



January 2003

This sample marketing plan has been made available to users of *Marketing Plan Pro*<sup>™</sup>, marketing planning software published by Palo Alto Software. Names, locations and numbers may have been changed, and substantial portions of text may have been omitted from the original plan to preserve confidentiality and proprietary information.

You are welcome to use this plan as a starting point to create your own, but you do not have permission to reproduce, publish, distribute or even copy this plan as it exists here.

Requests for reprints, academic use, and other dissemination of this sample plan should be emailed to the marketing department of Palo Alto Software at [marketing@paloalto.com](mailto:marketing@paloalto.com). For product information visit our Website: [www.paloalto.com](http://www.paloalto.com) or call: 1-800-229-7526.

**Copyright Palo Alto Software, Inc., 1998-2002**

## Confidentiality Agreement

The undersigned reader acknowledges that the information provided by \_\_\_\_\_ in this marketing plan is confidential; therefore, reader agrees not to disclose it without the express written permission of \_\_\_\_\_.

It is acknowledged by reader that information to be furnished in this marketing plan is in all respects confidential in nature, other than information which is in the public domain through other means and that any disclosure or use of same by reader, may cause serious harm or damage to \_\_\_\_\_.

Upon request, this document is to be immediately returned to \_\_\_\_\_.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name (typed or printed)

\_\_\_\_\_  
Date

This is a marketing plan. It does not imply an offering of securities.

# Table Of Contents

<b>1.0</b>	<b>Executive Summary</b>	<b>1</b>
<b>2.0</b>	<b>Situation Analysis</b>	<b>2</b>
2.1	Market Summary	2
2.1.1	Market Demographics	3
2.1.2	Market Needs	3
2.1.3	Market Trends	3
2.1.4	Market Growth	4
2.2	SWOT Analysis	5
2.2.1	Strengths	5
2.2.2	Weaknesses	5
2.2.3	Opportunities	6
2.2.4	Threats	6
2.3	Competition	6
2.4	Product Offering	7
2.5	Keys to Success	7
2.6	Critical Issues	7
<b>3.0</b>	<b>Marketing Strategy</b>	<b>7</b>
3.1	Mission	8
3.2	Marketing Objectives	8
3.3	Financial Objectives	8
3.4	Target Markets	8
3.5	Positioning	9
3.6	Strategies	9
3.7	Marketing Mix	9
3.8	Marketing Research	10
<b>4.0</b>	<b>Financials</b>	<b>10</b>
4.1	Break-even Analysis	10
4.2	Sales Forecast	11
4.3	Expense Forecast	12
<b>5.0</b>	<b>Controls</b>	<b>13</b>
5.1	Implementation	13
5.2	Marketing Organization	14
5.3	Contingency Planning	14

## 1.0 Executive Summary

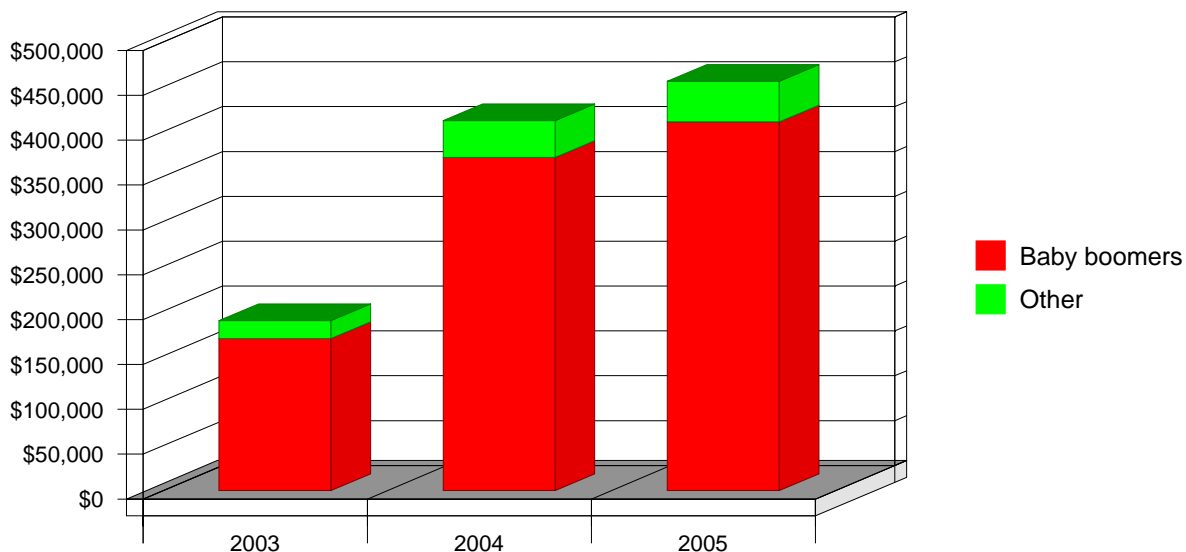
Nature's Candy (NC) is an e-commerce company designed to become the market leader in Web-based sales of naturopathic and homeopathic nutritional supplements. The company is located in Chicago, IL. Although many Internet companies have recently failed, the Internet is still poised to support e-commerce retailers. Most of the dotcoms failed because of access to capital with an unproven business model and no true revenue streams. Nature's Candy will overcome these problems with an easy to use website and an efficient distribution system.

Nature's Candy's mission is to provide the finest in natural supplements using the Internet to lower the consumer's cost. We exist to attract and maintain customers. When we adhere to this maxim, everything else will fall into place. Our services will exceed the expectations of our customers.

The majority of the start-ups which were Internet-based started their business model on the assumption that the first to market had the best chances of survival. This reasoning was based on the belief that gaining customers and market share were the most important things a business could do and the first to market had the best chance of achieving this. While these are indeed important activities, they are by no means the absolute priority. The whole technology fallout indicates that a proven revenue-generating business model is more important than sheer customers and market share.

In the next three years Nature's Candy intends to create an icon e-commerce brand and will grow to \$319,000 in revenue.

### Annual Sales Forecast



## 2.0 Situation Analysis

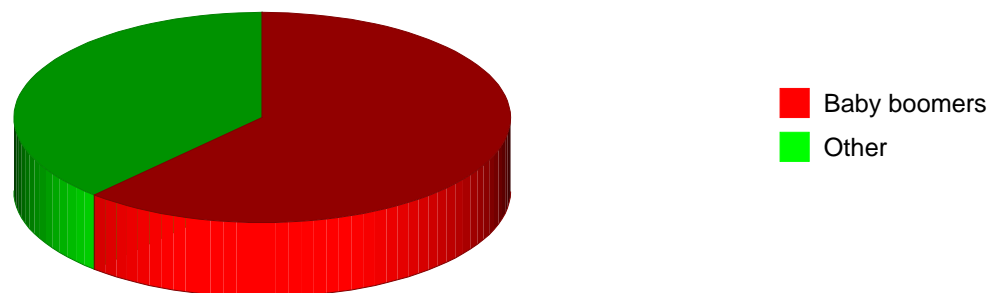
Nature's Candy is beginning its first year of operation. NC recognizes that marketing activities are critical to the success and profitability of the business.

NC offers a wide selection of private label naturopathic and homeopathic nutritional supplements. The basic market need is for a wide selection of reasonably priced, consistent-quality supplements.

## 2.1 Market Summary

Nature's Candy has collected information regarding the common attributes of the prized customers. This information will be used to determine the specific needs of the customers and the best method for communication with the targeted segments.

### Target Markets



**Table 2.1: Target Market Forecast**

Target Market Forecast		2003	2004	2005	2006	2007	CAGR
Potential Customers	Growth						
Baby boomers	9%	64,785	70,616	76,971	83,898	91,449	9.00%
Other	8%	40,000	43,200	46,656	50,388	54,419	8.00%
Total	8.62%	104,785	113,816	123,627	134,286	145,868	8.62%

## 2.1.1 Market Demographics

The profile for NC's customer consists of the following geographic, demographic, and behavior factors:

### Geographics

- There is no immediate geographic target for NC. The only constraint of the Internet is that the majority of sales will be from within the U.S. due to importing/exporting tariffs that do not make it cost effective for an international order to be placed.
- The total targeted population is 336,428.

### Demographics

- Both male and female.
- Ages range from 25-65, with 73% of the people coming from the subgroup of 26-37.
- Young professionals who work 40-60 hours a week and appreciate the convenience of purchasing over the Internet.
- 64% of the customers have attended college.

### Behavior Factors

- Are very cognizant of their health.
- 39% of the customers practice some form of yoga.
- 31% of the targeted customers are vegetarians.
- 9% of the target market are vegans (vegetarian that abstains from all dairy products or any animal by-product).

## 2.1.2 Market Needs

Nature's Candy is providing its customers with a wide selection of private label supplements. NC seeks to fulfill the following benefits that are important to their prized customers.

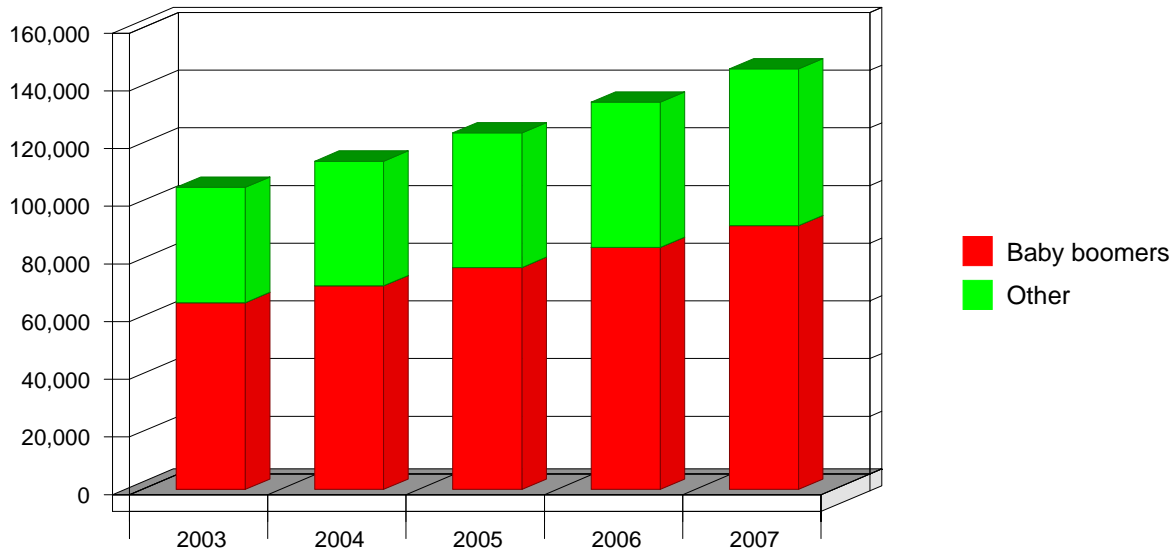
- **Selection:** Customers demand a wide selection so all of their supplementary needs can be met by one store.
- **Quality:** There are hundreds of different brands selling supplements within the U.S. Having consistently high-quality products is important because supplements are not government regulated and vary widely in quality and strength.
- **Customer Service:** Consumers want to patronize companies that have customer service as a priority. NC will be using Amazon.com and L.L. Bean as industry benchmarks.

## 2.1.3 Market Trends

The market trend for supplements has seen a recent increase in sales as well as an expansion of product offerings. This trend is fueled by several factors:

- An increase in holistic medicine relative to the traditional western view of medicine.
- An increase in people's desire to monitor/manage their health. This can be seen by the increase in fitness club memberships over the last five years.

### Market Forecast



#### 2.1.4 Market Growth

The market for vitamins and nutritional supplements has grown to over \$6.5 billion annually. Herbal sales alone are growing by 20% per year. This market is lead by the aging Baby Boomers who are concerned with their mortality. Also, there has been a paradigm shift of perception of nutritional supplements. Homeopathic and naturopathic products are seen as normal, they are no longer outliers in society. Additionally, positive medical results from major studies have further legitimized these products.

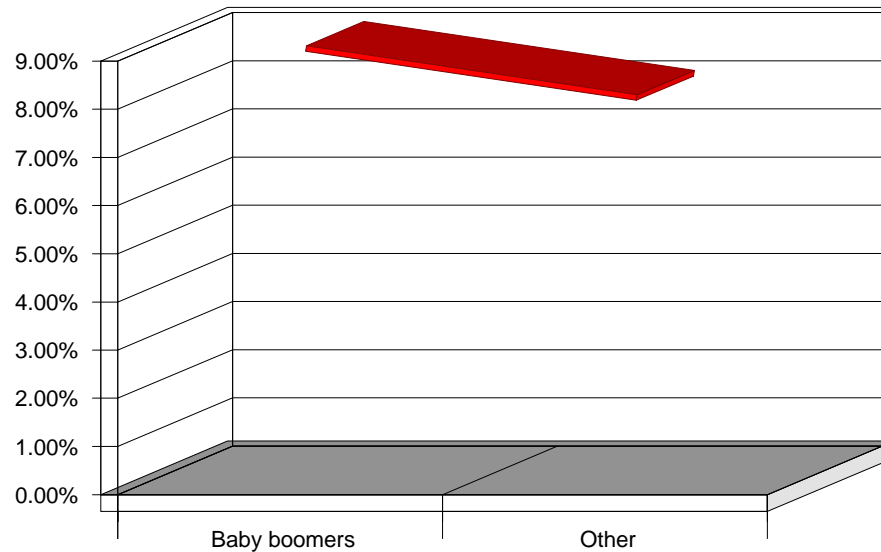
The nutritional supplement market is a semi-mature market characterized by high-growth rates, medium barriers to entry, and a few large competitors. Despite the competition in the market, many companies have reported annual growth levels of 30%. The market leaders are as follows:

- **General Nutritional Companies, Inc. (GNC) (website: [www.gnc.com](http://www.gnc.com)):** This company is a nationwide specialty retailer of vitamins, minerals, and sports nutrition supplements. With over 3,000 stores, GNC generated \$1.19 billion in 2000.
- **Nature's Sunshine Products, Inc. (website: [www.naturessunshine.com](http://www.naturessunshine.com)) :** Nature's manufactures and markets a variety of health supplements. This multi-level marketing company had 2000 revenues of approximately \$370 million.
- **Rexall Sundown, Inc. (website: [www.rexallsundown.com](http://www.rexallsundown.com)):** Rexall develops, manufactures, markets and sells vitamins, nutritional supplements, and consumer health products through retailers, independent distributors, and mail order. Rexall had 2000 revenues of approximately \$370 million.
- **International Vitamin Company, Inc.:** IVC manufactures, packages, sells, and distributes private label vitamins and nutritional supplements to drug stores, supermarkets and health food stores. IVC had revenues of \$107 million in 2000.

The primary channels of distribution in this market are:

- Mass market retailers (Fred Meyer, Rite Aide).
- Direct sales organizations.
- Health food stores (GNC).
- Mail order catalogs and the Internet.

## Target Market Growth



## 2.2 SWOT Analysis

The following SWOT analysis captures the key strengths and weaknesses within the company and describes the opportunities and threats facing NC.

### 2.2.1 Strengths

- Strong relationships with private label manufacturers that provide high-quality supplements and on-time deliveries.
- Efficient operations providing NC with above-average margins.
- The ability to scale rapidly as sales increase.

### 2.2.2 Weaknesses

- The lack of brand awareness due to the fact that NC is a start-up company with only an Internet presence, no real store front.
- The proven strategies for developing online visibility are still being tested, it is currently trial and error.



## 2.2.3 Opportunities

- An efficient business model within a growing industry.
- The ability to service the entire country.
- Provide differentiation through enhanced convenience and service attributes.

## 2.2.4 Threats

- General trepidation of Internet-based business.
- Increased government regulation for supplements.
- Aggressive competition from U.S., Canadian, and other markets.

## 2.3 Competition

Within the mass-market retailer channel, the three primary vitamin and supplement product categories are national brands, broad-line brands, and private label brands. The national and broad-line brands consist of 60% of the domestic market, while the private label brands account for the remaining 40% of the market.

### National Brands

- Examples: Centrum, One-A-Day.
- Generally do not provide a full line of vitamins or other supplements.
- The product formulas are conservative and generic in nature.

### Broad-line Brands

- Examples: Rexall Sundown, GNC's Nature's Fingerprint, Country Life.
- Full lines of products under one brand.
- This is the market segment where most of the product development and innovation occurs.
- Stronger potencies and cutting-edge ingredients.
- Highest price.

### Private Label Products

- Examples: NatureMed.
- Under retailer's name.
- Smaller line of products than broad-line brands.
- Manufactured by a third party.
- More conservative potencies than broad-line.
- Tend to be the cheapest.

## 2.4 Product Offering

Nature's Candy will market and sell private label (manufactured by a company that places the retailer's name on the packaging) naturopathic homeopathic dietary supplements to individual consumers via the Internet. These products will include ginseng, ginkoba, and various antioxidants. After year one, additional products will be offered.

## 2.5 Keys to Success

The keys to success are simple to articulate but challenging to achieve:

- Outstanding customer service.
- Consistently highest quality products.
- Efficient operations.

## 2.6 Critical Issues

Nature's Candy is still in the speculative stages as an Internet-based retailer. Its critical issue is to continue to take a modest fiscal approach. While its business model allows for rapid scalability, the business should be expanded only because it is necessary to serve the customers with a high level of attention and service that they are/should be accustomed to.

## 3.0 Marketing Strategy

Nature's Candy is focused on the merging/redefined Internet marketplace. The users will be Baby Boomers, which represent approximately 50% of the discretionary income currently in the United States. They are looking for proactive, non-invasive, and non-pharmaceutical ways to stay healthy as they age. Nature's Candy can bring these people cutting-edge products coupled with convenience and service.

The long-range goal of Nature's Candy is to not only dominate the naturopathic and homeopathic supplement market, but to also create an icon brand. Initially, the company will:

- Engage in Web-based marketing for the next year to generate awareness of the company and product information. Because Internet-based advertising has declined in recent quarters, the prices for advertising have consequently significantly dropped making the expenditure more cost effective.
- Engage in outdoor advertising providing general awareness to the public at large and direct individuals to the company's website.

## 3.1 Mission

Nature's Candy's mission is to provide the finest in natural supplements using the Internet to lower the consumer's cost. We exist to attract and maintain customers. When we adhere to this maxim, everything else will fall into place. Our services will exceed the expectations of our customers.

## 3.2 Marketing Objectives

- Increase repeat customers by 7% per quarter.
- Decrease customer acquisition costs by 8% per year.
- Maintain positive, steady growth each month.

## 3.3 Financial Objectives

- Pro-forma profitability by year three.
- Decrease variable costs by 2% a year.
- Profitability on 99% of the listed items, no lost leaders.

## 3.4 Target Markets

A significant trend in America and abroad is that people are taking a more proactive interest in their health. This is exemplified by the increase of health clubs and health club memberships. People are looking to avoid invasive surgery and powerful pharmaceuticals; instead people are taking an active role in the maintenance of their health and practicing preventive medicine. Naturopathic medicine promotes the diagnosis, treatment, and prevention of human disorders through the use of non-invasive, non-pharmaceutical products and practices. In 1993, the United States government recognized this trend when it established the Office of Alternative Medicine.

Besides the general development of naturopathic medicine, the aging of the American population is a significant trend driving the use of naturopathic and homeopathic health supplements. The Baby Boomers are now reaching middle age and their mortality is becoming a focus. This demographic segment, which is comprised of 80 million people, represents over 50% of our country's discretionary income. It is reasonable to believe that this wealthy market segment will continue to grow the sales of naturopathic products.

Another global trend is the emergence and popularity of e-commerce. Brand-focused Web retailers that can provide good products, customer service, information, and the intangible, emotional buy-in by the customer are becoming hugely successful. E-commerce retailers have an advantage in that "Unlike traditional retailers, Web-based sellers are not slowed by the friction of store growth and local marketing" (J.W. Gurley, *Fortune*, 1/11/00). In addition, e-commerce companies do not have the excessive overhead of a traditional brick and mortar retailer. As seen by the recent success of Amazon.com and Gap.com, consumers are comfortable buying online and will pay for convenience. Experts predict Web sales to grow to \$12 billion by 2003.

The recent Internet crash was based on too easy access to capital invested into retailers and other dotcoms without reasonable business plans or revenue models. Regardless of the recent fallout, the Internet is a very efficient marketing and distribution model, that if done right, significantly decreases costs of serving the consumer.

## 3.5 Positioning

Nature's Candy will position themselves as a one-stop Internet purveyor of high-quality, reasonably-priced supplements. NC will leverage its competitive edges to achieve the desired positioning:

- Nature's Candy's competitive edge will be its easy to use website and superior customer service. The website design will be a competitive advantage because research indicates that an easy-to-use website significantly increases sales. Too often sales are lost because of complex websites that are far from intuitive.
- Nature's Candy's other competitive edge is superior customer service. The mantra of the customer service department is to serve the customer in any way required. Customers that call in with problem/issues will be amazed at the amount of personal attention they receive, and how quickly issues are not only resolved but significantly improved. Superior customer service will be a powerful asset.

## 3.6 Strategies

The single objective is to position NC as the premier retailer of naturopathic and homeopathic nutritional supplements. The marketing strategy will first seek to create customer awareness regarding the products offered, grow the customer base, and work toward building customer loyalty and referrals. The long-range goal is to not only dominate the homeopathic supplement market, but to create an icon brand. Initially the company will:

- Engage in Web-based marketing for the next year to generate awareness of the company and product information. Because Internet-based advertising has declined in recent quarters, the prices for advertising have consequently significantly dropped making the expenditure more cost effective.
- Utilize outdoor advertising, providing general awareness to the public at large and direct individuals to the company's website.

## 3.7 Marketing Mix

Nature's Candy's marketing mix is comprised of the following approaches to pricing, distribution, advertising and promotion, and customer service.

- **Pricing:** The pricing structure will slightly undercut the national brands. NC is able to do this by leveraging its efficient business model as well as using private label manufacturing.
- **Distribution:** All products will be distributed through its warehouse, accessed via the website, and delivered throughout this country as well as internationally.
- **Advertising and Promotion:** Internet-based marketing as well as outdoor ads will be used.
- **Customer Service:** L.L. Bean and Amazon.com have been benchmarked as industry models. It is NC's goal to reach the same level of service as the benchmarked companies.

### 3.8 Marketing Research

NC conducted several different focus groups to collect valuable market research prior to undertaking this large project. The focus group participants were comprised of dissimilar individuals. Some of the participants were the ideal targeted customer, while others were individuals who might have an inclination to purchasing supplements and might have an inclination to purchasing from an Internet vendor.

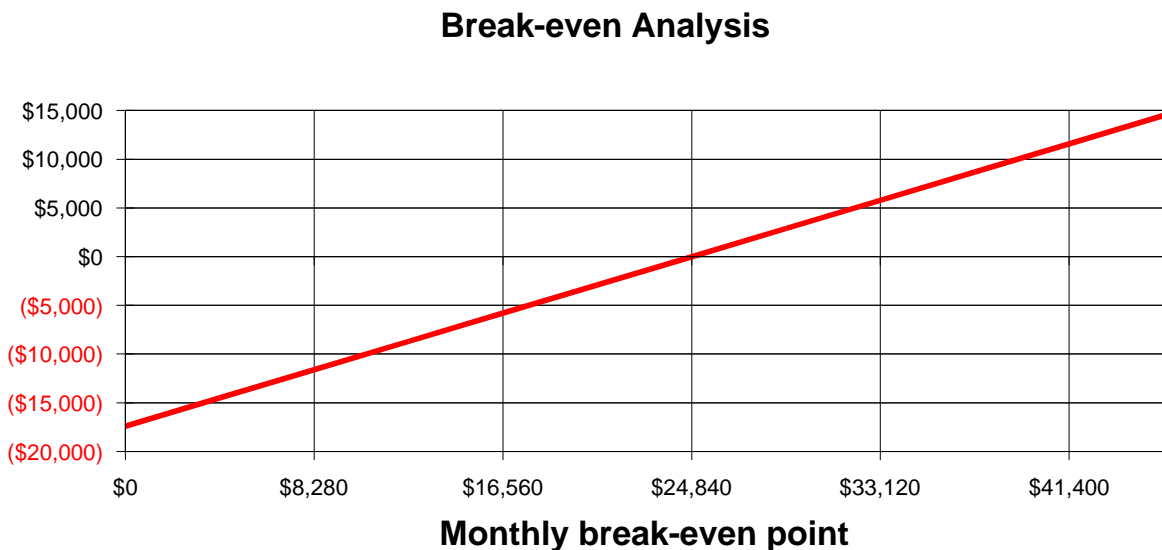
The information gathered from the focus groups, both from the natural customers as well as the tentative ones was invaluable. When working so hard on a single project for a long period of time it is often difficult to see things from multi-perspectives. The collected research had a positive, profound effect on the entire project and it is believed that NC will be far more successful as a result of this market research.

### 4.0 Financials

This section will offer a financial overview of NC as it relates to the marketing activities. NC will address break-even analysis, sales forecasts, expense forecasts, and how these link to the marketing activities.

#### 4.1 Break-even Analysis

The break-even analysis indicates that \$24,857 is needed in monthly sales to reach the break-even point.



Break-even point = where line intersects with 0

**Table 4.1: Break-even Analysis**

Break-even Analysis:	
Monthly Units Break-even	829
Monthly Sales Break-even	\$24,857
Assumptions:	
Average Per-Unit Revenue	\$30.00
Average Per-Unit Variable Cost	\$9.00
Estimated Monthly Fixed Cost	\$17,400

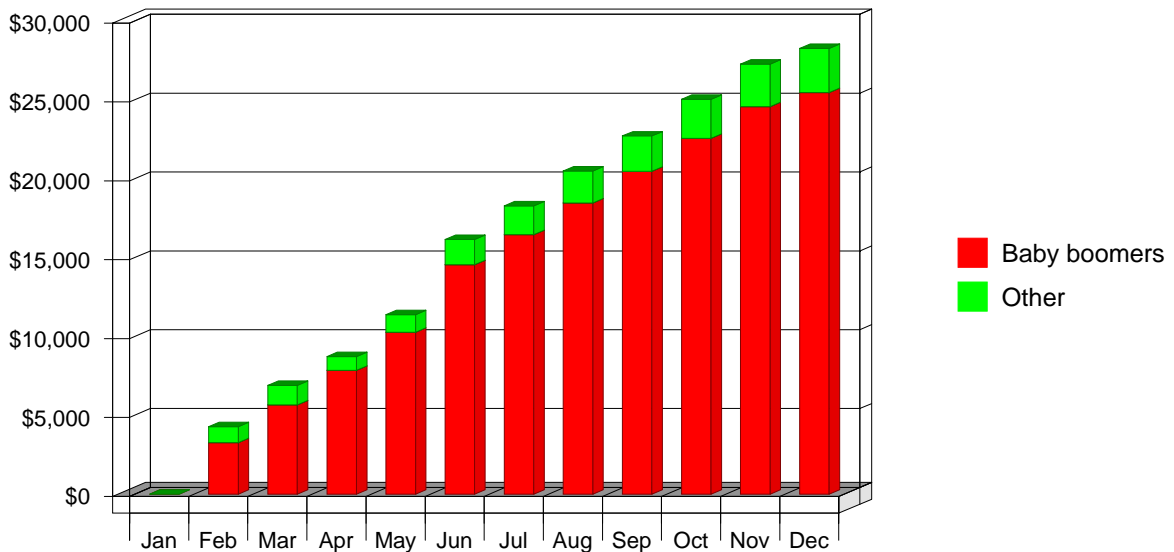
## 4.2 Sales Forecast

Nature's Candy will process 90% of its sales online through a secure socket layer (SSL). All orders will be charged to Visa, MasterCard, or American Express.

Research indicates that too many sites are not easy or intuitive to navigate and lose customers who migrate through the site; often putting products in their basket, yet leave without purchasing anything. By ensuring that the website is easy to navigate as well as simple to order from, Nature's Candy will be ensuring that people who make it to the website will end up completing their order. This last point is key.

The first month and a half will be used to develop and ready the site. There will be no sales. From month two on, Nature's Candy expects a gradual rise in sales.

### Monthly Sales Forecast



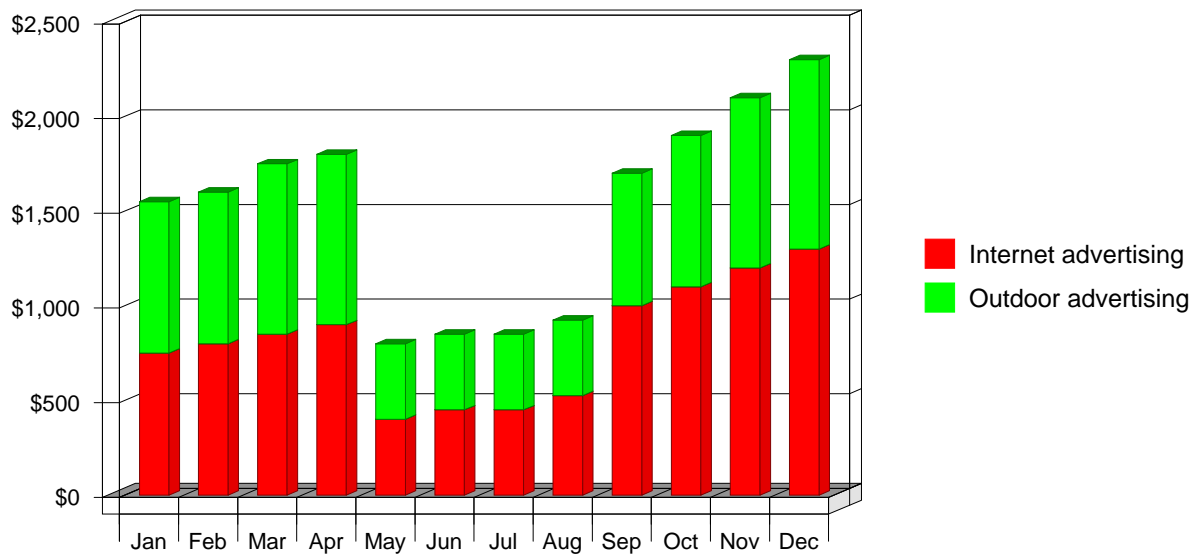
**Table 4.2: Sales Forecast**

Sales Forecast			
Sales	2003	2004	2005
Baby boomers	\$169,469	\$371,454	\$411,014
Other	\$19,930	\$40,860	\$45,212
<b>Total Sales</b>	<b>\$189,399</b>	<b>\$412,314</b>	<b>\$456,226</b>
Direct Cost of Sales			
	2003	2004	2005
Baby boomers	\$50,841	\$111,436	\$123,304
Other	\$5,979	\$12,258	\$13,564
<b>Subtotal Cost of Sales</b>	<b>\$56,820</b>	<b>\$123,694</b>	<b>\$136,868</b>

### 4.3 Expense Forecast

The marketing expenses are budgeted so that they ramp up significantly in the first quarter as a means for generating visibility for this new business. Marketing expenses will recede in the second quarter and then rise during the third quarter to have a significant impact.

**Monthly Expense Budget**



**Table 4.3: Marketing Expense Budget**

Marketing Expense Budget	2003	2004	2005
Internet advertising	\$9,725	\$14,000	\$19,000
Outdoor advertising	\$8,400	\$12,000	\$18,000
-----			
Total Sales and Marketing Expenses	\$18,125	\$26,000	\$37,000
Percent of Sales	9.57%	6.31%	8.11%
Contribution Margin	\$114,454	\$262,620	\$282,358
Contribution Margin / Sales	60.43%	63.69%	61.89%

## 5.0 Controls

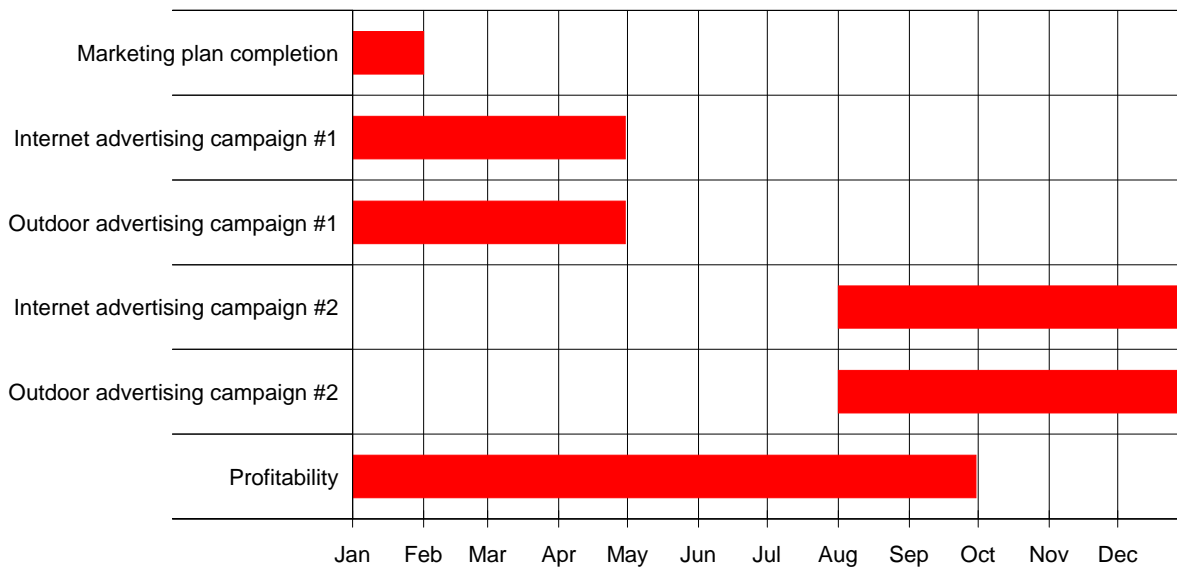
The purpose of Nature's Candy's marketing plan is to serve as a guide for the organization. The following areas will be tracked to gauge ongoing performance.

- Customer acquisition costs.
- Repeat customers.
- Customer satisfaction.

## 5.1 Implementation

The following milestones identify the key marketing programs. It is important to closely follow the outlined goals.

### Milestones





**Table 5.1: Milestones**

Milestones	Plan	Start Date	End Date	Budget	Manager	Department
Milestone		1/1/03	2/1/03	\$0	Quigley	
Marketing plan completion		1/1/03	4/30/03	\$3,300	Quigley	
Internet advertising campaign #1		1/1/03	4/30/03	\$3,400	Quigley	
Outdoor advertising campaign #1		8/1/03	12/30/03	\$4,600	Quigley	
Internet advertising campaign #2		8/1/03	12/30/03	\$3,400	Quigley	
Outdoor advertising campaign #2		1/1/03	9/30/03	\$0	Everyone	
Profitability				\$14,700		
Totals						

## 5.2 Marketing Organization

While the owner of Nature's Candy will be primarily responsible for the strategic marketing planning, he will rely on others to help with the execution of the plans.

## 5.3 Contingency Planning

### Difficulties and Risks

- Problems generating visibility.
- Software/hardware issues that hamper order placement and fulfillment.
- An immature market that is not yet ready to adopt the efficiencies and convenience that Internet-based retailers offer.

### Worst Case Risks May Include

- Problems securing additional capital.
- Having to liquidate equipment to cover liabilities.

## Appendix: Nature's Candy

**Table 4.2 Sales Forecast**

Sales Forecast	Plan											
Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Baby boomers	\$0	\$3,254	\$5,647	\$7,848	\$10,254	\$14,545	\$16,455	\$18,455	\$20,454	\$22,547	\$24,555	\$25,455
Other	\$0	\$1,024	\$1,245	\$863	\$1,128	\$1,600	\$1,810	\$2,030	\$2,250	\$2,480	\$2,700	\$2,800
<b>Total Sales</b>	<b>\$0</b>	<b>\$4,278</b>	<b>\$6,892</b>	<b>\$8,711</b>	<b>\$11,382</b>	<b>\$16,145</b>	<b>\$18,265</b>	<b>\$20,485</b>	<b>\$22,704</b>	<b>\$25,027</b>	<b>\$27,255</b>	<b>\$28,255</b>
Direct Cost of Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Baby boomers	\$0	\$976	\$1,694	\$2,354	\$3,076	\$4,364	\$4,937	\$5,537	\$6,136	\$6,764	\$7,367	\$7,637
Other	\$0	\$307	\$374	\$259	\$338	\$480	\$543	\$609	\$675	\$744	\$810	\$840
<b>Subtotal Cost of Sales</b>	<b>\$0</b>	<b>\$1,283</b>	<b>\$2,068</b>	<b>\$2,613</b>	<b>\$3,415</b>	<b>\$4,844</b>	<b>\$5,480</b>	<b>\$6,146</b>	<b>\$6,811</b>	<b>\$7,508</b>	<b>\$8,177</b>	<b>\$8,477</b>

## Appendix: Nature's Candy

**Table 4.3 Marketing Expense Budget**

Marketing Expense Budget	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Internet advertising	\$750	\$800	\$850	\$900	\$400	\$450	\$450	\$525	\$1,000	\$1,100	\$1,200	\$1,300
Outdoor advertising	\$800	\$800	\$900	\$900	\$400	\$400	\$400	\$400	\$700	\$800	\$900	\$1,000
<b>Total Sales and Marketing Expenses</b>	<b>\$1,550</b>	<b>\$1,600</b>	<b>\$1,750</b>	<b>\$1,800</b>	<b>\$800</b>	<b>\$850</b>	<b>\$850</b>	<b>\$925</b>	<b>\$1,700</b>	<b>\$1,900</b>	<b>\$2,100</b>	<b>\$2,300</b>
Percent of Sales	0.00%	37.40%	25.39%	20.66%	7.03%	5.26%	4.65%	4.52%	7.49%	7.59%	7.71%	8.14%
Contribution Margin	(\$1,550)	\$1,395	\$3,074	\$4,298	\$7,167	\$10,452	\$11,936	\$13,415	\$14,193	\$15,619	\$16,979	\$17,479
Contribution Margin / Sales	0.00%	32.60%	44.61%	49.34%	62.97%	64.74%	65.35%	65.48%	62.51%	62.41%	62.29%	61.86%