Marketing Planning

A2 Business

Marketing

- Marketing is the process of identifying customer needs and producing appropriate products that satisfy these needs in a profitable manner.

Marketing Plan

- Marketing Plan is a detailed document that lists a company’s marketing objectives, strategies and marketing budget for the upcoming period.
- Following the necessary components of Marketing

Plan: 1. Marketing Objectives

2. Marketing Strategies

3. Marketing Budget

Why is Marketing Plan important?

- To have ***more systematic and organized approach*** to identify business objectives for the upcoming period which will also be useful to evaluate the company’s performance at the end of time period.
- Secondly it will be ***faster to communicate with other stakeholders*** – outside the company – about company’s marketing targets etc.
- Another reason for making marketing plan is to share it will banks etc in case business is looking to raise finance.
- Allows for evaluation of company’s and employees’ performance.

Marketing Objectives

- Any target or goal of the business related to marketing is known as Marketing Objective.

1. For instance, to increase business sales by \$200,000 in the upcoming calendar year.

2. To increase business customers by 10% in 5 months 3. To have higher sales by a certain percentage like 15% in 12 months 4. To successfully launch a new product,

Marketing Strategies

- Marketing strategies are the course of action used by the business to achieve marketing objectives.

- For instance, increase in promotional expenditure by 15% to achieve the target of increase in sales
- Identifying and successfully open new outlets to achieve the objective of having larger number of customers.

Marketing Budget

- Marketing budget is the total amount of money available to the marketing department for the upcoming period which would be further divided in different activities like some amount will be spent on advertisement, some will be spent on Research and Development etc.

Important Indicators for Marketing Decision Making

1. Income Elasticity of Demand
2. Cross Elasticity of Demand
3. Price Elasticity of Demand
4. Promotional Elasticity of Demand

Income Elasticity of Demand

- It is a formula that calculates the percentage change in quantity demanded of a product due to percentage change in incomes of consumers.

= % change in Quantity Demanded / % change in incomes

Classification of Goods

- Normal Goods: products for which the quantity demanded is directly proportional to consumers' incomes.

- Inferior Goods: products for which the quantity demanded is inversely related to consumers' incomes.

Income Elasticity of Demand

- More elastic refers to that any change in income would result in greater change in demand and
- Less elastic refers to that any change in income would result in smaller change in demand.
- ***Luxuries items have more elastic income elasticity of demand***
- ***Necessities like food, medicines etc have less income elasticity of demand***

Negative Income Elasticity of Demand

Importance of Income Elasticity of Demand

- Businesses know about their products’ income elasticity of demand which helps them better predict how much their product demand be affected due to change in consumers’ income.

Cross Elasticity of Demand

- It is a formula that calculates the percentage change in quantity demanded of one product due to given percentage in price of the other product.
- If the value of cross elasticity of demand between any 2 products is high then it shows that there is stronger connection between these 2 products and vice versa.

= % change in QD of A / % change in price of B

+ve sign for substitute goods

-ve sign for complementary goods.

Price Elasticity of Demand

- It is a formula that calculates the percentage change in quantity demanded of the good due to given change in the price of the product.

- More Elastic: IT IS FOR LUXURY ITEMS. The value of greater than 1 is known as more elastic.

- Less elastic: IT IS FOR BASIC NECESSITIES. The value of less than 1 is known as less elastic.

Promotional Elasticity of Demand

- It is a formula that calculates the percentage change in quantity demanded of the product due to given percentage change in advertisement expenditure on the product.
- If the promotional elasticity of demand is more elastic it means that given change in advertisement expenditure will bring MORE increase in QD

- On the other hand, less elastic means that any given change in advertisement of the product will only bring a small change in quantity demanded

Stages of New Product Development

- Product: any tangible or intangible good produced by the business to sell to customers in the hope of making profit.
- New product: refers to either a newer version of the same product or a completely different product.

Stages of New Product Development

1. Generating Ideas: the stage in which people in product development department come up with new ideas around which they can form a new product.

2. Screening Ideas: shortlisting ideas on the basis of their pros and cons.

3. Market Research: is the process of asking the customers feedback about the potential product.

4. Product Development: then you develop the product ***5. Test Marketing***: is when a small sample is produced and given to customers to take their feedback on the product

6. Commercialization: start producing on massive scale.

Marketing Mix

- Marketing Mix refers to best possible combination of 4 Ps to produce a successful product.

1. P – Product
2. P – Price
3. P – ***Place***
4. P – ***Promotion***

Sales Forecasting

- Sales forecasting is the process of predicting future sales of the business.

- Methods Of Sales Forecasting

1. *Qualitative Techniques* – any method that does not involve any values, calculations etc. It is more based on experts opinions and market analysis based on consumers' expectations and predictions.

2. *Quantitative Techniques* – any method that involves values and numbers. Looking at the past data to predict future sales of the business.

Qualitative Methods

1. *Salesforce Composite*: is when a business collects estimates of its salesforce about the future product sales. This is an effective method because it is less time consuming and these people being at the forefront for product sales are definitely in the best position to predict future sales of the business.

2. Delphi Method: is when a jury of experts make use of qualitative variables to estimate the change of sales for the company. ***3. Jury of Experts:*** a group of experts give their opinions about future prospects of any company.

4. Consumer Surveys: asking consumers about changes in their incomes, spending and saving patterns and on the basis of that estimating how the demand for your products will change.

Why is Sales Forecasting important?

- It is important for the business to produce optimal quantities of goods to avoid over or under production.

Quantitative Methods

1. Correlation
2. Time Series Analysis

Correlation: is the process of determining mathematical relationship between different variables that are expected to be related to each other. This is done through ***regression analysis.***

For instance the sales of car in a country can be estimated using past data of country’s inflation rate, unemployment rate, prices of substitute goods. Based on past data the company can reasonably predate the future sales of the business.

Time Series Analysis

a) Extrapolation: when using the past data of the variable like for instance sales of the business the managers try to predict the future sales of the business.

b) ***Moving Average:*** just like extrapolation in which past sales values are used to predict future sales of the business, moving average also uses the same concept but it is more sophisticated in its approach.

We will do a sample question of the topic to better understand this.