

# Appendix

## SONIC MARKETING PLAN AND EXERCISES

### The Marketing Plan: An Introduction

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

#### The Purpose and Content of a Marketing Plan

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

Although the exact length and layout vary from company to company, a marketing plan usually contains the sections described in Chapter 2. Smaller businesses may create shorter or less formal marketing plans, whereas corporations generally require highly structured marketing plans. To guide implementation effectively, every part of the plan must be described in considerable detail. Sometimes a company will post its marketing plan on an internal Web site so managers and employees in different locations can consult specific sections and collaborate on additions or changes.

#### The Role of Research

To develop innovative products, successful strategies, and action programs, marketers need up-to-date information about the environment, the competition, and the selected market segments. Often, analysis of internal data is the starting point for assessing the current marketing situation, supplemented by marketing intelligence and research investigating the overall market, the competition, key issues, threats, and opportunities. As the plan is put into effect, marketers use research to measure progress toward objectives and to identify areas for improvement if results fall short of projections.

Finally, marketing research helps marketers learn more about their customers' requirements, expectations, perceptions, satisfaction, and loyalty. This deeper understanding provides a foundation for building competitive advantage through well-informed segmenting, targeting, and positioning decisions. Thus, the marketing plan should outline what marketing research will be conducted and when, as well as how, the findings will be applied.

#### The Role of Relationships

Although the marketing plan shows how the company will establish and maintain profitable customer relationships, it also affects both internal and external relationships. First, it influences how marketing personnel work with each other and with other departments to deliver value and satisfy customers. Second, it affects how the company works with suppliers, distributors, and partners to achieve the plan's objectives. Third, it influences the company's dealings with other stakeholders, including government regulators, the media, and the community at large. All these relationships are important to the organization's success and must be considered when developing a marketing plan.

## From Marketing Plan to Marketing Action

Most companies create yearly marketing plans, though some plans cover a longer period. Marketers start planning well in advance of the implementation date to allow time for marketing research, analysis, management review, and coordination between departments. Then, after each action program begins, marketers monitor ongoing results, investigate any deviation from the projected outcome, and take corrective steps as needed. Some marketers also prepare contingency plans for implementation if certain conditions emerge. Because of inevitable and sometimes unpredictable environmental changes, marketers must be ready to update and adapt marketing plans at any time.

For effective implementation and control, the marketing plan should define how progress toward objectives will be measured. Managers typically use budgets, schedules, and marketing metrics for monitoring and evaluating results. With budgets, they can compare planned expenditures with actual expenditures for a given period. Schedules allow management to see when tasks were supposed to be completed and when they were actually completed. Marketing metrics track the actual outcomes of marketing programs to see whether the company is moving forward toward its objectives.

## Sample Marketing Plan for Sonic

This section takes you inside the sample marketing plan for Sonic, a hypothetical start-up company. The company's first product is the Sonic 1000, a state-of-the-art, fully loaded multimedia smart phone. Sonic will be competing with Apple, Samsung, LG, Motorola, HTC, and other well-established rivals in a crowded, fast-changing marketplace where smart phones have many communication and entertainment capabilities. The annotations explain more about what each section of the plan should contain.

This section summarizes market opportunities, marketing strategy, and marketing and financial objectives for senior managers who will read and approve the marketing plan.

The situation analysis describes the market, the company's capability to serve targeted segments, and the competition.

Market summary includes size, needs, growth, and trends. Describing the targeted segments in detail provides context for marketing strategies and programs discussed later in the plan.

### 1.0 Executive Summary

Sonic is preparing to launch a major new state-of-the-art multimedia smart phone, the Sonic 1000, in a mature market. We can effectively compete with many types of smart phones because our product offers a unique combination of advanced features and functionality at a very competitive value-added price. We are targeting specific segments in the consumer and business markets, taking advantage of the growing interest in a single powerful but affordable device with extensive communication, organization, and entertainment benefits.

The primary marketing objective is to achieve first-year U.S. market share of 1 percent with unit sales of 800,000. The primary financial objectives are to achieve first-year sales revenues of \$200 million, keep first-year losses to less than \$40 million, and break even early in the second year.

### 2.0 Situation Analysis

Sonic, founded 18 months ago by two well-known entrepreneurs with telecommunications experience, is about to enter the highly competitive smart-phone market. Multifunction cell phones are increasingly popular for both personal and professional use, with more than 968 million smart phones sold worldwide in 2013. Competition is increasingly intense even as technology evolves, industry consolidation continues, and pricing pressures squeeze profitability. To gain market share in this dynamic environment, Sonic must carefully target specific segments with valued features and plan for a next-generation product to keep brand momentum going.

**2.1 MARKET SUMMARY** Sonic's market consists of consumers and business users who prefer to use a powerful but affordable single device for fully functional communication, information storage and exchange, organization, and entertainment on the go. Specific segments being targeted during the first year include professionals, corporations, students, entrepreneurs, and medical users. Exhibit A.1 shows how the Sonic 1000 addresses some of the most basic needs of targeted consumer and business segments in a cost-effective manner. The additional communication and entertainment benefits of the product just enhance its appeal to those segments.

## Needs and Corresponding Features/Benefits of Sonic Smart Phone

Targeted Segment	Customer Need	Corresponding Feature/Benefit
Professionals (consumer market)	<ul style="list-style-type: none"> <li>Stay in touch while on the go</li> </ul>	<ul style="list-style-type: none"> <li>Wireless e-mail to conveniently send and receive messages from anywhere; cell phone capability for voice communication from anywhere</li> </ul>
Students (consumer market)	<ul style="list-style-type: none"> <li>Record information while on the go</li> <li>Perform many functions without carrying multiple gadgets</li> <li>Express style and individuality</li> </ul>	<ul style="list-style-type: none"> <li>Voice recognition for no-hands recording</li> <li>Compatible with numerous applications and peripherals for convenient, cost-effective functionality</li> <li>Case wardrobe of different colors and patterns allows users to make a fashion statement</li> </ul>
Corporate users (business market)	<ul style="list-style-type: none"> <li>Input and access critical data on the go</li> <li>Use for proprietary tasks</li> </ul>	<ul style="list-style-type: none"> <li>Compatible with widely available software</li> <li>Customizable to fit diverse corporate tasks and networks</li> </ul>
Entrepreneurs (business market)	<ul style="list-style-type: none"> <li>Organize and access contacts, schedule details</li> </ul>	<ul style="list-style-type: none"> <li>No-hands, wireless access to calendar and address book to easily check appointments and connect with contacts</li> </ul>
Medical users (business market)	<ul style="list-style-type: none"> <li>Update, access, and exchange medical records</li> </ul>	<ul style="list-style-type: none"> <li>No-hands, wireless recording and exchange of information to reduce paperwork and increase productivity</li> </ul>

Smart-phone purchasers can choose between models based on several different operating systems. The biggest-selling smart-phone operating system is Android. Android's smaller rivals include BlackBerry OS, iOS, and the Windows Phone OS. Storage capacity (hard drive or flash drive) is an expected feature, so Sonic is equipping its first product with an ultra-fast 64-gigabyte drive that can be supplemented by extra storage. Technology costs are decreasing even as capabilities are increasing, which makes value-priced models more appealing to consumers and to business users with older smart phones who want to trade up to new, high-end multifunction units.

**2.2 STRENGTHS, WEAKNESSES, OPPORTUNITIES, AND THREAT ANALYSIS** Sonic has several powerful strengths on which to build, but our major weakness is lack of brand awareness and image. The major opportunity is demand for multifunction communication, organization, and entertainment devices that deliver a number of valued benefits at a lower cost. We also face the threat of ever-higher competition and downward pricing pressure.

**Strengths** Sonic can build on three important strengths:

- Innovative product**—The Sonic 1000 offers a combination of features that are hard to find in single devices, with extensive telecommunications capabilities and highest-quality digital video/music/TV program storage/playback.
- Security**—Our smart phone uses a Linux-based operating system that is less vulnerable to hackers and other security threats that can result in stolen or corrupted data.
- Pricing**—Our product is priced lower than competing smart phones—none of which offer the same bundle of features—which gives us an edge with price-conscious customers.

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

**Weaknesses** By waiting to enter the smart-phone market until considerable consolidation of competitors has occurred, Sonic has learned from the successes and mistakes of others. Nonetheless, we have two main weaknesses:

- Lack of brand awareness**—Sonic has no established brand or image, whereas Samsung, Apple, Motorola, and others have strong brand recognition. We will address this issue with aggressive promotion.
- Heavier and thicker unit**—The Sonic 1000 is slightly heavier and thicker than most competing models because it incorporates so many telecommunication and multimedia features. To counteract this weakness, we will emphasize our product's benefits and value-added pricing, two compelling competitive strengths.

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

Opportunities are areas of buyer need or potential interest in which the company might perform profitably.

Threats are challenges posed by an unfavorable trend or development that could lead to lower sales and profits.

This section identifies key competitors, describes their market positions, and provides an overview of their strategies.

This section summarizes the main features of the company's various products.

**Opportunities** Sonic can take advantage of two major market opportunities:

1. *Increasing demand for state-of-the-art multimedia devices with a full array of communication functions*—The market for cutting-edge multimedia, multifunction devices is growing rapidly. Smart phones are already commonplace in public, work, and educational settings; in fact, users who bought entry-level models are now trading up.
2. *Lower technology costs*—Better technology is now available at a lower cost than ever before. Thus, Sonic can incorporate advanced features at a value-added price that allows for reasonable profits.

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

1. *Increased competition*—More companies are offering devices with some but not all of the features and benefits provided by the Sonic 1000. Therefore, Sonic's marketing communications must stress our clear differentiation and value-added pricing.
2. *Downward pressure on pricing*—Increased competition and market share strategies are pushing smart-phone prices down. Still, our objective of breaking even with second-year sales of the original model is realistic, given the lower margins in the smart-phone market.
3. *Compressed product life cycle*—Smart phones are reaching the maturity stage of their life cycle more quickly than earlier technology products. Because of this compressed life cycle, we plan to introduce an even greater-enhanced media-oriented second product during the year following the Sonic 1000's launch.

**2.3 COMPETITION** The emergence of well-designed multifunction smart phones, including the Apple iPhone, has increased competitive pressure. Competitors are continually adding features and sharpening price points. Key competitors:

- *Apple*: The leader in smart-phone market share, Apple takes pride in being forward thinking, innovative, and consumer-centric. Its latest iPhone 5s features an impressively thin and lightweight metallic design, fingerprint identity sensor, dual LED flash, and CPU power up to two times faster than the previous generation.
- *Samsung*: A strong competitor in the smart-phone industry, Samsung ranks as a top 10 global brand and has plans to reach \$400 billion in revenue by 2020. The Galaxy S5 features a whopping 16-megapixel camera and the first-ever built-in heart rate monitor.
- *LG*: Founded in 1958, LG Electronics strives to be a worldwide leader in the digital market and in 2014 ranked third in total smart-phone subscribers, behind Apple and Samsung. Its G2 smart phone features a large 5.2-inch full HD IPS display and ergonomically positioned rear key control on the back.
- *Motorola*: Motorola pioneered the mobile communications industry and invented the first mobile phone in 1973. Today, the company prides itself on creating value with comfortable, approachable, and powerful devices. The Moto X is first smart phone to be designed, engineered, and assembled entirely in the United States.
- *HTC*: Founded in 1997, HTC is a relatively new competitor to the industry but still ranks fifth in smart-phone market share. HTC built its reputation on providing high-quality products that garnered recommendations and referrals from both retailers and consumers. Its HTC One (M8) smart phone comes with a 5.0-inch full HD 1080p display and is curved to fit in the palm of the hand.

Despite strong competition, Sonic can carve out a definitive image and gain recognition among targeted segments. Our appealing combination of state-of-the-art features and low price is a critical point of differentiation for competitive advantage. Our second product will be even more media-oriented to appeal to segments where we will have strong brand recognition. Exhibit A.2 shows a sample of competitive products and prices.

**2.4 PRODUCT OFFERINGS** The Sonic 1000 offers the following standard features:

- Voice recognition for hands-free operation
- Full array of apps
- Complete organization functions, including linked calendar, address book, synchronization

| Exh. A.2 |

## Selected Smart-Phone Products and Pricing

	Apple iPhone 5s	Samsung Galaxy S5	LG G2	Motorola Moto X	HTC One (M8)
Built-in Storage	64 GB	32 GB, micro SD up to 128 GB	32 GB	16 GB	32 GB, micro SD up to 128 GB
Display	4" IPS LCD	5.1" Super AMOLED	5.2" IPS LCD	4.7" AMOLED	5.0" IPS LCD
Camera	8.0 MP	16 MP	13 MP	10 MP	4 MP
Price	\$399.99	\$199.99	\$399.99	\$399.99	\$199.99

- Digital music/video/television recording, wireless downloading, and instant playback
- Wireless Web and e-mail, text messaging, instant messaging
- Four-inch high-quality color touch screen
- Ultra-fast 64-gigabyte drive and expansion slots
- Integrated 12-megapixel camera with flash and photo editing/sharing tools

First-year sales revenues are projected to be \$200 million, based on sales of 800,000 of the Sonic 1000 model at a wholesale price of \$250 each. Our second-year product will be the Sonic All Media 2000, stressing enhanced multimedia communication, networking, and entertainment functions. The Sonic All Media 2000 will include Sonic 1000 features plus additional features such as:

- Built-in media beaming to share music, video, and television files with other devices
- Webcam for instant video capture and uploading to popular video Web sites
- Voice-command access to popular social networking Web sites

**2.5 DISTRIBUTION** Sonic-branded products will be distributed through a network of retailers in the top 50 U.S. markets. Among the most important channel partners being contacted are:

- **Office supply superstores.** Office Depot and Staples will all carry Sonic products in stores, in catalogs, and online.
- **Computer stores.** Independent computer retailers will carry Sonic products.
- **Electronics specialty stores.** Best Buy will feature Sonic smart phones in its stores, online, and in its media advertising.
- **Online retailers.** Amazon.com will carry Sonic smart phones and, for a promotional fee, will give Sonic prominent placement on its homepage during the introduction.

Distribution will initially be restricted to the United States, with appropriate sales promotion support. Later, we plan to expand into Canada and beyond.

## 3.0 Marketing Strategy

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

- **First-Year Objectives.** We are aiming for a 1 percent share of the U.S. smart-phone market through unit sales volume of 800,000.
- **Second-Year Objectives.** Our second-year objective is to achieve break-even on the Sonic 1000 and launch our second model.

**3.2 TARGET MARKETS** Sonic's strategy is based on a positioning of product differentiation. Our primary consumer target for the Sonic 1000 is middle- to upper-income professionals who need one fully loaded device to coordinate their busy schedules, stay in touch with family and

Distribution explains each channel for the company's products and mentions new developments and trends.

Objectives should be defined in specific terms so management can measure progress and take corrective action to stay on track.

All marketing strategies start with segmentation, targeting, and positioning.

colleagues, and be entertained on the go. Our secondary consumer target is high school, college, and graduate students who want a multimedia, dual-mode device. This segment can be described demographically by age (16–30) and education status. Our Sonic All Media 2000 will be aimed at teens and twentysomethings who want a device with features to support social networking and heavier, more extensive entertainment media consumption.

The primary business target for the Sonic 1000 is mid- to large-sized corporations that want to help their managers and employees stay in touch and input or access critical data when out of the office. This segment consists of companies with more than \$25 million in annual sales and more than 100 employees. A secondary target is entrepreneurs and small business owners. Also we will target medical users who want to update or access patients' medical records.

Each of the marketing-mix strategies conveys Sonic's differentiation to these target market segments.

Positioning identifies the brand, benefits, points-of-difference, and points-of-parity for the product or line.

Product strategy includes decisions about product mix and lines, brands, packaging and labeling, and warranties.

Pricing strategy covers decisions about setting initial prices and adapting prices in response to opportunities and competitive challenges.

Distribution strategy includes selection and management of channel relationships to deliver value to customers.

Marketing communications strategy covers all efforts to communicate to target audiences and channel members.

The marketing mix includes tactics and programs that support product, pricing, distribution, and marketing communications strategy.

**3.3 POSITIONING** Using product differentiation, we are positioning the Sonic smart phone as the most versatile, convenient, value-added model for personal and professional use. Our marketing will focus on the value-priced multiple communication, entertainment, and information capabilities differentiating the Sonic 1000.

### 3.4 STRATEGIES

**Product** The Sonic 1000, including all the features described in the earlier Product Offerings section and more, will be sold with a one-year warranty. We will introduce the Sonic All Media 2000 during the following year, after we have established our Sonic brand. The brand and logo (Sonic's distinctive yellow thunderbolt) will be displayed on our products and packaging as well as in all marketing campaigns.

**Pricing** The Sonic 1000 will be introduced at a \$250 wholesale price and a \$300 estimated retail price per unit. We expect to lower the price of this model when we expand the product line by launching the Sonic All Media 2000, to be priced at \$350 wholesale per unit. These prices reflect a strategy of (1) attracting desirable channel partners and (2) taking share from established competitors.

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

**Marketing Communications** By integrating all messages in all media, we will reinforce the brand name and the main points of product differentiation. Research about media consumption patterns will help our advertising agency choose appropriate media and timing to reach prospects before and during product introduction. Thereafter, advertising will appear on a pulsing basis to maintain brand awareness and communicate various differentiation messages. The agency will also coordinate public relations efforts to build the Sonic brand and support the differentiation message. To generate buzz, we will host a user-generated video contest on our Web site. To attract, retain, and motivate channel partners for a push strategy, we will use trade sales promotions and personal selling. Until the Sonic brand has been established, our communications will encourage purchases through channel partners rather than from our Web site.

**3.5 MARKETING MIX** The Sonic 1000 will be introduced in February. Here are summaries of action programs we will use during the first six months to achieve our stated objectives.

- **January.** We will launch a \$200,000 trade sales promotion campaign and participate in major industry trade shows to educate dealers and generate channel support for the product launch in February. Also, we will create buzz by providing samples to selected product reviewers, opinion leaders, influential bloggers, and celebrities. Our training staff will work

with retail sales personnel at major chains to explain the Sonic 1000's features, benefits, and advantages.

- **February.** We will start an integrated print/radio/Internet/social media campaign targeting professionals and consumers. The campaign will show how many functions the Sonic smart phone can perform and emphasize the convenience of a single, powerful handheld device. This multimedia campaign will be supported by point-of-sale signage as well as online-only ads and video tours.
- **March.** As the multimedia advertising campaign continues, we will add consumer sales promotions such as a contest in which consumers post videos to our Web site, showing how they use the Sonic in creative and unusual ways. We will also distribute new point-of-purchase displays to support our retailers.
- **April.** We will hold a trade sales contest offering prizes for the salesperson and retail organization that sell the most Sonic smart phones during the four-week period.
- **May.** We plan to roll out a new national advertising campaign this month. The radio ads will feature celebrity voices telling their Sonic smart phones to perform functions such as initiating a phone call, sending an e-mail, playing a song or video, and so on. The stylized print and online ads will feature avatars of these celebrities holding their Sonic smart phones. We plan to repeat this theme for next year's product launch.
- **June.** Our radio campaign will add a new voice-over tagline promoting the Sonic 1000 as a graduation gift. We will exhibit at the semiannual electronics trade show and provide retailers with new competitive comparison handouts as a sales aid. In addition, we will analyze the results of customer satisfaction research for use in future campaigns and product development efforts.

Programs should coordinate with the resources and activities of other departments that contribute to customer value for each product.

**3.6 MARKETING RESEARCH** Using research, we will identify specific features and benefits our target market segments value. Feedback from market tests, surveys, and focus groups will help us develop and fine-tune the Sonic All Media 2000. We are also measuring and analyzing customers' attitudes toward competing brands and products. Brand awareness research will help us determine the effectiveness and efficiency of our messages and media. Finally, we will use customer satisfaction studies to gauge market reaction.

This section shows how marketing research will support the development, implementation, and evaluation of marketing strategies and programs.

## 4.0 Financials

Total first-year sales revenue for the Sonic 1000 is projected at \$200 million, with an average wholesale price of \$250 per unit and variable cost per unit of \$150 for unit sales volume of 800,000. We anticipate a first-year loss of as much as \$40 million. Break-even calculations indicate that the Sonic 1000 will become profitable after the sales volume exceeds 267,500 during the product's second year. Our break-even analysis assumes per-unit wholesale revenue of \$250 per unit, variable cost of \$150 per unit, and estimated first-year fixed costs of \$26,750,000. With these assumptions, the break-even calculation is:

$$\frac{26,750,000}{\$250 - \$150} = 267,500 \text{ units}$$

Financials include budgets and forecasts to plan for marketing expenditures, scheduling, and operations.

## 5.0 Controls

Controls are being established to cover implementation and the organization of our marketing activities.

Controls help management measure results and identify any problems or performance variations that need corrective action.

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

**5.2 MARKETING ORGANIZATION** Sonic's chief marketing officer, Jane Melody, holds overall responsibility for all of the company's marketing activities. Exhibit A.3 shows the structure of the eight-person marketing organization. Sonic has hired Worldwide Marketing to handle national sales campaigns, digital, trade and consumer sales promotions, and public relations efforts.

The marketing department may be organized by function, as in this sample, or by geography, product, customer, or some combination of these.