

## APPENDIX 2A **SAMPLE MARKETING PLAN**

### **Cuisine Masters Restaurant Supply**

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#### **EXECUTIVE SUMMARY**

Cuisine Masters Restaurant Supply, Inc. (CMRS), is offering the Automated Salad Maker (ASM), which is a technologically advanced salad maker that can supply any type of salad within seconds of order entry. The capacity of the Automated Salad Maker will be to produce 60 to 120 salads per hour, depending upon size and ingredients used. This salad maker is a one-of-a-kind piece of equipment with no direct competition; however, CMRS has existing competition within the southeastern and south-central portions of the United States for other restaurant supply products. The targeted market segment will be restaurants that provide house and custom salads to consumers in a high-volume, sit-down style setting in the southeastern and south-central United States. Total market size consists of both chain and privately owned restaurants. The ASM will reduce labor needs and costs for the establishment while producing quality controlled salads in a quick, efficient manner.

The executive summary provides a one- to two-page synopsis of the marketing plan's main points. While the executive summary is listed first, firms typically complete it last. Every line of an executive summary should convey the most valuable information of the marketing plan.

The situation analysis identifies the trends, conditions, and competitive forces that have the potential to influence the performance of the firm and the choice of appropriate strategies. In many ways, this section serves as the foundation of the marketing plan. The situation analysis typically comprises three areas: market summary, SWOT analysis, and competition.

The market summary describes the current state of the market, including how large the market is and how quickly it's growing or declining. The market summary also provides a perspective on important marketplace trends.

The primary marketing objective is to reach a 3 percent share of the market within the first year with volume unit sales of 184 units. Additionally, a 5 percent share of the market will be met in the second year with volume unit sales of 306 units. The final goal is to reach a 10 percent share of the market in the fifth year with volume unit sales of 613 units.

### SITUATION ANALYSIS

Cuisine Masters Restaurant Supply, Inc., was founded in 2012 by three entrepreneurs to satisfy the needs of restaurants across the southeastern and south-central United States. Our vision is to supply technologically advanced restaurant equipment to high-volume, sit-down restaurants so they can reduce kitchen support staff while still providing high-quality meals and services to their customers. The business is set up as a limited liability corporation and has distribution rights to several innovative product lines. We offer research and development (R&D) and engineering services to several manufacturing firms and create these strategic alliances based on market trend and market demand needs. We own the patents and intellectual capital for most of these products.

CMRS competes against several large restaurant supply businesses in our area. To successfully compete in our chosen markets, we employ four salespeople to cover the target regions and one additional salesperson for corporate chain accounts. We also partner with manufacturing facilities that are strategically sourced based on engineering and cost support. We employ several full-time R&D engineers to create new, innovative product lines.

### Market Summary

Overall restaurant industry sales are expected to post positive growth and reach \$604 billion in 2016, which would stop a three-year trend of decreasing sales. The final expectation for 2016 is sales growth of 3.6 percent over and above 2015 sales. There are currently 960,000 restaurant locations that employ 12.8 million people in the United States. Sales at full-service restaurants are projected to reach \$194.6 billion in 2016, an increase of 3.1 percent over 2015. The south-Atlantic area of the country is expected to post the strongest restaurant sales growth at 3.9 percent, totaling \$93.9 billion among its eight states, which include Delaware, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, and West Virginia.

CMRS's target market for the Automated Salad Maker consists of three of the six primary restaurant sectors: family dining, casual dining, and upscale or fine dining. The geographical segmentation for these three sectors is broken down into two service and sales territories: the southeastern United States and

the south-central United States. The three sectors that CMRS will avoid are fast food, high-end fast food, and specialty beverage shops.

The target market is made up of restaurants that provide house and custom salads to consumers in a high-volume, sit-down style setting. Total market size consists of both chain and privately owned restaurants. To gain market share in this expansive market, we will specifically target nationally branded chain restaurants such as Applebee's, Chili's, Cracker Barrel, Denny's, IHOP, Panera Bread, and Ruby Tuesday. The southeastern U.S. market offers 4,127 chain restaurants and the south-central U.S. market offers 2,098 chain restaurants.

The potential market sales size for the Automated Salad Maker in the southeastern territory is \$14,444,500, which is based on 4,127 chain restaurants multiplied by the \$3,500 price per automated salad maker. The potential market sales size for the Automated Salad Maker in the south-central territory is \$7,343,000, which is based on 2,098 chain restaurants multiplied by \$3,500 per automated salad maker. Together, the annual sales potential for the Automated Salad Maker product line is \$21.7 million.

#### Strengths, Weaknesses, Opportunities, and Threats (SWOT) Analysis

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

1. **Owens patents and intellectual capital for products**—We own the patents and intellectual capital for our products so that they cannot be imitated.
2. **Excellent quality product**—We take great pride in providing a high-quality and durable product, free of defects.
3. **Excellent management team**—The entrepreneurs that own CMRS are three young and highly talented managers with new ideas and determination.

**Weaknesses** CMRS has three main weaknesses:

1. **Lack of recognition with consumers because CMRS is a startup organization**—We have no established brand or image whereas other manufacturers do. We will address this with aggressive marketing.
2. **The need to take on debt to get the business off the ground**—We have access to a limited amount of cash. Initial financing will not be difficult due to solid credit and the low inventory depreciation rate, but ongoing financing will be more difficult to obtain. It is not the receivable days that will wreak havoc on the cash plan because sales are 100 percent cash; it is the operating and marketing expenses.
3. **CMRS's new and innovative products do not have a lot of visibility in the U.S. yet**—Our products are relatively new to the market and are still unnoticed by many valuable customers.

The SWOT analysis evaluates a firm's strengths, weaknesses, opportunities, and threats. The strengths and the weaknesses aspects of the analysis focus on the firm's internal characteristics, while the opportunities and threats sections focus on the external factors a firm must consider.



The competition section should address both the direct and indirect competition the firm will face. It should include a brief summary of the most relevant competitors and highlight any major differences between what they offer and what the firm will offer.

*Opportunities* CMRS can take advantage of three major market opportunities:

1. **No focused, well-marketed competition**—The market for new and innovative restaurant equipment is not very strong or well established. This gives us the opportunity to develop the market and establish ourselves as the market "original."
2. **The cost of Internet and other direct marketing opportunities has decreased in recent years**—The cost of selling via e-commerce and through mail order has decreased tremendously in recent years. Internet domain names (www.yourname.com) cost \$35 a year, and e-commerce servers may be set up for only \$30 a month. Certain high-circulation catalog companies will develop custom catalogs for vendors and mail them for a fixed fee. This is incredibly cost effective for companies that do not have relationships with printers, graphic artists, and the like. Both direct mail and Internet sales are a growing segment of our business.
3. **Participation in a growing market with a significant percentage of the target market still not aware that CMRS and its products exist**—We are a relatively new company with many opportunities to market ourselves and gain business as we build name recognition.

*Threats* CMRS faces two main threats:

1. **High capital costs**—The high cost of capital limits us from investing money in other activities, such as marketing, that would enable the business to gain a larger customer base.
2. **Future/potential competition from national companies**—Established companies will soon begin to imitate our products and produce replicas.

#### **Competition**

Competition within the restaurant supply industry has been negatively affected since 2007 with the economic downturn and the lack of extra income for nonessential spending. Fortunately, this situation is beginning to improve. The geographic region that CMRS will focus on is served by local, national, and even international suppliers; however, local suppliers can be more reactive to individual customer needs. The key competitors include local suppliers that provide quality customer service, training, and maintenance. Key local competitors are

**Burr Ridge Fixture and Sales Company Inc.**—Located in Burr Ridge, Illinois, and serving the midwestern United States, which includes Illinois, Michigan, Iowa, Missouri, and Wisconsin. Burr Ridge Fixture and Sales Company has 70 years of experience and provides over 9,000 in-stock items and products from over 10,000 manufacturers. It provides next-day shipping for virtually all items in-stock.

**Hall Brothers Restaurant Equipment**—Located in Moore, Oklahoma, and serving Oklahoma and Southern Kansas, Hall Brothers has over 25 years of experience and provides quality restaurant equipment, as well as delivery, installation, and service.

**Marcy's Restaurant Supply**—Located in both San Diego and Anaheim, California, and serving over 20 states, Marcy's Restaurant Supply has almost 30 years of experience and provides quality restaurant equipment to over 5,000 customers. Marcy's offers goods and services to enable customers to solve business problems and create cost-effective solutions for their business.

**Irwin Restaurant Supply**—Located in Oxford, Alabama, and Memphis, Tennessee, Irwin serves these states and provides service for nationwide customers. Irwin Restaurant Supply provides sales and delivery of quality restaurant equipment; however, it does not provide service and installation.

In our effort to supply national chain restaurants, national suppliers will be relevant competition. Key national suppliers include

**Southern Restaurant Products**—Located in Little Rock, Arkansas, Southern Restaurant Products has been a national supplier of restaurant products for over 20 years. Southern has over 250,000 customers and offers more than 450,000 items from over 1,000 quality brands. It offers e-commerce and technical support services.

**The Pilgrim Company**—Headquartered in Lancaster, Pennsylvania, Pilgrim has been in business since 1902 and bills itself as "America's leading supplier and distributor of food service supplies and equipment." Pilgrim has distribution centers in Ohio, Pennsylvania, Texas, Florida, and Arizona to make 48-hour delivery possible for its customers.

Competition will be strong; however, CMRS can achieve success in the restaurant supply industry with high-quality equipment offerings and by controlling the patents for innovative equipment, such as the Automated Salad Maker. By offering products that streamline restaurant activities, CMRS will help restaurants achieve greater customer satisfaction and save money.

## MARKETING STRATEGY

CMRS's primary marketing strategy will be an extensive promotion to create knowledge and demand in an untapped market. Our primary consumers are chain restaurants, but we are also targeting family dining, casual dining, and upscale or fine dining. CMRS is able to address many different segments of

A mission statement is a concise affirmation of the firm's long-term purpose. Creating an effective mission statement is the first step in developing a quality marketing plan. Once a mission statement is in place, the firm will have an easier time establishing quality objectives for the short and medium terms.

Quality objectives must be specific, measurable, and realistic. They state the goal or intention of the firm over a certain period of time, usually 1–5 years. The remaining sections of the marketing strategy should be designed to help the firm meet these objectives.

the market because, although each segment is different, CMRS's product is useful to all of the different segments.

### Objectives

**Mission Statement** The vision of Cuisine Masters Restaurant Supply, Inc., is to supply technologically advanced restaurant equipment to high-volume, sit-down restaurants to allow them to reduce kitchen support staff while still providing high-quality meals and services to their customers.

We have set modest but practical and attainable goals for the first, second, and fifth years of market entry. These sales goals are based off historical sales levels achieved for similar product offerings and similar new product launches:

- **First-Year Unit Sales Objective**—We are aiming for a 3 percent share of the salad makers market through volume unit sales of 184 individual units.
- **Second-Year Unit Sales Objective**—Our second-year objective is to capture a 5 percent share of the salad makers market through volume unit sales of 306 individual units.
- **Fifth-Year Unit Sales Objective**—Our fifth-year objective is to achieve 10 percent share of the market through volume unit sales of 613 individual units. We plan to reach this goal by expanding our business and offering additional products for the kitchen.

### Target Markets

CMRS is focusing on a positioning strategy of product differentiation. Our primary targets are privately owned and chain restaurants in three different restaurant sectors: family dining, casual dining, and upscale or fine dining. The restaurants in these target markets produce high-volume, high-quality food and offer standardized service across all their locations. The restaurant industry grew by 3 percent in 2015 and is expected to grow by 3.6 percent in 2016. With these expected growth rates, the competition between restaurants should escalate, driving the need for highly specialized restaurant equipment. This equipment will not only help reduce operating costs but should also help produce excellent quality food and improve service times to the customer.

CMRS is specifically targeting chain restaurants because these restaurants are expanding more quickly than privately owned restaurants and they use standardized food preparation products in each individual location. We can increase market share quickly by focusing on these major chain restaurants. Geographical segmentation has produced two territories—the southeastern and south-central regions of the U.S., which now encompass more than 6,000 restaurants. As the business expands, CMRS will seek to reach other markets in the United States.



**Positioning**

CMRS will position the Automated Salad Maker to our target markets as a high-tech, high-quality, high-performance, and innovative piece of equipment that can be integrated into any kitchen to reduce cost while improving service time and food quality to the customer. The selling points we will leverage are greater customer satisfaction due to improved food delivery times and expanded menu choices, increased menu flexibility as a result of computerized salad recipes, five-year parts and labor coverage from highly trained technical representatives located in each sales territory, and on-site training for all restaurant personnel to coincide with the delivery of each Automated Salad Maker.

**Marketing Mix**

**Product** CMRS's newest product is the Automated Salad Maker, which is a technologically advanced salad maker that can supply any type of salad within seconds of order entry. The piece of equipment is a little larger than a large bread-making oven and measures 44" wide × 55.5" deep × 92" high. It has 15 different styles of stainless steel cutting instruments that are paired with a patented array of size, shape, color, and chemical analyzers. The analyzers allow it to choose from a refrigerated supply of vegetables and other toppings to create either a custom ordered or traditional house salad derived from recipes programmed by the individual restaurant. Its standard features include bins for plate storage and products, dressings and oils, and wireless capability between the automated salad maker and the wait staff's handheld order pads. It also comes fully equipped with a self-cleaning function that can be run nightly to sterilize and fully clean the equipment to governmental standards.

The sales potential for the Automated Salad Maker product line is \$21.7 million based on the potential market size (south-central territory of 2,098 and southeastern territory of 4,127 restaurants) and a sales price of \$3,500. The initial goal for CMRS is to achieve a 10 percent share of the target market within five years. Additional products that can be packaged and sold with each Automated Salad Maker include products from the categories of refrigeration, furniture, concessions, food preparation, shelving and carts, dishwashing and sanitation, cooking equipment, and dining room service products. A wide selection of products that range from manual operation to technologically advanced options are offered in each category and provide cost-reducing, service-enhancing options to our end customers.

CMRS is also going to market a service product as part of this offering. CMRS will offer training packages in which members of our team will go to a customer site and demonstrate the best practices for using the product to management and employees. In addition, we will be selling an extended warranty package, which specifies that our expert technicians will continue

The target markets and positioning sections give a detailed description of the groups of customers toward which the firm has decided to direct its marketing efforts and define how the firm would like customers to perceive the product.

The product element of the marketing mix section consists of a detailed description of the product being offered, not only the good or service itself, but also any related services like warranties and guarantees that accompany the product (as CMRS does with its Automated Salad Maker and training and extended warranty service products). This section should build on the competition section to explain what competitive advantage the firm's product offers.

The promotion section should outline the key strategies for communicating the value of the product to targeted customers. It will likely include a discussion of one or more of the following promotional tools: personal selling, advertising, sales promotion, or public relations.

The distribution section explains in detail how a firm plans to make its products available to targeted consumers. It should summarize the various distribution methods, including the key transportation partners that will be used (e.g., FedEx or UPS).

to provide on-site repairs and maintenance for as long as the customer pays for the service. Our technical service support will be the best trained and most customer friendly team in the industry.

**Promotion** An internally trained sales force will make cold calls to all potential customers and franchises operating in each of our three targeted restaurant markets. The salespeople will each be equipped with a full web-based application running off a tablet device that will showcase CMRS's full line of innovative equipment. These tablets will be used to offer each customer a tailored presentation that is created based off information gathered from industry statistics related to that customer's operating market (demographics, price points, traffic analysis, and restaurant capacity). These presentations will showcase the Automated Salad Maker and all other peripheral equipment that could reduce cost and improve delivery to the restaurant's end customer in the targeted market segment. Salespeople will also have an annual budget that will allow them to attend and present at trade shows specifically tailored to our market segments.

**Distribution** CMRS operates as the supplier and will distribute products by direct sales to create a variety of purchase options for the customer. The purchasing options will include the following:

- Sales representatives are assigned to cover the south-central and southeastern portions of the United States; two will operate in each region and one additional sales representative will be assigned to the corporate chain accounts. Sales representatives will make cold calls to local and chain restaurants within their service area. They will provide individualized customer service throughout the entire process, from the initial sales call, to the setup, to the installation and training for the purchased item.
- Web purchases are available for standard stock items. Purchases of specialized items that require installation and training may be initiated online but will require contact with a salesperson before the purchase is final.
- Chain restaurant sales may require sales and services to be provided outside the targeted supply area due to the purchasing requirements of the franchise. These needs will be met as if in the targeted supply area.
- Catalogs will include all products while featuring the Automated Salad Maker and other innovative products for which we retain the patents. Purchase requests may be sent via phone, fax, or e-mail and will be processed through the assigned sales representative to ensure that appropriate customer service is available.

Delivery of the products will depend on the items purchased. Smaller, non-specialized items will be shipped via UPS or FedEx, while larger orders



will require scheduled deliveries by hired freight companies. Future delivery plans may include an in-house freight delivery system.

**Pricing** The Automated Salad Maker will be offered for the initial price of \$3,500 per unit, with a five-year warranty that includes free maintenance and repairs. CMRS will work to hold this price constant every year as we make manufacturing and engineering improvements to drive down production costs and improve production efficiencies.

For the service aspects of our plan, we will charge \$1,000 per one day of training at a customer site plus expenses. If a customer buys 10 or more units within a six-month time period, they are entitled to one free day of training, with the only charge being the expenses of our trainer getting to the customer location. The extended service warranty will be priced at \$395 per year and begins after the initial five-year warranty expires. The extended service warranty provides continued basic service, maintenance, and repair for as long as the customer pays for the service.

The pricing section details the specific price points of the product for both the goods and services that make up the product offering. In addition, it should address general strategies for price development over time.

## FINANCIALS

Total first-year sales revenue for the Automated Salad Maker is projected to reach \$644,000. This represents 3 percent of the market at a sales level of 184 individual units. The Automated Salad Maker's product line revenues and associated costs are shown in Table 1. Based on the first year's forecast costs, this product line is projected to lose \$69,000 in its first year of sales.

**TABLE 1** Sales and Expense Forecast

	Cuisine Masters Restaurant Supply Forecast Income Statement (In thousands) Automated Salad Maker				
	2020	2019	2018	2017	2016
Sales	\$2,146	\$1,608	\$1,340	\$1,071	\$644
Cost of Goods Sold	1,073	804	670	536	322
<b>Gross Profit</b>	<b>\$1,073</b>	<b>\$804</b>	<b>\$670</b>	<b>\$536</b>	<b>\$322</b>
Warranty & Training	215	161	134	107	64
Production & Engineering Fees	107	80	67	54	32
Marketing Expenses	64	48	40	32	19
Selling, General, and Administrative Expenses	275	275	275	275	275
<b>EBIT</b>	<b>\$412</b>	<b>\$240</b>	<b>\$154</b>	<b>\$68</b>	<b>\$(69)</b>
<b>EBIT%</b>	<b>19.2%</b>	<b>14.9%</b>	<b>11.5%</b>	<b>6.3%</b>	<b>(10.7)%</b>

Financial projections provide a bottom-line estimate of the organization's profitability. Financial projections can include numerous items, but all should contain a sales forecast (or fundraising projections for a nonprofit), an expense forecast, and a break-even analysis.

Break-even sales in the first year of production are shown in Table 2. Break-even sales in units for the first year are 240 units, based on monthly sales of 20 units at a sales price of \$3,500 per unit.

**TABLE 2** Break-Even Analysis

	2016
Monthly Units Breakeven	20
Monthly Sales Breakeven	\$70,000
Assumptions	
Average Per-Unit Revenue	\$3,500
Average Per-Unit Variable Cost	\$1,400
Estimated Monthly Fixed Cost	\$41,432

The marketing expenses are forecast to be 3 percent of product line revenue and are shown in Table 3. The individual expense line items are forecast as an estimated percentage of total spending based on historical spending patterns for other product lines. The marketing manager is responsible for tracking and managing the marketing expense budget.

**TABLE 3** Marketing Expense Budget

	Cuisine Masters Restaurant Supply Forecast Marketing Expense Automated Salad Maker				
	2020	2019	2018	2017	2016
	\$64,365	\$48,248	\$40,189	\$32,130	\$19,320
Advertisements	\$25,746	\$19,299	\$16,076	\$12,852	\$7,728
Website Charges	16,091	12,062	10,047	8,033	4,830
Printed Material	12,873	9,650	8,038	6,426	3,864
Entertainment	9,655	7,237	6,028	4,820	2,898
Total Expenses	\$64,365	\$48,248	\$40,189	\$32,130	\$19,320

### CONTROLS

The purpose of CMRS's marketing plan is to enable senior management to guide the organization in the correct and most profitable way. The following areas will be monitored continuously to help maintain efficiency and gauge performance:

- Revenue: monthly and annually
- Expenses: monthly and annually



- Customer satisfaction: continuous
- New product development: continuous

### Implementation

CMRS will use our interactive sales representatives to track customer response to all equipment purchased and to determine additional needs of the customer. Additionally, tight quality control measures are in place to ensure products delivered to customers are of high quality and defect free. Sales representatives oversee the installation and training needed for major equipment, providing on-site assistance to avoid potential issues with purchases. Sales numbers will be monitored monthly to ensure we are on track to reach our objectives. Owners will meet with the sales representatives monthly to discuss any issues with sales and the success of the marketing plan. If any issues are found, immediate action will be taken to improve the situation.

In order to have a successful product launch and to begin realizing targeted first year sales of 184 units, we have created a series of actions and programs that will be implemented in sequential, campaign order:

1. December 2015—Product literature is printed and distributed. This includes electronic distribution from our internal website and print brochures for direct mailings and face-to-face sales calls.
2. December 2015—Salespeople are provided computer tablets with product applications and marketing campaign literature.
3. December 2015—Salespeople are given sales routes and first product meetings are scheduled and completed with top 20 targeted customers.
4. January 2016—Invite representatives from targeted top five restaurant chains to tour the Automated Salad Maker's production facility and to discuss new opportunities.
5. February 2016—Chosen company representatives attend and present at the Southeastern Restaurant Supply Conference and Trade Show to provide information and demonstration of CMRS's products. This is a shared action item across all product lines with cost support to come from the general marketing fund. All new company products will be displayed at the CMRS booth.
6. March 2016—Advertise in two trade magazines: *Chain Leader* and *Restaurant Report*.
7. April 2016—Host internal sales conference to provide salespeople with Quarter 1, 2016, statistics, solicit feedback on the level of success of the marketing plan, and make adjustments to the plan accordingly.

### Organizational Structure

CMRS owners work as a team to manage the marketing activities of the company. Initial plans are discussed and decisions are approved before

The controls section is the final section in most marketing plans. It outlines the systems that will be put in place to monitor and adjust the plan as the firm executes on the marketing strategy. The control section should discuss implementation, organizational structure, and contingency planning.

The implementation section should provide a detailed list of specific items that must be executed to achieve the objectives set by the firm. This section should act as a playbook for the firm's activities for the first six months after the product launch.

The organizational structure section should clarify who is accountable for the marketing activities for the specific project.

Finally, the contingency planning section should outline potential threats that might derail the success of the marketing plan.

implementation, which is the responsibility of the vice president of marketing. A catalog publication firm will be hired to provide customized catalogs for the different target segments, and a consultant will be retained to build a website for customer communication and purchasing.

#### **Contingency Planning**

##### ***Difficulties and Risks***

- Problems generating visibility.
- An entry into the market that adopts similar products.

##### ***Worst Case Risks May Include***

- Determining that the business cannot support itself on an ongoing basis.
- Having to liquidate equipment to cover liabilities.