

CHAPTER 2

Marketing Plan

You Do the Math

Order of Operations

The *order of operations* is a set of rules stating which operations in an equation are performed first. The order of operations is often stated using the acronym *PEMDAS*, which stands for parentheses, exponents, multiplication, division, addition, and subtraction. This means anything inside parentheses is computed first. Exponents are computed next. Then, any multiplication and division operations are computed. Finally, any addition and subtraction operations are computed to find the answer to the problem. The equation is solved from left to right by applying PEMDAS.

Solve the following problems.

1. $8 - (4 \times 3) + 2^3 \div 2 =$

$$8 - (4 \times 3) + 2^3 \div 2 =$$

$$8 - 12 + 2^3 \div 2 =$$

$$8 - 12 + 8 \div 2 =$$

$$8 - 12 + 4 =$$

$$8 - 16 = -8$$

2. $11^2 + (45 \times 2) =$

$$11^2 + (45 \times 2) =$$

$$11^2 + 90 =$$

$$121 + 90 = 211$$

3. $3 + 4 - 27 \div 9 =$

$$3 + 4 - 27 \div 9 =$$

$$3 + 4 - 3 =$$

$$7 - 3 = 4$$

Section 2.1 Review

Check Your Understanding

1. Who is responsible for writing the marketing plan?

In a small company, there may only be one marketing manager who creates the plan for the entire company. Large companies generally have multiple marketing managers who are responsible for individual product lines. Each marketing manager completes a plan for his or her product line.

2. What are the components of a SWOT analysis?
A SWOT analysis identifies strengths, weaknesses, opportunities, and threats the business faces.
3. What information does a PEST analysis identify?
This process identifies potential opportunities and threats to a company's business plans and strategies.
4. List the characteristics of a target market.
Target markets have four characteristics: clearly defined wants and needs that the business can meet; money to buy the product; willingness and ability to buy the product; and enough customers to be profitable.
5. List examples of information included in a competitive analysis.
In a competitive analysis, competitors are listed with their physical locations, product lines, pricing, and market share. From this information, marketers can determine how the company will compete with others to gain its share of sales in the market.

Build Your Vocabulary

competition

Two or more businesses attempting to attract the same customers.

competitive analysis

Tool used to compare the strengths and weaknesses of a product or company that competes with a business.

environmental scan

Analysis of the external factors that affect the success of business.

market potential

Maximum number of customers and amount of sales that can be generated from a specific segment in a defined time period.

market segmentation

Process of dividing a large market into smaller groups.

market share

Percentage of total sales in a market that is held by one business.

market size

Total sales per year for a specific product held by all the competing businesses.

marketing plan

Document that describes business and marketing goals and the strategies and tactics that will be used to achieve them.

PEST analysis

Evaluation of the political, economic, social, and technological factors in a certain market or geographic region that may impact the success of a business.

situation analysis

Snapshot of the environment in which a business has been operating over a given period of time, usually the last 12 to 16 months.

SWOT analysis

Strengths, weaknesses, opportunities, and threats the business faces.

Section 2.2 Review

Check Your Understanding

1. Explain the purpose of an executive summary in a marketing plan.
An executive summary provides the overview of the marketing plan by highlighting the critical points in the plan. The goal is to provide a snapshot that will entice the reader to review the entire document.
2. List two components of the marketing plan's analysis section.
Two components of the analysis section are market analysis and sales analysis.
3. What are marketing goals?
Marketing goals are simple and clear statements of the results to be accomplished through marketing efforts.
4. Define each of the strategies for the four Ps of the marketing mix.
Product strategies are the decisions made about what products a business should sell. Price strategies are the business decisions about pricing and how prices are set to make a profit. Place strategies are the decisions about how and where the products are produced, acquired, shipped, and sold to customers. Promotion strategies are decisions about which selling, advertising, sales promotions, and public relations activities to use in the promotional mix.
5. List three components of the action plan section.
Three components of an action plan include a time line, budget, and metrics.

Build Your Vocabulary

action plan

List of the marketing tactics with details about how to execute each tactic.

budget

Financial plan for a fixed period of time that reflects anticipated revenue and shows how it will be allocated in the operation of the business.

business plan

Document that describes a business, how it operates, and how it makes a profit.

marketing strategy

Decisions made to execute the marketing plan and meet the goals of the business.

marketing tactic

Specific activities implemented to carry out the marketing strategies.

metrics

Standards of measurement.

mission statement

Company message to customers about why the business exists.

product positioning

Process used to influence the customer's perception of a brand or product in relation to the competition.

SMART goal

Goal that is specific, measurable, attainable, realistic, and timely.

vision statement

What the business aspires to accomplish.

Review Your Knowledge

1. State the purpose of a marketing plan.

A marketing plan is a document describing business and marketing goals and the strategies and tactics that will be used to achieve them.

2. Define *situation analysis* and identify its components.

A situation analysis is a snapshot of the environment in which a business has been operating over a given period of time, usually the last 12 to 16 months. It evaluates internal and external environments as they relate to marketing and sales. A SWOT analysis is an internal analysis that identifies company strengths, weaknesses, opportunities, and threats the business faces. An environmental scan is an analysis of the external factors that affect the success of business.

3. Explain a target market.

A target market is the specific group of customers at which a company aims its products and services. These are the people whose wants and needs are fulfilled by the products a business offers. They are the people most likely to buy the goods or services.

4. Why is it important to research competing businesses?

In order for a company to achieve sales goals, it may need to take business away from the competition.

5. What factors can be used to estimate the portion of a market that each competitor holds?

Market size is the total sales per year for a specific product held by all the competing businesses. Market share is the percentage of total sales in a market that is held by one business. Market potential is the maximum number of customers and amount of sales that can be generated from a specific segment in a defined time period.

6. Identify the components of the opening section of a marketing plan.

The opening section of a marketing plan is usually divided into Executive Summary and Business Description subsections.

7. Describe the analysis section of a marketing plan.

The analysis section of the marketing plan provides detailed information about the market and sales analyses that have been performed. This detail is necessary to understand the environment in which the business is operating and the goals to be met. This section includes Market Analysis and Sales Analysis subsections.

8. Explain the best sales opportunities information included in the analysis section.

The best opportunities for making new and repeat sales should be clearly defined. This information comes from market research and sales team feedback and includes opportunities to take business away from competitors, new geographic areas, and other potential sales sources.

9. Discuss marketing strategy.

Marketing strategies are the decisions made to execute the marketing plan and meet the goals of the business. These strategies outline the who, what, where, and how of the marketing process. They include establishing marketing goals, identifying the target market, defining components of the marketing mix, and defining the product positioning.

10. State the purpose of an action plan for a marketing plan.

The action plan is a list of the marketing tactics with detailed plans to execute each tactic. An action plan ensures the marketing efforts remain on track and funds are spent wisely. Three components of an action plan include a time line, budget, and metrics to evaluate the effectiveness of campaigns.

Apply Your Knowledge

Student answers will vary for Apply Your Knowledge questions.

1. List three topics you will need to research when writing your marketing plan.
2. Choose a local company with which you are familiar. Brainstorm what each of the four Ps of the marketing mix might be for that business.
3. Think about students at your school as a target market. What types of promotions appeal to students at your school the most?
4. Create a Venn diagram to compare two local businesses. Write the name of one local company as the heading for the first circle. Identify a competitor for that business as the heading for the second circle. In the first circle, list the strengths and attributes of the first business. In the second circle, list those of its competitor. In the center, list what the two businesses have in common.
5. Conduct a SWOT analysis for your school-based enterprise or for another local company.
6. Failure to conduct research is one of the reasons some marketing plans fail. List the ways you would research your idea for a marketing plan. How can you ensure that your plan will not fail?
7. The bibliography lists all of the resources used to develop the marketing plan. Make a list of resources you think would be useful when conducting research for your marketing plan.
8. The ideas that you explored in question one may be a starting place for the marketing plan you will be writing. Write a letter or e-mail to one or two businesses to request information about their marketing plans and what research they conducted. Explain why you chose those businesses.
9. Identify political, economic, social, and technological factors that affect the business you select for your marketing plan.
10. Choose a promotion or advertisement for a local business. How do you think the business tracks activity related to the promotion or advertisement? In your opinion, how could the business measure the success of the promotion or advertisement?

Apply Your Math Skills

Many businesses base the overall marketing budget on a percentage of company sales. Using this method, marketing budgets vary, depending on the size of the business. Apply your math skills to solve the following problems.

1. Elaine opened a new specialty gift store. As a new business, she does not have an established sales figure to use in determining a marketing budget. She was advised to use 15 percent of her projected sales on marketing. Elaine's business plan projects sales in her first year to be \$150,000. What should her marketing budget be?

Elaine's marketing budget will be \$22,500.

$$\$150,000 \times .15 = \$22,500$$

2. A small grocery chain has been in business for many years and is established within the communities served by its stores. The company has been successful with the marketing budget set at 7 percent of its annual sales, which average \$22 million. However, the company has new competitors in several communities and plans to increase the marketing budget to 9 percent. How much will the marketing budget increase in dollars?

The new marketing budget will increase by \$440,000.

$$\$22,000,000 \times 7\% = \$1,540,000$$

$$\$22,000,000 \times 9\% = \$1,980,000$$

$$\$1,980,000 - \$1,540,000 = \$440,000$$