



January 2001

This sample marketing plan has been made available to users of *Marketing Plan Pro™*, 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. For product information visit our Website: www.paloalto.com or call: 1-800-229-7526.

Copyright Palo Alto Software, Inc., 2001

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

1.0	Executive Summary	1
2.0	Situation Analysis	1
2.1	Market Summary	1
2.1.1	Market Demographics	2
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	6
2.2.3	Opportunities	6
2.2.4	Threats	6
2.3	Competition	6
2.4	Services	7
2.5	Keys to Success	7
2.6	Critical Issues	8
3.0	Marketing Strategy	8
3.1	Mission	8
3.2	Marketing Objectives	8
3.3	Financial Objectives	8
3.4	Target Marketing	9
3.5	Positioning	9
3.6	Strategy Pyramids	10
3.7	Marketing Mix	10
3.8	Marketing Research	10
4.0	Financials, Budgets, and Forecasts	11
4.1	Break-even Analysis	12
4.2	Sales Forecast	13
4.3	Expense Forecast	14
5.0	Controls	15
5.1	Implementation Milestones	15
5.2	Marketing Organization	15
5.3	Contingency Planning	15

1.0 Executive Summary

Sigmund's Gourmet Pasta will be the leading gourmet pasta restaurant in Eugene, OR with a rapidly developing consumer brand and growing customer base. The signature line of innovative, premium, pasta dishes include pesto with smoked salmon, pancetta and peas linguini in an alfredo sauce, and fresh mussels and clams in a marinara sauce. Sigmund's Gourmet Pasta also serves distinct salads, desserts, and beverages.

Sigmund's Gourmet Pasta will reinvent the pasta experience for individuals, families, and take out customers with discretionary income by selling high quality, innovative products at a reasonable price, designing tasteful, convenient locations, and providing industry-benchmark customer service.

In order to grow at a rate consistent with our objectives, Sigmund's is offering an additional \$500,000 in equity. Existing members will be given the first option to subscribe to the additional equity to allow each of them to maintain their percentage of ownership. The portion not subscribed by existing members will be available for prospective new investors.

2.0 Situation Analysis

Sigmund's Gourmet Pasta is close to entering their second year of operation. The restaurant has been well received, and marketing is now critical to its continued success and future profitability. The store offers an extensive offering of gourmet pastas. The basic market need is to offer individuals, families, and take out customers fresh, creative, attractive, pasta dishes, salads and desserts. Sigmund's uses homemade pasta, fresh vegetables, and premium meats and cheeses.

2.1 Market Summary

Sigmund's Gourmet Pasta possess good information about the market and knows a great deal about the common attributes of our most prized and loyal customers. Sigmund's Gourmet Pasta will leverage this information to better understand who is served, their specific needs, and how Sigmund's can better communicate with them.

Target Markets

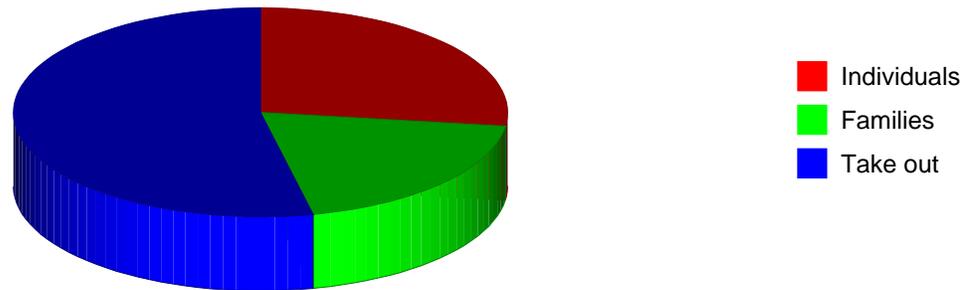


Table 2.1: Target Market Forecast

Target Market Forecast	Growth	2001	2002	2003	2004	2005	CAGR
Potential Customers							
Individuals	8%	12,457	13,454	14,530	15,692	16,947	8.00%
Families	9%	8,974	9,782	10,662	11,622	12,668	9.00%
Take out	10%	24,574	27,031	29,734	32,707	35,978	10.00%
Total	9.27%	46,005	50,267	54,926	60,021	65,593	9.27%

2.1.1 Market Demographics

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

Geographics

- Our immediate geographic target is the city of Eugene with a population of 130,00.
- A 15 mile geographic area is in need of our services.
- The total targeted population is estimated at 46,000.

Demographics

- Male and female.
- Ages 25-50, this is the segment that makes up 53% of the Eugene market according to the Eugene Chamber of Commerce.
- Young professionals who work close to the location.
- Yuppies.
- Have attended college and/or graduate school.
- An income over \$40,000.
- Eat out several times a week.
- Tend to patronize higher quality restaurants.
- Are cognizant about their health.

Behavior Factors

- Enjoy a high quality meal without the mess of making it themselves.
- When ordering, health concerns in regard to foods are taken into account.
- There is value attributed to the appearance or presentation of food.

2.1.2 Market Needs

Sigmund's Gourmet Pasta is providing its customers with a wide selection of high-quality pasta dishes and salads that are unique and pleasing in presentation, offer a wide selection of health conscious choices, and utilizes top-shelf ingredients. Sigmund's Gourmet Pasta seeks to fulfill the following benefits that are important to their customers.

- **Selection.** A wide choice of pasta and salad options.
- **Accessibility.** The patron can gain access to the restaurant with minimal waits and can choose the option of dine in or take out.
- **Customer service.** The patron will be impressed with the level of attention that they receive.
- **Competitive pricing.** All products/services will be competitively priced relative to comparable high-end pasta/Italian restaurants.

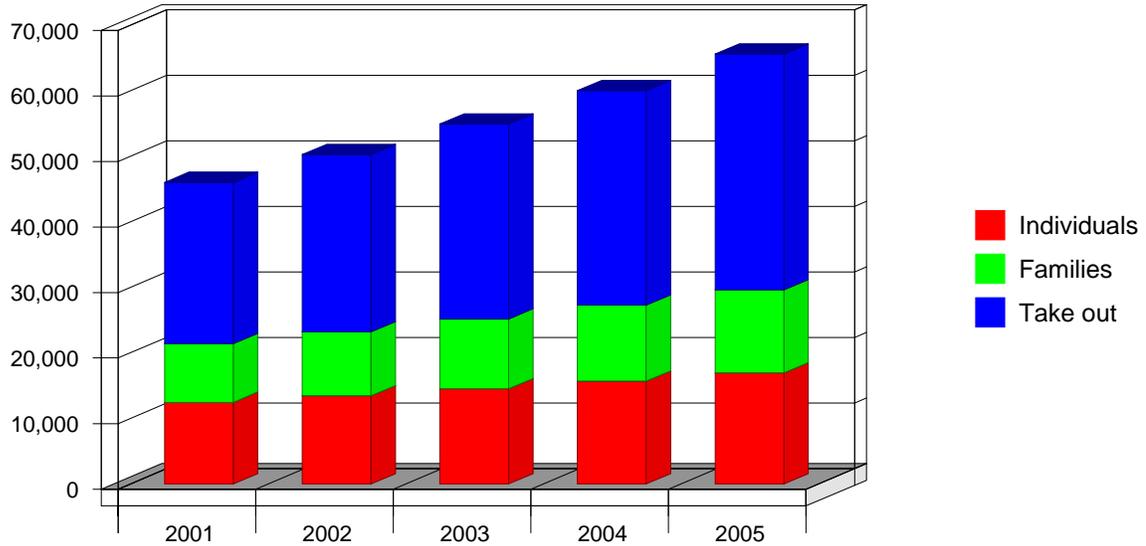
2.1.3 Market Trends

The market trend for restaurants is headed toward a more sophisticated customer. The restaurant patron today relative to yesterday is more sophisticated in a number of different ways.

- **Food quality.** The preference for high-quality ingredients is increasing as customers are learning to appreciate the qualitative differences.
- **Presentation/appearance.** As presentation of an element of the culinary experience becomes more pervasive, patrons are learning to appreciate this aspect of the industry.
- **Health consciousness.** As Americans in general are more cognizant of their health, evidenced by the increase in individuals exercising and health club memberships, patrons are requesting more healthy alternatives when they eat out. They recognize that an entree can be quite tasty, and reasonably good for you.
- **Selection.** People are demanding a larger selection of foods, they are no longer accepting a limited menu.

The reason for this trend is that within the last couple of years the restaurant offerings have increased, providing customers with new choices. Restaurant patrons no longer need to accept a limited number of options. With more choices, patrons have become more sophisticated. This trend is intuitive as you can observe a more sophisticated restaurant patron in larger city markets such as Seattle, Portland or New York where there are more choices available.

Market Forecast

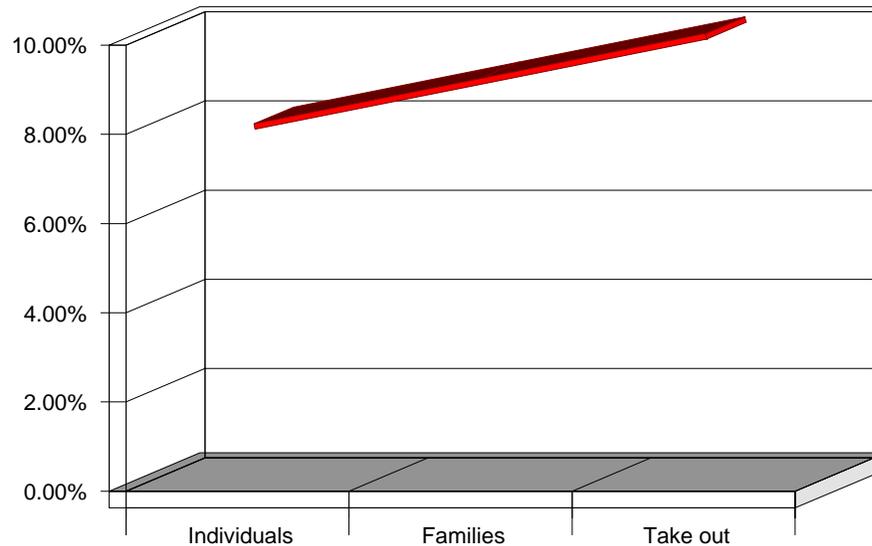


2.1.4 Market Growth

In 1999, the global pasta market reached \$8 billion dollars. Pasta sales are estimated to grow by at least 10% for the next few years. This growth can be attributed to several different factors. The first factor is an appreciation for health conscious food. While not all pasta is "good for you," particularly the cream based sauces, pasta can be very tasty yet health conscious at the same time. Pasta is seen as a healthy food because of its high percentage of carbohydrates relative to fat.

Another variable that is contributing to market growth is an increase in the number of hours our demographic is working. Over the last five years the number of hours spent at work of our archetype customer has significantly increased. As the number of work hours increases, there is a high correlation of people that eat out at restaurants. This is intuitively explained by the fact that with a limited number of hours available each day, people have less time to prepare their meals and eating out is one way to maximize their time.

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 Sigmund's Gourmet Pasta.

2.2.1 Strengths

- Strong relationships with vendors that offer high-quality ingredients and fast/frequent delivery schedules.
- Excellent staff who are highly trained and very customer attentive.
- Great retail space that is bright, hip, clean, and located in an upscale mall, suburban neighborhood, or urban retail district.
- High customer loyalty among repeat customers.
- High-quality food offerings that exceed competitors offerings in quality, presentation, and price.

2.2.2 Weaknesses

- Sigmund's name lacks brand equity.
- A limited marketing budget to develop brand awareness.
- The struggle to continually appear to be cutting edge.

2.2.3 Opportunities

- Growing market with a significant percentage of the target market still not aware that Sigmund's Gourmet Pasta exists.
- Increasing sales opportunities in take out business.
- The ability to spread overhead over multiple revenue centers. Sigmund's will be able to spread the management overhead costs among the multiple stores, decreasing the fixed costs per store.

2.2.4 Threats

- Competition from local restaurants that respond to Sigmund's Gourmet Pasta's superior offerings.
- Gourmet pasta restaurant chains found in other markets coming to Eugene.
- A slump in the economy reducing customer's disposable income spent on eating out.

2.3 Competition

National Competition

- **Pastabilities:** offers consumers their choice of noodles, sauces, and ingredients, allowing the customer to assemble their dish as they wish. Food quality is average.
- **PastaFresh:** has a limited selection but the dishes are assembled with high-quality ingredients. The price point is high, but the food is quite good.
- **Pasta Works:** offers pasta that is reasonably fresh, reasonably innovative and at a lower price point. The company was sold a few years ago, and consequently the direction of management has been stagnant lately and has resulted in excessive employee turnover.
- **Perfect Pasta:** has medium-priced pasta dishes that use average ingredients, no creativity, and less than average store atmosphere. Sigmund's is not sure how this company has been able to grow in size as their whole product is mediocre at best.

Local Competition

- **(Name omitted).** This is an upscale Italian restaurant that has a limited selection of pasta dishes. Although the selection is limited and pricey, the dishes are quite good.
- **(Name omitted).** An Italian restaurant with a decent pasta selection, however quality is inconsistent.
- **(Name omitted).** An upscale restaurant with a large wine selection and good salads. Everything else is mediocre at best and over-priced. Service can often be poor.

Table 2.3: Growth and Share Analysis

Growth and Share Competitor	Price	Growth Rate	Market Share
Name omitted	\$16	7%	15%
Name omitted	\$12	6%	11%
Name omitted	\$14	7%	13%
Other	\$0	0%	0%
Average	\$10.50	4.88%	9.75%
Total	\$42.00	19.50%	39.00%

2.4 Services

Sigmund's has created gourmet pastas and salads that are differentiated and superior to competitors. Customers can taste the quality and freshness of the product in every bite. The following are characteristics of the product:

1. Sigmund's dough for the pasta is made with Italian semolina flour.
2. Cheeses are all imported.
3. Vegetables are organic and fresh with three shipments a week.
4. Meats are all top-shelf varieties, organic when possible.

At Sigmund's, food is not a product, the experience of dining is a service. Sigmund's prides themselves on providing service that is on par with fine dining. This is accomplished through an extensive training program and only hiring experienced employees.

At a Glance--The Prototype Sigmund's Store:

- Location: an upscale mall, suburban neighborhood, or urban retail district.
- Design: bright, hip, and clean.
- Size: 1,200-1,700 square feet.
- Employees: six to seven full time.
- Seating: 35-45.
- Types of transactions: 80% dine in, 20% take out.

2.5 Keys to Success

Location, Location, Location.

Sigmund's site selection criteria are critical to success. Arthur Johnson, former VP Real Estate, Starbucks, helped us identify the following site selection criteria:

- Daytime and evening populations.
- Shopping patterns.
- Car counts.
- Household income levels.

2.6 Critical Issues

Sigmund's Gourmet Pasta is still in the speculative stage as a retail restaurant. Its critical issues are:

- Continue to take a modest fiscal approach; expand at a reasonable rate, not for the sake of expansion in itself, but because it is economically wise to. Continue to build brand awareness which will drive customers to existing stores as well as ease the marketing efforts of future stores.

3.0 Marketing Strategy

Sigmund's advertising budget is very limited, so the advertising program is simple. Sigmund's will do direct mail, banner ads, and inserts, with inserts in the Register Guard likely to be the most successful of the campaigns.

Lastly, Sigmund's will leverage personal relationships to get an articles of Sigmund's in the Register Guard. Previous friends who have had their restaurant featured in the Register Guard has seen a dramatic increase of sales immediately after the article was published in the RG.

3.1 Mission

Sigmund's Gourmet Pasta's mission is to provide the customer the finest pasta meal and dining experience. 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

1. Maintain positive, steady, growth each month.
2. Generate at least \$40,000 in sales per month.
3. Experience an increase in new customers who are turned into long-term customers.
4. Realize a growth strategy of one store per year.

3.3 Financial Objectives

1. A double-digit growth rate for each future year.
2. Reduce the overhead per store through disciplined growth.
3. Continue to decrease the variable costs associated with food production.

3.4 Target Marketing

The market can be segmented into three target populations:

- Individuals: people that dine in by themselves.
- Families: a group of people, either friends or a group of nuclear relatives dining together.
- Take out: people that prefer to eat Sigmund's food in their home or at a different location than the actual restaurant.

The Sigmund's customer are hungry individuals between the ages of 25 and 50, making up 53% of Eugene (Eugene Chamber of Commerce). Age is not the most defined demographic of this customer base; all age groups enjoy pasta. The most defined characteristic of the target market is income. Gourmet pasta stores have been very successful in high rent, mixed-use urban areas, such as Northwest 23rd in Portland. These areas have a large day and night population consisting of business people and families who have household disposable incomes over \$40,000.

Combining several key demographic factors, Sigmund's arrives at a profile of the primary customer as follows:

- Sophisticated families who live nearby.
- Young professionals who work close to the location.
- Shoppers who patronize the high rent stores.

3.5 Positioning

Sigmund's Gourmet Pasta will position itself as a reasonably priced, upscale, gourmet pasta restaurant. Eugene consumers who appreciate high-quality food will recognize the value and unique offerings of Sigmund's Gourmet Pasta. Patrons will be both single as well as families, ages 25-50.

Sigmund's Gourmet Pasta positioning will leverage their competitive edge:

- **Product.** The product will have the freshest ingredients including homemade pasta, imported cheeses, organic vegetables, and top-shelf meats. The product will also be developed to enhance presentation, everything will be aesthetically pleasing.
- **Service.** Customer service will be the priority. All employees will ensure that the customers are having the most pleasant dining experience. All employees will go through an extensive training program and only experienced people will be hired.

By offering a superior product, coupled with superior service, Sigmund's will excel relative to the competition.

3.6 Strategy Pyramids

The single objective is to position Sigmund's as the premier gourmet pasta restaurant in the Eugene, OR area, commanding a majority of the market share within five years. The marketing strategy will seek to first create customer awareness regarding their services offered, develop that customer base, and work toward building customer loyalty and referrals.

The message that Sigmund's will seek to communicate is that Sigmund's offers the freshest, most creative, health conscious, reasonably priced, gourmet pasta in Eugene. This message will be communicated through a variety of methods. The first will be direct mail. The direct mail campaign will be a way to communicate directly with the consumer. Sigmund's will also use banner ads and inserts in the Register Guard. This will be particularly effective because the Register Guard is a popular local paper that is consulted when people are looking for things to do in Eugene.

The last method for communicating Sigmund's message is through a grassroots PR campaign. This campaign will leverage personal relationships with people on staff of the Register Guard to get a couple of articles written about Sigmund's. One will be from the business point of view, talking about the opening of the restaurant and the people behind the venture. This is likely to be run in the business section. The second article will be a food review. In speaking with many different retailers and restaurateurs, significant increases of traffic followed articles in the Register Guard. Because of this level of effectiveness and low/zero cost, Sigmund's will work hard to get press in the Register Guard.

3.7 Marketing Mix

Sigmund's marketing mix is comprised of these following approaches to pricing, distribution, advertising and promotion, and customer service.

- **Pricing.** Sigmund's pricing scheme is that the product cost is 45% of the total retail price.
- **Distribution.** Sigmund's food will be distributed through a take out model where customers can call in their order and come to the restaurant to pick it up, come into the restaurant, place the take out order and wait for it to be completed, or come in and dine at the restaurant.
- **Advertising and Promotion.** The most successful advertising will be banner ads and inserts in the Register Guard as well as a PR campaign of informational articles and reviews also within the Register Guard.
- **Customer Service.** Obsessive customer attention is the mantra. Sigmund's philosophy is that whatever needs to be done to make the customer happy must occur, even at the expense of short-term profits. In the long term, this investment will pay off with a fiercely loyal customer base who is extremely vocal to their friends with referrals.

3.8 Marketing Research

During the initial phases of the marketing plan development, several focus groups were held to gain insight into a variety of patrons of restaurants. These focus groups provided useful insight into the decisions, and decision making processes, of consumers.

An additional source of market research that is dynamic is a feedback mechanism based on a suggestion card system. The suggestion card system has several statements that patrons are asked to rate in terms of a given scale. There are also several open ended questions that allow the customer to freely offer constructive criticism or praise. Sigmund's will work hard to implement reasonable suggestions in order to improve their service offerings as well as show their commitment to the customer that their suggestions are valued.

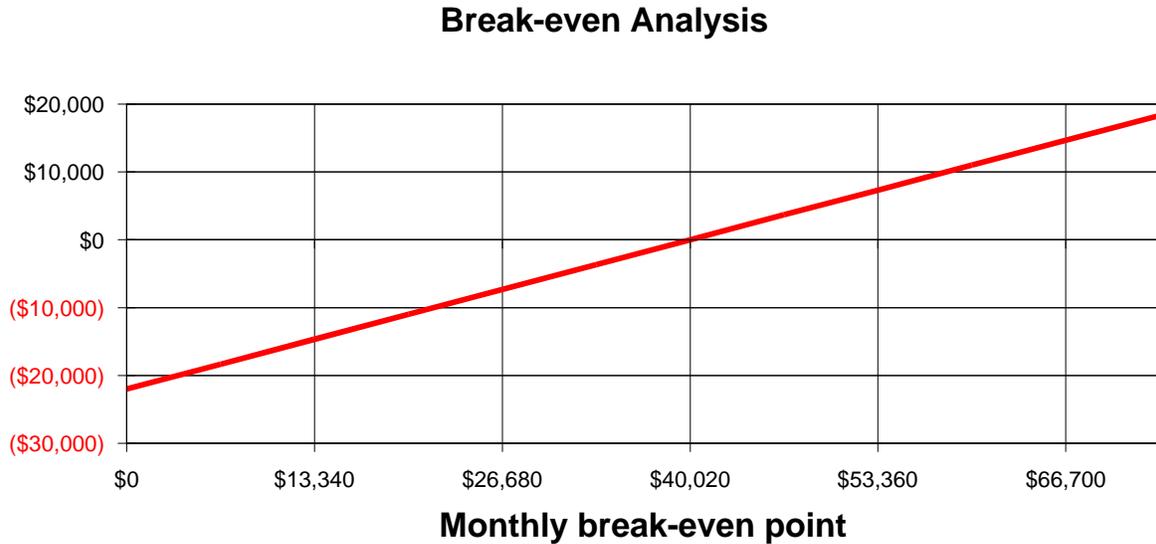
The last source of market research is competitive analysis/appreciation. Sigmund's will continually patronize local restaurants for two reasons. The first is for competitive analysis, providing Sigmund's with timely information regarding other restaurant's service offering. The second reason is that local business owners, particularly restaurant owners, are often part of an informal fraternal organization where they support each other's business.

4.0 Financials, Budgets, and Forecasts

This section will offer a financial overview of Sigmund's Gourmet Pasta as it relates to the marketing activities. Sigmund's will address Break-even Analysis, sales forecasts, expense forecasts, and how those link to the marketing strategy.

4.1 Break-even Analysis

The Break-even Analysis indicates that \$40,000 will be needed in monthly revenue 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	4,000
Monthly Sales Break-even	\$40,000
Assumptions:	
Average Per-Unit Revenue	\$10.00
Average Per-Unit Variable Cost	\$4.50
Estimated Monthly Fixed Cost	\$22,000

4.2 Sales Forecast

The first two months will be used to get the restaurant up and running. By month three things will get busier. Sales will gradually increase with profitability being reached by the beginning of year two.

Monthly Sales Forecast

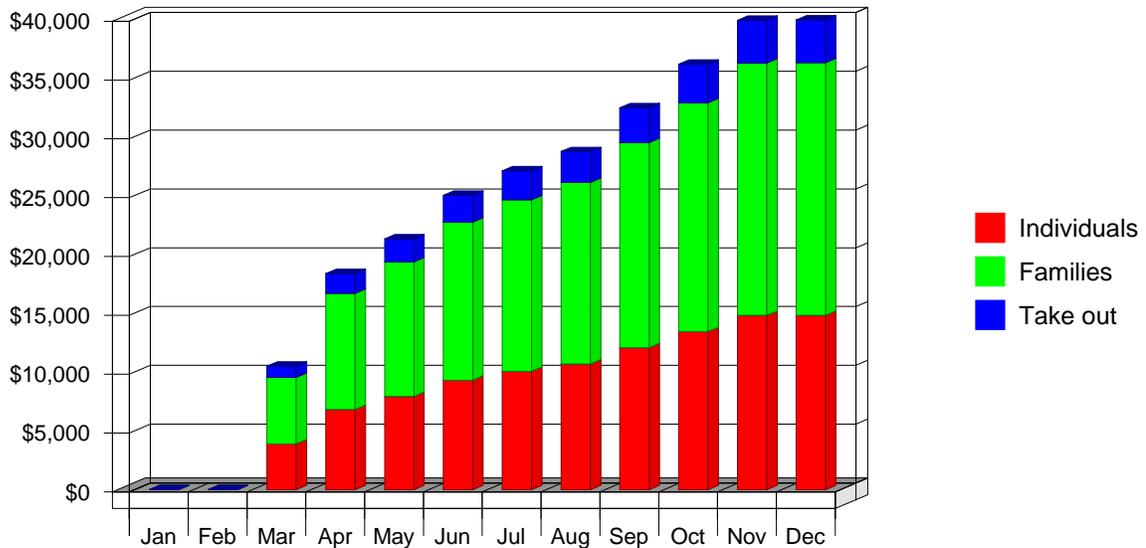


Table 4.2: Sales Forecast

Sales Forecast			
Sales	2001	2002	2003
Individuals	\$103,710	\$262,527	\$327,424
Families	\$150,304	\$380,474	\$474,528
Take out	\$25,401	\$64,300	\$80,195
Total Sales	\$279,415	\$707,301	\$882,148
Direct Cost of Sales			
Individuals	2001	2002	2003
Individuals	\$46,669	\$118,137	\$147,341
Families	\$67,637	\$171,213	\$213,538
Take out	\$11,431	\$28,935	\$36,088
Subtotal Cost of Sales	\$125,737	\$318,286	\$396,966

4.3 Expense Forecast

Marketing expenses are to be budgeted so that they are ramped up for months two through four and then lower and plateau from month five to month 10. Restaurants typically have increased business in the fall. This generally occurs because during the summer, when the weather is nice and it does not get dark until late, people tend to eat out less. From months 10-12, the marketing costs will increase again.

Monthly Expense Budget

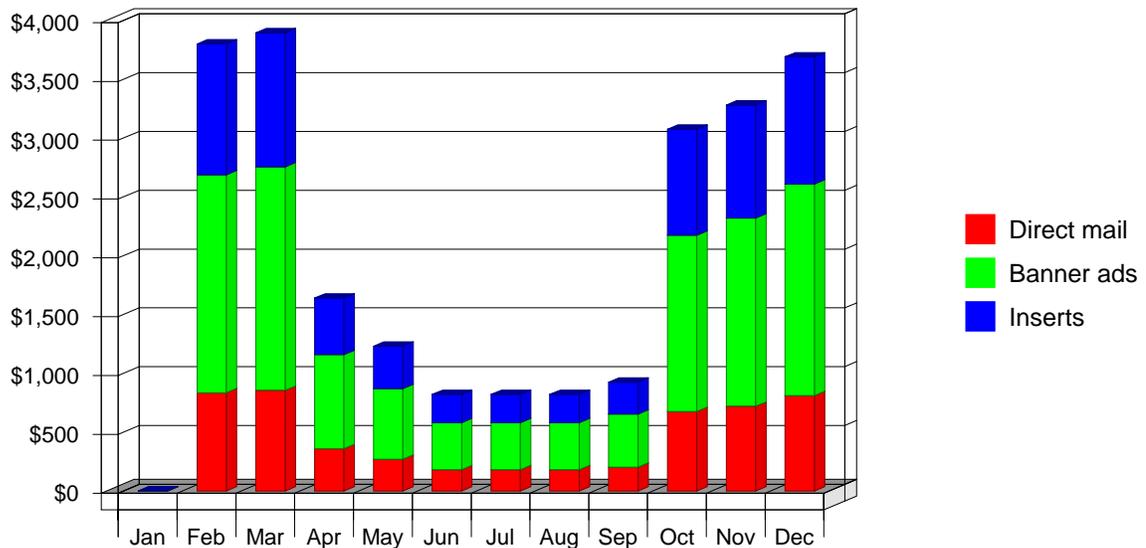


Table 4.3: Marketing Expense Budget

Marketing Expense Budget	2001	2002	2003
Direct mail	\$5,267	\$5,605	\$5,421
Banner ads	\$11,704	\$12,455	\$12,047
Inserts	\$7,022	\$7,473	\$7,228
	-----	-----	-----
Total Sales and Marketing Expenses	\$23,993	\$25,533	\$24,696
Percent of Sales	8.59%	3.61%	2.80%
Contribution Margin	\$129,685	\$363,483	\$460,485
Contribution Margin / Sales	46.41%	51.39%	52.20%

5.0 Controls

The purpose of Sigmund's Gourmet Pasta's marketing plan is to serve as a guide for the organization.

5.1 Implementation Milestones

The following milestones identify the key marketing programs. It is important to accomplish each one on time, and on budget.

Table 5.1: Milestones

Milestones	Plan	Start Date	End Date	Budget	Manager	Department
Milestone						
Marketing plan completion		1/1/01	2/1/01		Kevin	
Direct mail campaign #1		2/1/01	4/1/01	\$1,689	Kevin	
Banner ad campaign #1		2/1/01	4/1/01	\$3,754	Kevin	
Insert campaign #1		2/1/01	4/1/01	\$2,252	Kevin	
Direct mail campaign #2		10/1/01	1/1/02	\$2,205	Kevin	
Banner ad campaign #2		10/1/01	1/1/02	\$4,900	Kevin	
Insert campaign #2		10/1/01	1/1/02	\$2,940	Kevin	
Totals				\$17,740		

5.2 Marketing Organization

Kevin Lewis, the owner, is primarily responsible for marketing activities. This is in addition to his other responsibilities, and does depend on some outside resources for graphic design work, and creativity.

5.3 Contingency Planning

Difficulties and risks:

- Problems generating visibility.
- Overly aggressive and debilitating actions by competitors.
- An entry into the Eugene market of an already existing, franchised gourmet pasta restaurant.

Worst case risks may include:

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

Appendix: Sigmund's Gourmet Pasta

Table 4.2 Sales Forecast

Sales Forecast	Plan											
Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Individuals	\$0	\$0	\$3,895	\$6,813	\$7,906	\$9,286	\$10,057	\$10,664	\$12,044	\$13,424	\$14,804	\$14,817
Families	\$0	\$0	\$5,645	\$9,874	\$11,458	\$13,458	\$14,575	\$15,455	\$17,455	\$19,455	\$21,455	\$21,474
Take out	\$0	\$0	\$954	\$1,669	\$1,936	\$2,274	\$2,463	\$2,612	\$2,950	\$3,288	\$3,626	\$3,629
Total Sales	\$0	\$0	\$10,494	\$18,356	\$21,300	\$25,018	\$27,095	\$28,731	\$32,449	\$36,167	\$39,885	\$39,920
Direct Cost of Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Individuals	\$0	\$0	\$1,753	\$3,066	\$3,558	\$4,179	\$4,526	\$4,799	\$5,420	\$6,041	\$6,662	\$6,668
Families	\$0	\$0	\$2,540	\$4,443	\$5,156	\$6,056	\$6,559	\$6,955	\$7,855	\$8,755	\$9,655	\$9,663
Take out	\$0	\$0	\$429	\$751	\$871	\$1,023	\$1,108	\$1,175	\$1,327	\$1,480	\$1,632	\$1,633
Subtotal Cost of Sales	\$0	\$0	\$4,722	\$8,260	\$9,585	\$11,258	\$12,193	\$12,929	\$14,602	\$16,275	\$17,948	\$17,964

Appendix: Sigmund's Gourmet Pasta

Table 4.3 Marketing Expense Budget

Marketing Expense Budget	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Direct mail	\$0	\$834	\$855	\$360	\$270	\$180	\$180	\$180	\$203	\$675	\$720	\$810
Banner ads	\$0	\$1,854	\$1,900	\$800	\$600	\$400	\$400	\$400	\$450	\$1,500	\$1,600	\$1,800
Inserts	\$0	\$1,112	\$1,140	\$480	\$360	\$240	\$240	\$240	\$270	\$900	\$960	\$1,080
Total Sales and Marketing Expenses	\$0	\$3,801	\$3,895	\$1,640	\$1,230	\$820	\$820	\$820	\$923	\$3,075	\$3,280	\$3,690
Percent of Sales	0.00%	0.00%	37.12%	8.93%	5.77%	3.28%	3.03%	2.85%	2.84%	8.50%	8.22%	9.24%
Contribution Margin	\$0	(\$3,801)	\$1,877	\$8,456	\$10,485	\$12,940	\$14,082	\$14,982	\$16,924	\$16,817	\$18,657	\$18,266
Contribution Margin / Sales	0.00%	0.00%	17.88%	46.07%	49.23%	51.72%	51.97%	52.15%	52.16%	46.50%	46.78%	45.76%