketing, and coupons.
- **Web analytics.** One of the big benefits of having a web presence is that there is a vast amount of tracking and statistics available to the site owner. Small-business owners will want to know things such as where site traffic comes from, how they got to the site, what search words or phrases were used, how many people are viewing the site, how many people are buying if you are selling something, the geographic location of site visitors, and the time each visitor spends on the site. Website analysis tools can track the ways people use a website while helping the owner make sense of the mountain of data that a site generates. Justin Whitney, “What Is Web Analytics,” *AllBusiness.com*, accessed December 2, 2011, www.allbusiness.com/marketing-advertising/marketing-advertising/11382028-1.html.

Video Link 8.4

Using Web Analytics Tools

How analytics tools can help you make informed decisions about online endeavors.

www.entrepreneur.com/video/217594

Small-business owners may choose to have the web analytics performed by an outside vendor or use inexpensive analytics tools such as [Google Analytics](#).

Video Clip 8.7

Three Important Questions to Ask Google Analytics

[\(click to see video\)](#)

How Google Analytics helps to answer the three most important questions about a website.

- **Social media metrics.** If social media is part of a company's marketing plan, the owner will want to find out whether it is worth all the time and effort involved. The goal is to be able to draw lines and connect the dots between social media participation and sales or perhaps something else like brand recognition. Community eBook, *Practical Social Media Measurement & Analysis* (Fredericton, New Brunswick, Canada: Radian6, 2010), 9, accessed December 2, 2011, www.radian6.com/wp-content/uploads/2010/03/Radian6_eBook_March2010.pdf. Twitter metrics are fairly simple, beginning with the number of followers you have. However, it is the number of retweets you get that will be an indication of the messages that are actually resonating with customers. This is a measure of social influence. **Klout** is a free tool that measures your online influence on a scale of 1 to 100. This information can guide you to identifying strengths and weaknesses. Anoop George Joseph, "Twitter Metrics," *Web Technology and Softwares—A Technical Blog*, December 16, 2011, accessed June 1, 2012, <http://webtechsoftwares.wordpress.com/2011/12/16/twitter-metrics/>; "The Klout Score," accessed June 1, 2012, <http://klout.com/understand/score>. It is also important to tap into the analytics provided by **LinkedIn** and **Facebook**. Viveka Von Rosen, "ROI and Measuring your LinkedIn Presence," *#LinkedInChat*, February 21, 2012, accessed May 30, 2012, <http://linkeditobusiness.com/roi-and-measuring-your-linkedin-presence/>; Jenn Deering Davis, Ph.D., "5 Most Essential Facebook Marketing Metrics," *AllFacebook*, April 17, 2012, accessed May 30, 2012, http://allfacebook.com/facebook-metrics-essentials_b86156. Perhaps the best approach for a small business to measure its social media effectiveness is to choose an easy-to-understand and easy-to-use web analytics package. Google Analytics was mentioned previously. Another good choice would be the software available from **HubSpot** because this company focuses specifically on the needs of small and medium-sized businesses.

Marketing Calculators

The Internet is a wonderful place. You can find most anything there. The following are three free marketing calculators that you might find useful in measuring the effectiveness of marketing: These calculators were obtained from and self-described at www.mplans.com/marketing_calculators.

1. **Pay-per-click ROI calculator.** This calculator determines the ROI for pay-per-click advertising campaigns. Based on a campaign's results and costs, the ROI can be calculated.
2. **Conversion rate calculator.** Even the most successful websites convert only a fraction of their visitors into paying customers. A company can increase its sales by upping its conversion rate, attracting more traffic to the site, or encouraging buyers to spend more money. This handy calculator experiments with these variables. Enter the number of visitors and total orders and see what an increase in conversion can do.
3. **E-mail marketing ROI calculator.** E-mail marketing campaigns to interested prospects who have opted to receive a company's e-mail messages is a great way to increase direct sales. This simple calculator makes it easy to see the ROI from various campaigns, based on expected costs and response levels. It can be used to test different scenarios and test results.

Evaluation for Sigmund's Gourmet Pasta

Unfortunately, the marketing plan for Sigmund's Gourmet Pasta does not address the evaluation of its marketing activities. They should have provided information about the plans for measuring and evaluating the effectiveness of its banner ads, direct mail, and insert campaigns. The website and social media activities added by the authors of this textbook would have to be measured and evaluated for their effectiveness as well. "Pasta Restaurant Marketing Plan: Sigmund's Gourmet Pasta," *Mplans.com*, accessed December 1, 2011, www.mplans.com/pasta_restaurant_marketing_plan/marketing_strategy_fc.php.

Controls

There is no planning without control, the process of monitoring a proposed plan as it proceeds and adjusting it when necessary. "Marketing Controls,"

MarketingTeacher.com, accessed December 2, 2011, www.marketingteacher.com/lesson-store/lesson-control.html. Every business needs someone to take responsibility for pushing things along. A good schedule and budget should make it easy to monitor progress, but when things fall behind schedule or there are cost overruns, you must be ready to do something about it and adapt the plan accordingly. From time to time, the owner must step back and ask whether the plan is working. What can you learn from mistakes, and how can you use what you know to make a better marketing plan for the future? “How to Write a Marketing Plan,” *Arizona Office of Tourism*, accessed December 1, 2011, www.azot.gov/documents/Marketing_Tool_Kit.pdf.

In addition to setting a schedule and measuring and evaluating the effectiveness of marketing activities, a marketing plan needs to say how it will be controlled. Although there are many approaches to control, the small business owner will likely look to activities such as sales analysis (monthly and annual revenue), expense analysis (monthly and annual expenses), feedback from customer satisfaction surveys, and the observation of competitor activities in response to the marketing plan (marketing research). The organization of the marketing function itself can also be seen as a means of control.

Marketing Plan Control for Sigmund's Gourmet Pasta

The marketing plan for Sigmund's Gourmet Pasta includes implementation milestones, the marketing organization, and **contingency planning**¹⁹ as controls for their marketing plan. Implementation was discussed previously. Contingency planning is a formal process to manage a crisis, whether it comes from inside or outside a company. A contingency plan involves potential problem identification, prioritizing the problems in a list of most probable, and developing planned steps to limit the harm to a company if the potential problem becomes real. Larry A. Bauman, "Contingency Planning Occurs before the Crisis Begins," *Small Business Success*, accessed December 1, 2011, www.smallbusinesssuccess.biz/articles_week/business_contingency_planning.htm. It would have been helpful if Sigmund's marketing plan had included other controls as well. The more specific a marketing plan is about its controls, the better the chances that those controls will be carried out successfully.

Marketing Organization

Kevin Lewis, the owner, is primarily responsible for marketing activities. This is in addition to his other responsibilities, and he depends on some outside resources for graphic design work and creativity.

Contingency Planning

Difficulties and risks include the following:

- Problems generating visibility
- Overly aggressive and debilitating actions by competitors
- An entry into the Eugene market of an already existing, franchised gourmet pasta restaurant

Worst-case risks may include the following:

- Determining that the business cannot support itself on an ongoing basis

19. A formal process to manage a crisis, whether it comes from inside or outside a company.

- Having to liquidate equipment or intellectual property to cover liabilities“Pasta Restaurant Marketing Plan: Sigmund’s Gourmet Pasta,” *Mplans.com*, accessed December 1, 2011, www.mplans.com/pasta_restaurant_marketing_plan/marketing_strategy_fc.php.

KEY TAKEAWAYS

- There is no universally accepted format for a marketing plan. The plan can be a stand-alone document or a section of the business plan.
- A marketing plan has several critical sections: executive summary; vision and mission; situation analysis; marketing objectives; marketing strategy; financials; and implementation, evaluation, and control.
- The executive summary is a one- to two-page synopsis of the marketing plan.
- The vision statement tries to articulate the long-term purpose and idealized notion of what a business hopes to be—that is, where the owner sees the business going.
- The mission statement looks to articulate the more fundamental nature of a business—that is, why the business exists.
- The situation analysis gives a picture of where a business is now in the market and provides the context for marketing efforts. This analysis includes a market summary, competition, product offerings, the SWOT analysis, keys to success, and critical issues.
- The marketing strategy section of the plan involves selecting one or more target markets, deciding how to differentiate and position a product or a service, and creating and maintaining a marketing mix that will hopefully prove successful with the selected target market(s)—all within the context of marketing objectives. It also includes a web strategy for small businesses that have or want to have a web presence.
- The financials section of the marketing plan should provide a financial overview of a company as it relates to its marketing activities. For the small business, this should typically include a breakeven analysis, a sales and direct cost of sales forecast, and a forecast of marketing expenses.
- The implementation, evaluation, and control section of the marketing plan should include how a company will put the plan into action, evaluate whether the plan is working, and monitor and adjust implementation of the plan through marketing plan controls.

EXERCISE

1. In a group of four or five students, develop a marketing plan for Frank's All-American BarBeQue. Be sure to draw from the business plan in the Appendix ([Chapter 16 "Appendix: A Sample Business Plan"](#)).

8.3 The Three Threads

LEARNING OBJECTIVES

1. Understand how having a marketing plan contributes to customer value.
2. Understand how having a marketing plan can impact cash flow.
3. Understand how digital technology and the e-environment impact the marketing plan.

Customer Value Implications

Marketing is all about ascertaining and providing customer value, so it should be no surprise that there needs to be a strong linkage between a small business marketing plan and customer value. **Customer value** is the amount of benefits that a customer realizes from a product or a service as compared to the costs associated with acquiring those benefits. Because a marketing plan provides a specific marketing direction for a small business, the plan necessarily captures how it plans to deliver value to customers. The specific consideration of product, price, place, and promotion should all be geared to appealing to the target market or markets. This “appeal” must be based on understanding the value that customers are seeking—as the business understands it. The product should also be positioned in a way that reflects value by setting it apart from the competition for easy recognition and comparison. In short, the marketing plan should be the embodiment of a business’s **customer value proposition**²⁰—that is, the whole cluster of benefits a business is promising to deliver to a customer. Philip Kotler and Kevin Lane Keller, *Marketing Management* (Upper Saddle River, NJ: Pearson Prentice Hall, 2009), 123.

Cash-Flow Implications

It is not uncommon for a business to spend three times as much as expected and make three times less than expected. “Expense and Sales Forecasting,” *Chic-CEO.com*, accessed December 2, 2011, www.chic-ceo.com/expense-and-sales-forecasting. This combination is not good for any company’s cash flow. It is, therefore, critical that marketing plan expenses be as tight as possible without sacrificing quality (as defined by the business), with every effort being made to keep costs low. This implies the efficient use of employee time on marketing activities, competitive bidding for outside vendors, very careful attention paid to the costs of media and their effectiveness so that promotional campaigns that are not working are replaced with campaigns that look more promising and more cost-effective, and web presence measurement and evaluation to ascertain what efforts are not

20. The whole cluster of benefits a business is promising to deliver to a customer.

working so that the costs of those efforts can be replaced with something more cost-effective.

Digital Technology and E-Environment Implications

Digital technology and the e-environment are becoming more important to the small business every day. With specific respect to the marketing plan, **technology** can enter the process at multiple points. The following are a few examples:

- Digital technology makes it easy to develop a plan that is responsive to the needs of any size small business. **Sales and Marketing Pro** from Palo Alto Software is specifically geared to the needs of small business. The templates can be edited to fit the needs of the business, and both companies provide excellent customer support.
- When implementing the plan, digital technology makes it possible for salespeople to have quick access to the right information about inventory and pricing through a company's website, smartphones, and iPads. Adapted from "Use of Technology in Marketing," *Microsoft Business*, accessed December 2, 2011, [www.microsoft.com/business/en-us/resources/ArticleReader/website/default.aspx?Print=1&ArticleId=techstrategiestopoweryourmarketingmuscleanddollars &fbid=knBWf5av0wR](http://www.microsoft.com/business/en-us/resources/ArticleReader/website/default.aspx?Print=1&ArticleId=techstrategiestopoweryourmarketingmuscleanddollars&fbid=knBWf5av0wR).
- Technology can help a company quickly customize offers for top-tier customers or personalize discounts for those who buy a specific product. Adapted from "Use of Technology in Marketing," *Microsoft Business*, accessed December 2, 2011, www.microsoft.com/business/en-us/resources/ArticleReader/website/default.aspx?Print=1&ArticleId=techstrategiestopoweryourmarketingmuscleanddollars &fbid=knBWf5av0wR.
- New technology tools and document management services can now analyze customer preferences, niche markets, regional buying habits, and more to help small businesses focus efforts and resources. The possible result is a more focused marketing plan. Adapted from "Use of Technology in Marketing," *Microsoft Business*, accessed December 2, 2011, www.microsoft.com/business/en-us/resources/ArticleReader/website/default.aspx?Print=1&ArticleId=techstrategiestopoweryourmarketingmuscleanddollars &fbid=knBWf5av0wR.
- Software solutions are also available for managing sales (e.g., Salesforce). These solutions are typically very inexpensive.

The **e-environment** has also had an impact on developing the marketing plan. The following are some examples:

- Online options provide new channels for small businesses to communicate and market their products and services and also offer the capability to deliver customized, one-to-one messages. “How Has Online Technology Changed Small Business Marketing and Advertising?,” *Torian Group.com*, accessed December 1, 2011, www.toriangroup.com/Portals/0/Documents/How%20Has%20Online%20Technology%20Changed%20Small%20Business%20Marketing%20and%20Advertising.pdf.
- Small businesses can now plan to reach out to their target markets for little to no cost due to several new options for promotion that previously did not exist (e.g., e-mail, blog postings, podcasting, and online community forums). “How Has Online Technology Changed Small Business Marketing and Advertising?,” *Torian Group.com*, accessed December 1, 2011, www.toriangroup.com/Portals/0/Documents/How%20Has%20Online%20Technology%20Changed%20Small%20Business%20Marketing%20and%20Advertising.pdf.
- **SurveyMonkey**, a do-it-yourself survey program, can be used to find out customer likes, dislikes, and demographic profiles. “How Has Online Technology Changed Small Business Marketing and Advertising?,” *Torian Group.com*, accessed December 1, 2011, www.toriangroup.com/Portals/0/Documents/How%20Has%20Online%20Technology%20Changed%20Small%20Business%20Marketing%20and%20Advertising.pdf.
- A multitude of online tools are available to measure online and onground marketing activities. This includes the all-important measurement of website activity. Examples include free web analytics tools, such as **Google Analytics** and **HubSpot**, and free marketing calculators.

KEY TAKEAWAYS

- The marketing plan should be an embodiment of the customer value proposition of a business.
- The marketing plan should represent a commitment to keeping costs as low as possible without sacrificing quality. This will help the company’s cash flow.
- Both digital technology and the e-environment can make important contributions to the development, implementation, evaluation, and control of the marketing plan.

EXERCISE

1. Your boss is struggling with the company's marketing plan. He knows that a plan is needed, but he is really crunched for time—as usual. You have suggested to him that there is a much easier and cost-effective way to develop the plan by using digital technology and the Internet. He agrees but does not have the time to check into the options. He has asked you to do it for him. Prepare a list of options that includes an explanation of each option and a discussion of how each option will contribute to customer value and keep costs down. Be as specific as possible but do not overwhelm him with paper. He will not have the time to read it.

Disaster Watch

What Now?

MaryAnn has always wanted her own real estate office. She earned her real estate license as soon as she was eligible and was able to land a position with the top realtor in the area. As she gained sales experience, she studied for her broker's license and obtained it on the "fast track." Her plan was to open her own office as soon as she felt confident that she had enough experience under her belt.

Her office, Power Real Estate, is now open, and MaryAnn has done well in building a business and establishing a good reputation for results. One of the things she noticed in her years of real estate experience was that many people were wary of letting real estate agents sell their homes because they did not believe the agents would aggressively try to sell them fast enough. David Frey, "6 Deadly Small Business Marketing Mistakes," accessed June 21, 2012, http://www.onyxwebsolutions.com.au/resources/Six_Marketing_Mistakes.pdf. In response to this reluctance, MaryAnn developed and aggressively marketed a "Twenty-Point Power Marketing Plan" that would result in a client's house being sold in thirty days or less. David Frey, "6 Deadly Small Business Marketing Mistakes," accessed June 21, 2012, http://www.onyxwebsolutions.com.au/resources/Six_Marketing_Mistakes.pdf. She knew it was risky, but so far things have worked out well.

Then the housing collapse occurred. MaryAnn found herself swamped with homeowners anxious to sell before being hit with foreclosure. She quickly found out that she could no longer sell homes in thirty days or less because there was a housing glut. She now sees her reputation at risk because of the housing glut. Her marketing plan is down the drain. What should she do? She does not see closing her office as an option she wants to consider.