APPENDIX

CLOUDCAB SMALL JET TAXI SERVICE
Abbreviated Example Marketing Plan

NOTE TO READER
This is an abbreviated version of a marketing plan for a fictitious firm, CloudCab Small Jet Taxi Service. This appendix is designed to walk you through the main steps of marketing planning. The idea is to provide you with an example early in the course so you will have a better understanding throughout the chapters of how the pieces of a marketing plan come together. Chapter 2 is devoted to the topic of marketing planning, providing a marketing plan framework and explaining the parts. That framework is used to develop this abbreviated example. Note that in practice most marketing plans contain more depth of detail than is provided here. Also, remember that each chapter ends with a Marketing Plan Exercise designed to guide you in applying the concepts from that chapter to a marketing plan.

SITUATION ANALYSIS
CloudCab seeks to provide solutions for the time-conscious traveler using quick, luxurious jet transportation. The small company was founded in 2002 by former pilot Travis Camp and is now poised to be a first-mover into the California/Nevada/Arizona market. CloudCab will provide an alternative to frustrating waits at the airport and long car rides at a fair price for its customers.

CloudCab will use small, underutilized airports and a new class of Very Light Jet to quickly and comfortably transport customers from one city to another. Its customers will come primarily from businesses needing quick, on-demand transportation. Initially, CloudCab will not face much direct competition, so its biggest challenge will be to convince customers of its benefits over more traditional products.

Macro-Level External Environment
Political and Legal
Like all companies using the skies, CloudCab is subject to the rules set forth by the Federal Aviation Administration and other regulatory bodies. Fortunately, smaller jets have many of the same air privileges as their larger counterparts. This ensures access to needed airspace and air traffic control services.

The political and legal environment has the potential to become an even more positive factor for CloudCab as business expands. CloudCab uses smaller, underutilized airports, thereby drawing traffic away...
from congested major hubs and increasing the efficiency of the entire system. If CloudCab is successful, this may actually induce lawmakers to provide incentives for companies like CloudCab.

Furthermore, larger airports are already facing capacity strain. If CloudCab ties up the governmental resources needed by larger planes carrying more passengers, there may be pressure to limit the use of small jets at large airports.

**Sociocultural**

The macro-trend of consumers leading time-poor lives continues as both individuals and companies strive to be more efficient in their day-to-day operations. Coupled with a post-9/11 increase in waiting times at airports, this has led today’s consumers to be even more conscious of the time spent in transit. Many are willing to spend extra money on faster, more convenient travel options.

**Technological**

Until recently, small jet service on a large scale was prohibitively expensive. The limited number of people willing to pay for such service could not compensate for the high cost of the jet itself. Due to changes in technology and the advent of the Very Light Jet (VLJ), this has begun to change. Several companies have been able to produce VLJs for the relatively low price range of $1 million to $3 million each. Using these efficient three-to-six-passenger jets, a taxi-like air service is now economically feasible.

**Economic**

The overall state of the economy will have a large impact on CloudCab’s success, since business travel declines precipitously during economic downturns. Since some industries inherently require more travel than others (e.g., consulting, sales) and thus have a larger impact on demand for CloudCab services, CloudCab should particularly watch the health of these industries as predictors of demand for its own services.

CloudCab is also heavily dependent on the availability and price of oil. Higher oil prices will erode CloudCab’s margins, while shortages may effectively stall the business. The risk involved in relying on a potentially price-volatile resource must be effectively managed to ensure success.

**Competitive Environment**

**Threat of New Entrants**

If CloudCab is successful it may entice others to enter the market. CloudCab’s business is very capital intensive, though not as much so as a traditional airline due to smaller, lower-cost jets and a limited operating area. Still, the capital needs are sufficient to deter entry by many.

The biggest hurdle facing new entrants is the lead time necessary to procure the VLJs. This requires planning years in advance of actual operation due to backlogs in manufacturing and high demand. Thus, if a company is not in the business now, it would likely be at least a few years until it was able to enter. In the meantime, CloudCab would have some warning that a new competitor was coming.

**Rivalry among Existing Firms**

Fortunately, CloudCab will be one of the first to market, so initially there will not be many direct competitors. For a while, companies currently pursuing similar strategies should have ample market share to coexist peacefully, especially since most are geographically concentrated. However, it is just a matter of time before a few establish themselves as the dominate brands and expand nationally, increasing the rivalry and pushing some weaker players out of business.

CloudCab will face some indirect competition from the start from other private jet options. These include partial ownership plans and pay-by-the-hour membership cards. Until now, these have been the solutions of choice for speedy, luxurious travel.

**Threat of Substitute Products**

CloudCab’s greatest threat will likely come from substitute products. Consumers have a variety of options when it comes to transportation. For regional travel, they can choose to fly on a traditional airline, drive their car, or in some cases take a bus or train. These options do not provide nearly the same level of comfort and speed as air taxis, but they do accomplish the task of getting a person from Point A to Point B at a significantly lower cost. Also, for business travelers, technology solutions such as videoconferencing and even PC-driven solutions such as Skype Internet phone service make physical travel to some types of meetings nonessential. If national security travel limitations develop or an economic downturn forces firms to cut business travel, these substitutes will predominate.

**Bargaining Power of Buyers**

CloudCab primarily competes in the business-to-business (B2B) market space, and it will be catering to only a few customers per flight on a limited number of flights. This means that any one customer’s decision to use CloudCab has a large proportional impact, especially during CloudCab’s early years. CloudCab will have to treat each customer well because it cannot afford to lose any. Still, a single
traveler will not be able to demand, or bargain for, changes from CloudCab because the cost of making those changes will likely be larger than the revenue collected from that one buyer. On the other hand, a major corporate client—supplying many passengers over time—would wield considerable power.

**Bargaining Power of Suppliers**

CloudCab uses a single manufacturer for its jets, thus the level of dependency is high. If the jets are not ready in time or do not meet specifications, CloudCab could be put out of business. If CloudCab’s manufacturer is not able to fulfill its contract, CloudCab might have to wait years to have an order filled with another supplier. Consequently, CloudCab’s supplier is in a strong position to bargain for better terms.

At present, the supplier has relatively few buyers, one of them being CloudCab. So as a buyer, CloudCab also has some bargaining power. This makes the two interdependent, and reduces the incentive for the supplier to treat CloudCab unfairly.

**Internal Environment**

**Firm Structure**

CloudCab, being relatively new, is far smaller than most businesses in the airline industry. Having few employees makes communication easy and response to change quick to occur. Realizing that the company’s success depends heavily on customer adoption of the new offering, CloudCab executives’ actions are driven primarily by the needs of the market.

CloudCab is led by founder and CEO Travis Camp. Robert Fray, chief operating officer and close friend of Camp, has been crucial in developing cost-saving measures to ensure CloudCab’s prices are as competitive as can be. Other officers include Thomas Puck, chief financial officer; Elizabeth Vars, chief marketing officer; and Jeffery Brown, chief technology officer. All have airline industry experience, and Camp and Fray are former commercial pilots. The firm is in the entrepreneurial stage of its corporate development.

CloudCab is privately held and funded primarily through the investment of Travis Camp and Robert Fray, who combined have a controlling interest in the company. The rest of the funding has been obtained mostly from venture capital firms seeking returns based on a five-year time horizon.

**Firm Culture**

CloudCab is built on seizing opportunities to better serve the customer. It epitomizes a “lean and mean” culture. New ideas for improvements in efficiency and service quality are encouraged in this customer-centric culture. CloudCab has formalized reward systems for outstanding performance and attitude to promote high morale and productivity among its employees.

**Firm Resources**

*Marketing capabilities:* CloudCab has a strong, close-knit marketing team with a combination of experienced hands and recent college graduates. Several employees have ties with local media in major cities that can be used upon product launch.

*Financial capabilities:* CloudCab is well-financed through equity investments. It has purchased outright the 15 VLJs it plans to use in its operations. Current cash reserves should easily cover initial marketing and ongoing operating expenses, though investors have pledged further funds if needed.

*R&D and technological capabilities:* Lacking R&D capabilities in-house, CloudCab has chosen to purchase all aircraft and related systems from qualified vendors, but outsource needed maintenance on those aircraft and systems. CloudCab values keeping its systems current and ensuring the firm is in a position to take advantage of any oncoming industry breakthroughs in jet technology.

*Operations capabilities:* CloudCab presently has the capacity to serve four city locations in California and Nevada (see the Market Research section of this document). Following success in these markets, CloudCab will be able to expand using its fully scalable communications and logistics tracking systems.

*Human capabilities:* CloudCab’s employees are capable and committed. Many employees have received stock and stock options as part of their compensation, tying the interests of company and employee together. CloudCab is presently staffed with 45 people and has plans to employ a total of 80 people when fully operational. Many functions such as maintenance, security, and janitorial work will be outsourced.

*Information systems capabilities:* CEO Camp is a strong believer in customer relationship management (CRM). Every time a customer flies, he or she will be given the option to fill out a comment card, the contents of which will be entered into CloudCab’s central database. Employees of CloudCab with customer contact will also be able to make notes on customer observations. Both of these data sources will be coded categorically and used to assist in customer development and planning. Popular flight times and routes will also be tracked to better assist in modification of product offerings.
MARKET RESEARCH

To determine which locations to serve, CloudCab first gathered secondary data on air traffic patterns, popular destinations among private jet owners, and travel frequency for business and leisure. This allowed CloudCab to see where similar services were already being used for comparison.

CloudCab then gathered primary data on travelers’ aspirations for where they would like to see CloudCab operate and what features they would want the service to have. This was done through a combination of focus groups and surveys. Focus groups were comprised of travel purchasers within businesses, business travelers themselves, and upper-income leisure travelers. Surveys were distributed via e-mail with a goal of gaining responses from both business and leisure travelers.

All of the data were analyzed to form a complete picture of what travel patterns are like now, what they may be in the future, and what factors (translated into customer benefits) would create demand for CloudCab services. CloudCab used the data to select its first four cities for operation: San Francisco, Los Angeles, Reno, and Las Vegas.

Research also revealed the following findings:

- Business travelers have more need of one-way flights than do leisure travelers.
- Time is the biggest priority for business travelers, while comfort is the biggest for leisure travelers.
- Some businesses, such as consulting and sales have a greater need for on-demand travel than others.
- There is a “sweet spot” in income level among leisure travelers where they are wealthy enough to afford CloudCab services but not wealthy enough to own their own jet.

MARKETING GOALS AND OBJECTIVES

Goal

The goal of CloudCab is to be the preferred provider of on-demand short flight service.

Objectives

Within the first 12 months of operation, CloudCab will:

1. Sell 5,500 flight itineraries.
2. Attain a rating of “highly satisfied” customer satisfaction scored by 90 percent of customers.
3. Achieve repeat purchase by 50 percent of customers.
MARKETING STRATEGIES

Product-Market Combinations

CloudCab will use a product development strategy to introduce its new on-demand jet service into the California/Nevada/Arizona market. Based on CloudCab’s market research, the product will first be made available in San Francisco, Los Angeles, Reno, and Las Vegas. If the product is successful there, then CloudCab will gradually add more service locations. Once a firm foothold in the region is established, CloudCab will expand into new markets in other regions.

Initially, CloudCab will depart only from the four selected cities. However, customers will be able to use the service to fly round-trip to any airport they choose within the region of operation. For one-way flights, CloudCab will provide service only between selected cities, making the plane instantly available at that location for the next flight.

Market Segmentation, Target Marketing, Positioning

Segmentation

The market for on-demand small jet service can be easily divided between business travelers and leisure travelers. Leisure travelers can be further divided based on income levels, and business travelers can be further divided based on industry and other variables such as firm size. Of all possible segments, CloudCab has identified three that have especially high potential to be CloudCab customers:

- Leisure travelers with annual incomes between $300,000 and $1 million.
- Business travelers on assignment for mid-to-large-size consulting firms.

Target Marketing

CloudCab evaluated each of these segments to determine its focus for initial investment. The first segment, leisure travelers, has the means to afford CloudCab’s service and could be a highly profitable market if effectively reached. However, its preference for round-trips over one-way and its tendency to book travel arrangements in advance does not fit well with CloudCab’s on-demand service. Leisure travelers are also far less concentrated and thus harder to reach with marketing communications.

The second segment, business travelers in sales, would be easier to reach and would need CloudCab’s one-way flights between select cities. Sales calls are a combination of previously scheduled appointments and client requests, making the demand for on-demand service in this group mixed. Sales professionals are often under pressure to keep traveling costs down though, making the profitability of serving this segment questionable.

The third segment, business travelers in consulting, shares sales professionals’ need for one-way flights and on-demand service. Yet compared to sales professionals, there is less pressure to keep travel costs down since time and level of service to the client take precedence, and travel and other expenses are often billable to the client. Additionally, these travelers are largely concentrated in fewer firms, making it easier for marketing communications to reach this segment. Also, there is a substantial submarket of independent consultants from which to draw. For these reasons, CloudCab has decided to concentrate on the business consulting traveler segment as its primary target market. CloudCab will make its services available to other segments if they desire to use CloudCab, but CloudCab will not make any concentrated efforts to invest marketing dollars toward them in the beginning. Thus, high-income leisure travelers and sales professionals may be viewed as secondary target markets at present. No tertiary target markets have been identified as of yet.

Positioning

On one end of the travel spectrum, there exists the low-price, low-benefits group. This includes such offerings as traditional airfare and car transportation. Both involve a great deal of hassle, wasted time, and discomfort. The one advantage of this group is that it is affordable to the masses.

On the opposite end of the spectrum, there exists the high-price, high-benefits group. This group consists of private sole jet ownership, partial jet ownership similar to a time-share, and on the lower side, pay-by-the-hour jet service. These options afford their customers a high degree of luxury and many time-saving features, but at a price well outside the range of most travelers, business or leisure.

In the middle of these two groups of travel options is a wide chasm. Until now, no company has been able to strike a happy medium between the two. Utilizing new technology and a unique business model, CloudCab seeks to position itself in this void with a focus on the B2B consulting market. Using its on-demand small-jet service, customers flying from select cities will be able to access many of the same benefits private jet owners enjoy, but without the exorbitant cost associated with it. CloudCab’s service will be faster and more enjoyable than traditional airline flights or ground transportation, yet cost far less than private jet ownership. This appears
to be a strong positioning with high upside potential for messaging to the primary target market.

Marketing Mix Strategies

Product/Branding Strategies
CloudCab’s product benefits center on convenience, dependable service, and a quality image. CloudCab will primarily focus on service to small “executive airports” near the four start-up cities, with the exception of Las Vegas, for which travelers will have direct access to McCharren (the main Las Vegas airport) due to its proximity to the “strip.”

To use CloudCab, customers will have two options. They will be able to either call a qualified customer service representative to book their flight or go online and enter their flight and payment information themselves.

Branding of CloudCab will evoke in customers the imagery of being quickly and comfortably transported “by a cloud” from one location to another. This will be communicated through the product name CloudCab as well as its logo, an airplane seat lightly resting in a fast-moving cloud.

Service Strategies
Customer service representatives and airport attendants will be noticeably a cut above the ordinary—polite and professional at all times, both on the phone and in person. Because of the firm’s CRM capabilities to provide personalized service to its most valued customers, CloudCab employees will be able to easily enter information into an internal database under individual customer profiles. This will allow CloudCab to consistently meet the expectations of its customers without the customer having to express preferences every time CloudCab is used.

Pricing Strategies
The pricing decision for CloudCab is made more difficult due to the newness of its product offering and lack (so far) of strong competitors in its markets. In the early stages, penetration pricing can be effective to gain customer trial, expose customers to the excellent service quality, and build customer loyalty for the brand. Such an approach can also serve to keep planes in full service, making the most of a small fleet.

However, the penetration pricing strategy has to be tempered by attention to CloudCab’s financial objectives for revenue, margins, and ROI. Chances are that, once a loyal customer base is developed, some incremental price increases can be taken without major disruption in the customer base.

CloudCab can communicate its positioning through price. Being first to market, CloudCab has the opportunity to set the value of its product in the mind of the customer. In setting a price, CloudCab must be careful to realistically assess the actual time savings and comfort customers can expect to receive, and what those benefits are worth to them. In this way, the price will work together with CloudCab’s integrated marketing communications (IMC) strategies to effectively position the product and communicate value.

Supply Chain Strategies
CloudCab has purchased the needed operational systems to properly track its planes and ensure they are always where they need to be. Customer service representatives will use these systems to give customers information on flight availability and schedule new flights. CloudCab’s outsource firms and supply chain partners will also have access to the system to ensure needed materials arrive where and when they are needed for everything from pillows to jet fuel.

Integrated Marketing Communications (IMC) Strategies
CloudCab will first use IMC to create awareness of CloudCab and build interest in the benefits of its service. All efforts will be focused on conveying a clear and consistent message. CloudCab’s unique selling proposition will be that it is akin to a taxi service in the air, much quicker and more comfortable than other travel modes.

To convey this message, CloudCab will use targeted advertising, direct marketing, personal selling, and buzz marketing. Advertising will be limited to publications with high readership among the target market. Direct and interactive marketing—primarily via mail, e-mail, and the Web—will be used to provide sales promotion incentives to customers to try CloudCab’s service. Personal selling efforts will be made at consulting firms to attempt to gain contracts to make CloudCab one of the firm’s transportation methods of choice. Finally, to generate buzz through public relations (PR), CloudCab will pitch stories to the media about its official launch date and first flight as a revolutionary way to travel.

Although these strategies should get CloudCab off the ground, over the long run the company will rely heavily on buzz generated by positive customer experiences to grow the business. The more people CloudCab effectively serves, the more potential brand ambassadors there will be. This should translate into an exponential sales growth for CloudCab.

IMPLEMENTATION

CloudCab possesses the needed resources for a successful launch early next year. The action plan below details the marketing communication initiatives CloudCab will undertake to increase market share and reach its goal of 5,500 flights in its first year of operation.
Marketing Action Plan for Initial Launch

<table>
<thead>
<tr>
<th>Action</th>
<th>Date</th>
<th>Duration</th>
<th>Cost</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Targeted print ads</td>
<td>December</td>
<td>4 months</td>
<td>$265,000</td>
<td>CMO Vars</td>
</tr>
<tr>
<td>CloudCab direct marketing to identified targets</td>
<td>February</td>
<td>3 months</td>
<td>$170,000</td>
<td>CMO Vars</td>
</tr>
<tr>
<td>Personal sales calls on key target firms</td>
<td>March</td>
<td>2 months</td>
<td>$210,000</td>
<td>CEO Camp and others</td>
</tr>
<tr>
<td>First CloudCab flight</td>
<td>May</td>
<td>1 week</td>
<td>$3,000</td>
<td>COO Fray</td>
</tr>
<tr>
<td>Media coverage of first CloudCab flight</td>
<td>May</td>
<td>1 week</td>
<td>$3,000</td>
<td>CMO Vars</td>
</tr>
</tbody>
</table>

Monthly Sales Forecast to End of First Year

<table>
<thead>
<tr>
<th>Month</th>
<th>Number of Flights</th>
</tr>
</thead>
<tbody>
<tr>
<td>May</td>
<td>1400</td>
</tr>
<tr>
<td>June</td>
<td>1200</td>
</tr>
<tr>
<td>July</td>
<td>1000</td>
</tr>
<tr>
<td>August</td>
<td>800</td>
</tr>
<tr>
<td>September</td>
<td>600</td>
</tr>
<tr>
<td>October</td>
<td>400</td>
</tr>
<tr>
<td>November</td>
<td>200</td>
</tr>
<tr>
<td>December</td>
<td>0</td>
</tr>
</tbody>
</table>

First-Year Budget

Using its forecasted sales volume, CloudCab can begin to establish a budget for its first year of operation. For now, CloudCab will use an estimated price of $1,200 per flight.

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>5,287 x $1,200 = $6,300,000</td>
</tr>
<tr>
<td>Fuel Costs</td>
<td>2,600,000</td>
</tr>
<tr>
<td>Promotional Activities</td>
<td>648,000</td>
</tr>
<tr>
<td>Salaries</td>
<td>1,200,000</td>
</tr>
<tr>
<td>Outsourced Systems</td>
<td>700,000</td>
</tr>
<tr>
<td>Operating Income</td>
<td>1,452,000</td>
</tr>
<tr>
<td>VLJ purchases</td>
<td>9,500,000</td>
</tr>
<tr>
<td>Net Income</td>
<td>$(8,048,000)</td>
</tr>
</tbody>
</table>

Marketing Control and Metrics

CloudCab must continually evaluate its marketing efforts to ensure its performance is on track against stated first-year objectives. The following metrics are associated with each objective.

Objective 1: Sell 5,500 Flight Itineraries

CloudCab will track sales to monitor if monthly targets are being met. If they are not, the market will have to be surveyed to determine awareness levels, and direct-mail response rates and personal selling closing ratios be examined. In doing this, problem areas should be identified and resolved. If the problem cannot be addressed via CloudCab’s current IMC mix, other elements may be added to the mix to find better ways of reaching the target audience.

Objective 2: Attain a Rating of “Highly Satisfied” Customer Satisfaction Scored by 90 Percent of Customers

Progress will be monitored by ongoing customer satisfaction measurement.

Objective 3: Achieve Repeat Purchase by 50 Percent of Customers

The CRM system will be utilized to track frequency of usage by customers.

CONTINGENCY PLANNING

CloudCab’s product requires significant capital investment to bring to market and cannot be easily modified. Consequently, if CloudCab’s target market does not respond to the product as planned, it would likely be easier to change the market to fit the product than to change the product to fit the market. If consultants do not find sufficient value in CloudCab and purchase at the anticipated level, then investment will be made against the secondary target market of salespeople.

In addition, CloudCab needs to closely track usage by leisure travelers. If it happens that despite CloudCab’s intentions, a larger than anticipated number of customers are leisure travelers or represent some business segment besides consulting, then CloudCab would consider refocusing its marketing efforts on both of these targets. It will have a contingency IMC plan in place that anticipates this eventuality.

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