

## Chapter 02

# Marketing plan

This chapter discusses the followings.

- 2.1 Introduction to a marketing plan
- 2.2 Market analysis
- 2.3 Marketing strategies of the proposed business
- 2.4 Sales forecast
- 2.5 Sales income and sales expenses
- 2.6 Marketing fixed assets
- 2.7 Preparing a marketing plan



## 2.1 Introduction to a marketing plan

A marketing plan can be identified as the basis of the entire business plan. This is because all other parts of a business plan will be prepared based on the information of the marketing plan, such as customer needs of the target market and quantity of units in demand.

The marketing plan explains what goods or service an entrepreneur expects to offer, its potential market and the related marketing strategies. It also includes the projected sales for the product and the sales expenses to be incurred.

Marketing plan is the document that presents the goods or service that is expected to be marketed by an enterprise, its target market, and how the target market will be reached.

The following information is included in a marketing plan:

- P Market analysis
- P Marketing strategies of the proposed business
- P Sales forecast
- P Sales income and sales expenses
- P Marketing Fixed Assets

Let us examine each of them briefly.

## 2.2 Market analysis

A market analysis refers to exploring the market in relation to the business. It deeply investigates the demand for the goods or service, the target customers, the nature of the competitors and their marketing strategies, etc. This will help the entrepreneur understand the factors that he/she should consider when deciding on marketing strategies for his/her business.

The main purpose of a market analysis is to get the necessary information to prepare an accurate marketing plan. Therefore, a market analysis is the first step of preparing a marketing plan.

## Obtaining information for a market analysis

Information needed for a market analysis can be gathered through different means. Given below are some of the methods used often for this purpose:

- P Distributing questionnaires among customers and getting their responses
- P Interviewing customers
- P Observing customers' transactions in the market
- P Using sources such as newspapers, magazines, reports, the Internet etc.

## Important factors in a market analysis

### 1. The demand for the goods or service

What the entrepreneur expects to offer to the market may be something that is already available in the market. If not, it could be a modified version of something that is already available, or something entirely new. Whatever it is, it is necessary to examine the customers' willingness to buy it as well as their ability to buy it.

### 2. Target customer

This refers to the customers who we can expect to buy the product, or who we can expect to be persuaded to buy it in future.

Let us identify the target customer through the following examples:

Goods/ service	Target customer
Exercise books	School students
Gold Jewelry	Ladies
Preparatory material for Grade 5 Scholarship examination	Students of Grades 4 and 5
Mobile phone repairing	Mobile phone users
Sports goods	Sportspersons

An entrepreneur must identify his/her target customer correctly. This can be done in a very specific manner by considering factors such as the customer's age, income level, gender, occupation, social status, etc.

### 3. Competitors

The same kind of goods or services can be offered to the market by many different suppliers. The other suppliers who provide goods or services that are similar to those that we offer are our competitors. There are many varieties of toothpaste, soap, chocolates, telecommunication services, etc available on the market under different brand names, and these are examples for competitive goods and services.

In addition to such homogeneous products, there can be substitute goods/ services as well.

Given below are some examples for substitute goods/ services.

goods/ services	Substitute
Laundry soap	Laundry powder (washing powder)
Butter	Margarine
Western medicine	Ayurvedic medicine
Cab services	Three wheelers
Tea	Coffee

Therefore, when studying competition, it is important that you consider the homogeneous products (i.e. goods and services which are similar to yours), as well as substitute products. In addition, you should pay attention to the marketing strategies used by your competitors.



#### **Activity 01**

Select several goods and services available on the market. Write down some homogeneous products and substitute products for each of them.

Goods/ service	Homogeneous products	Substitute products

## 2.3 Marketing strategies of the proposed business

By exploring the market, the entrepreneur can understand the marketing strategies used by the competitors. Then the entrepreneur has to select strategies for his/her own business, so that it can face the competition successfully. Selection of marketing strategies should be based on the marketing mix. There are four main variables of the marketing mix, which are also known as the 4 Ps: Product, Price, Place and Promotion. Given below is a short description of the 4 Ps.



*Figure 2.1*

### Product

Products refer to goods or services offered to the market which can satisfy the customer's needs or wants.

This involves information regarding the product such as its content, ingredients, shape, quality, size, brand name, instructions for use, etc.

### Price

The cost incurred by the customer when obtaining a product is called its price. This is a main factor that determines the demand for the goods as well as the profit earned by the entrepreneur.

Pricing strategies, how the prices are to be set, any discounts to be given etc are considered here.

### Place

This refers to how the goods or service will reach the target customer. Different strategies can be used to make the goods/service available to the customers. For example, the entrepreneur may sell the goods directly to the customer, or through retail traders. If not, the entrepreneur can sell the goods to the wholesale trader, who sells them to the retail trader, who in turn sells them to the customer.

Out of all such strategies, the most suitable one/s should be considered to make the product available to the customer.

## Promotion

Businesses use various strategies to create a demand for their goods or services, to increase the existing demand and to attract the customers. These strategies are called promotion.

The following are some possible means of promoting a product.

- ▶ Television, radio, newspapers, banners, leaflets, posters
- ▶ Methods involving new technology, such as promotions over Websites, Facebook, etc
- ▶ Using mobile SMS
- ▶ Meeting the customers in person
- ▶ Organizing charity programmes and artistic or cultural events



*Figure 2.2*

As described above, the marketing plan should include the promotional strategies for attracting the customers and retaining their loyalty for the product.

## 2.4 Sales forecast

A sales forecast refers to determining the quantity of goods or services to be marketed within a provided period of time in future. After analyzing the market, the entrepreneur can understand the demand for his/her product within the target market. There may be a large market for the product.



*Figure 2.3*

An entrepreneur may not cover the entire market demand at the time of starting up the business. Depending on the strength of his/her business, the entrepreneur can forecast the market share included in such market share.

### Example :-

The demand for a certain product is 15 000 units per week. The current competitors provide only 12 000 units. Therefore, there is a market gap for 3 000 units. It is the new entrepreneur who should decide whether he/she can supply all 3 000 units or only a part of it.

When making a sales forecast, the expected quantity of sales can be calculated per day, per week, per month, per trimester, per year, etc. It would facilitate the decision making. The forecasted market share should be included in the marketing plan.



### Activity 02

Indicate one type of goods and one service that an entrepreneur can offer targeting each of the groups of customers given below:

No.	Target market	Good	Service
01	People over 65 years of age		
02	Pre-school children		
03	Women who wish to work in the Middle East		
04	Private bus owners		
05	Students expecting to follow their higher education abroad		
06	Electricians		
07	Working mothers		
08	Small scale businessmen		
09	Doctors		
10	Diabetics patients		

## 2.5 Sales income and sales expenses

### Sales income

By multiplying the number of units to be sold by the expected selling price, we can calculate the sales income.

$$\text{Expected sales income} = \text{Expected number of units to be sold (goods or service)} \times \text{Expected selling price of a unit}$$

## Sales expenses

All expenses incurred in marketing the goods or service are taken under sales expenses.

### *Example :-*

Salaries and wages for Marketing managers and staff

Expenses related to sales outlets (if any), such as rental, maintenance, electricity, water, insurance, etc

Office expenses such as telephone charges, stationery, etc

Publicity and promotion-related expenses

Depreciation for fixed assets such as sales vehicles, office equipment in the Sales Department, etc.

As indicated above, the forecasted data regarding the total sales income and expenditure should be included in the marketing plan.

## 2.6 Marketing fixed assets

These are the fixed assets that are directly relevant to the sales and distribution activities of the business.

### *Example :-*

Land and buildings, machinery, equipment, vehicles, office tools and furniture, etc. which are used in sales and distribution-related activities



Figure 2.4

## 2.7 Preparing a marketing plan

To further clarify the concepts discussed above, let us study a marketing plan prepared for the following scenario.

*After having considered a number of business ideas, Akila Jayawardene finally decided to manufacture yoghurt.*

*He thought of starting the business targeting his own town, Araliya, in Rathnapura. Given below is the information he found from studying the market for yoghurt in the area:*

*Population in Araliya 40 000 citizens*

*5% of the population eat yoghurt every day. At present, 75% of the yoghurt sold in the market is dairy yoghurt and 25% is fruit yoghurt.*

*Details about competitors*

<i>Competitor</i>	<i>Monthly supply</i>	<i>Market share</i>
<i>Rajarata yoghurt</i>	<i>12 000</i>	<i>20%</i>
<i>Saumya yoghurt</i>	<i>18 000</i>	<i>30%</i>
<i>ABC Foods Co.</i>	<i>6 000</i>	<i>10%</i>
<i>Healthy Foods Co.</i>	<i><u>24 000</u></i>	<i><u>40%</u></i>
<i>Total</i>	<i><u>60 000</u></i>	<i><u>100%</u></i>

*Marketing strategies used by competitors*

*Product : offering two varieties, i.e. dairy yoghurt and fruit yoghurt*

*Price : according to market price*

*Place : through retail traders*

*Promotion : displaying name boards carrying the name of the yoghurt at retail shops, displaying posters*

*Akila understood that 50% of the demand for yoghurt in the area was fulfilled by external companies and 50% by two local manufacturers.*

*Therefore he decided to capture 10% of the market share in the first year of business. The following strategies were selected.*

*Product: dairy yoghurt and fruit yoghurt*

*Price : competitive market price*

*Place : selling through retail traders and restaurants, and selling from the place of manufacture*

*Promotion: displaying posters at the outlets, offering stickers for children*

*A three-wheeler worth Rs. 480 000 will be bought to distribute yoghurt.*

*Other expected expenses are given below:*

*Annual depreciation of the three-wheeler - Rs. 4 800*

*Annual insurance premium of the three-wheeler - Rs. 4 800*

*Monthly fuel and service expenses - Rs. 7 200*

*Monthly salary for sales staff – Rs. 10 000*

*Monthly expense for printing posters – Rs. 1 500*

*Monthly expense for printing stickers – Rs. 2 000*

*Distribution of yoghurt will take place five days a week. The market price of a cup of yoghurt is Rs. 30. There is no difference in price between dairy yoghurt and fruit yoghurt.*

## Marketing plan

### 1. Product

Information regarding the proposed product

1. Dairy yoghurt (includes milk, sugar and vanilla)
11. Fruit yoghurt (includes milk, sugar, vanilla, pieces of fruit and jelly)

### 2. Target group

The population of Araliya, Rathnapura. Population is 40 000 citizens.

### 3. Target sales area

Araliya, Rathnapura

### 4. Market for the proposed product

Product	No. of target customers	Pattern of consumption	Monthly demand		Annual demand	
			Quantity	Value Price x Units	Quantity	Value
1. Dairy yoghurt	1 500 (Monthly)	Year-round demand	45 000 (60 000 x 75%)	1 350 000 (45 000 x 30)	540 000 (45 000 x 12)	16 200 000 (540 000 x 30)
2. Fruit yoghurt	500 (Monthly)	-do-	15 000 (60 000 x 25%)	450 000	180 000	5 400 000
			60 000	1 800 000	720 000	21 600 000

### 5. Analysis of supply from competitors

	Principal competitors	Goods/ services supplied by them	Their market share (approximately)
1	Rajarata Industries	Dairy yoghurt/ fruit yoghurt	20%
2	Saumya Industries	-do-	30%
3	ABC Foods Co.	-do-	10%
4	Healthy Foods Co.	-do-	40%
			100%

### 6. Target market share

Product	Expected market share
1. Dairy yoghurt	10%
2. Fruit yoghurt	10%

## 7. Marketing strategies used by competitors

Marketing mix	Strategies
Product	Offering two varieties, i.e. dairy yoghurt and fruit yoghurt; ensuring the good quality and hygienic nature of the product
Price	Setting a competitive price
Place	Distribution through retail traders
Promotion	Displaying name boards carrying the name of the yoghurt at retail shops; displaying posters in the sales area

## 8. Proposed marketing strategies of the entrepreneur

Marketing mix	Strategies
Product	offering two varieties, i.e. dairy yoghurt and fruit yoghurt
Price	Setting a competitive price
Place	through retail traders and restaurants;
Promotion	Displaying posters at the outlets; offering stickers to attract children

## 9. Annual sales forecast

Goods/ service	No. of units to be sold per month	Unit price Rs.	Monthly sales Rs.	Annual sales Rs.
Dairy yoghurt	4 500	30	135 000	1 620 000
Fruit yoghurt	1 500	30	45 000	540 000
Total	6 000		180 000	2 160 000

## 10. Sales expenses

Item	Monthly sales expenses	Annual sales expenses
Salary for Sales staff	10 000	120 000
Vehicle depreciation	400	4 800
Sales vehicle insurance	400	4 800
Fuel and service expenses	7 200	86 400
Posters printing expenses	1 500	18 000
Stickers printing expenses	2 000	24 000
Total	21 500	258 000

## 11. Marketing fixed assets

Item	Value Rs.	Annual depreciation Rs.
Three-wheeler	480 000	4 800



### Activity 03

Sasmitha decided to start a business of manufacturing and selling sweets. She visited several restaurants in the area to find out about the sweets available for sale and the demand for them.

Based on the information given by the restaurant owners, she understood that there were many who manufactured sweets using wheat flour. However, there were only a few who manufactured sweets out of rice flour and kurakkan flour.

Through a market analysis, she understood that a considerable number of people, being diabetic, were starting to use rice flour and kurakkan flour. Given below is some information that she has collected:

Her hometown, Jayagama in Akuressa, has a population of around 80 000 citizens

20% of the population like food made of kurakkan flour and rice flour

They wish to buy sweets at least once in two days

The main competitors and their market shares are as follows:

‘Vimansi Sweets’ – 30%

‘Arundathi Sweets’ – 35%

The marketing strategies of the competitors –

Ensuring the taste and hygienic quality

Distributing once per two days and having the unsold items returned to them

Displaying sales posters near shops that sell sweets

Sasmitha decided to start up the business covering 25% of the market. She will be using the same marketing strategies as her competitors. In addition, she decided to circulate flyers giving information about her products.

*At the beginning, she decided to offer rice-and kurakkan-flour-mixed cake and Aluva. Their market price will be as follows:*

*Cake Rs. 20*

*Aluva Rs. 10*

*A motorcycle worth Rs. 200 000 will be bought to distribute the products.*

*Given below are the estimated expenses:*

*Monthly salary for the employee distributing the products – Rs. 15 000*

*Insurance (annual) Rs. 3 000*

*Fuel (monthly) Rs. 10 000*

*Service charges (monthly) Rs. 1 500*

*Motorcycle depreciation (annual) Rs. 4 800*

*Flyers and sales posters will cost Rs. 6 000 per year.*

*Based on the above information, prepare the marketing plan for ‘Sasmitha Sweets’.*

## **Let's Answer**

01. What is a marketing plan?
02. Name the sections of a marketing plan.
03. Name the 4Ps and describe them briefly.
04. What are the means of collecting information for a market analysis?
05. Explain what you mean by marketing fixed assets.

