

Buying and Merchandising Operations Research Event

Maine West DECA

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I. Executive Summary

Business - Sweet Mandy B's Old Fashioned American Desserts: Sweet Mandy B's is a highly acclaimed, upscale, boutique bakery that offers premium baked goods, catering, and custom orders. It is run as a sole proprietorship, includes forty employees and is located in the heart of the Lincoln Park neighborhood of Chicago. It was the first old fashioned American dessert shop in Chicago, and for several years possessed a monopoly of the product in Lincoln Park. However, after a competing firm entered the market and implemented online marketing strategies, the growth of Sweet Mandy B's has slowed substantially. Recognizing this problem, the owner Cindy Levine asked us to analyze the most allocatively efficient marketing strategies for her business and its target markets.

Our Mission: To develop an effective marketing plan for Sweet Mandy B's in order to broaden consumer base and increase sales.

Our Strategy: Our approach to research, analysis, and amendment was based on microeconomic concepts. Analyzing reasons behind the target markets' decisions, especially emphasizing respective elasticities of demand was the basis of our research. We also needed to classify Sweet Mandy B's products as economically "normal" or "inferior," in order to craft promotions that would most effectively capture the predicted effect that expected rises in income would have on the dessert market.

Research Methods: Our team began the project by researching the degree of effectiveness of technological marketing using secondary sources, as well as methods businesses could take to differentiate their products from their competitors. We also used secondary sources to research Sweet Mandy B's and Lincoln Park. Additionally, we refined our knowledge of microeconomic concepts, in order to maximize revenues from our marketing activities. Our primary research activities included interviews with the owner of Sweet Mandy B's, several employees and customers, and the owner of the only competing firm in the vicinity. Additionally, 50 customers were surveyed on their usage of social networking tools and the internet.

Findings and Conclusions:

- Current marketing efforts are minimal, there is little growth in consumer base, little growth in sales
- There are two target markets that could be identified: DePaul University students, and young families
 - Demand of students is *elastic*, while the demand of young families is *inelastic*
- There are low costs associated with technological marketing, and usage of social networking tools is simple
- Social responsibility is a major non-price competitive factor. Consumers are more willing to buy products from firms aiding a charity
- *Price discrimination* maximizes economic producer surplus, and requires a variable pricing structure

Our research indicates that Sweet Mandy B's requires an aggressive technological marketing strategy, as well as strategic alliances within our community in order to most directly access Sweet Mandy B's target markets. The business can only expect to see increased revenues from the income effect resulting from post-recession increasing incomes if target markets are convinced that Sweet Mandy B's is the most viable supplier of desserts. Due to the difference in elasticity structure between the two target markets, we have concluded that the most allocatively efficient method of marketing is specialization based on what each group needs. For college students, we feel price promotions will result in the highest increase in quantity demanded. This resembles a price discrimination structure that will maximize Sweet Mandy B's producer surplus. We feel that excelling in non-price competition, such as social responsibility marketing, tradition marketing, and brand name marketing will lead to the greatest increase in quantity demanded for young families, as this group's price inelasticity of demand suggests lowering the price for this group will produce lackluster increases in sales. In formulating our actual marketing plan, we decided to focus extensively on potent social networking opportunities, as they most strategically communicated to our target markets, were low cost, and were most dynamic.

Recommendations:

<u>Objectives</u>	<u>Operation T.R.E.A.T.S</u>	<u>Activities</u>	<u>Budget</u>
-Improve sales	Technology	-Use social networking to connect to target market	-Year 1: \$9,400
-Improve customer base	Resource	-Run promotions	-Year 2: \$6,400
-Provide price promotions	Endorsement	-Benefit the Children's Memorial Hospital	-Fiscally possible by Sweet Mandy B's
-Point out non-price marketing strategies	And Tangible Sponsorship	-Run several promotions	-Customer feedback to note returns on investments

II. Introduction

a. Description of the Business

Sweet Mandy B's is a privately owned old fashioned American dessert shop located in the Lincoln Park neighborhood of Chicago. Cindy Levine opened in 2002 as a sole proprietorship, naming it after her children Mandy and Brian (Brian provides the "B"). The business quickly grew, and now boasts about forty employees and dozens of products available for purchase or catering. Sweet Mandy B's was the first boutique dessert shop in the Chicagoland area, and has proven to be a pioneering firm in creating a market for premium baked products. It is recognized as one of the most respected businesses in Lincoln Park, and a model in the dessert industry.

The shop features an inviting, ambient atmosphere, with its pastel color scheme, dollhouse décor, comforting seating areas, and unique fountain. The seasonal window display and the nursery theme are highly recognizable by, making it a staple in the Lincoln Park neighborhood. The store's counters proudly display the many sweet products offered and a large chalkboard notifies guests of the weekly specials. The shop features seasonal and holiday products, such as fresh fruit cakes and gingerbread cookies, and also gives customers the option to custom order. Sweet Mandy B's take pride that all of their goods are made carefully, and with the best quality ingredients.

Sweet Mandy B's sells a diverse array of products including award winning cupcakes, pies, pretzels, cakes, candy apples, cookies, breakfast treats, and brownies. Their prices

Products + Services

- Freshly Baked Goods: Cakes, Cookies, Cupcakes, Brownies, etc.
- Catering
- Custom Orders

Sweet Mandy B's
Old Fashioned Desserts

Competitors:

- Molly's Cupcakes

accommodate middle-high income clientele, with the prices varying from \$2.00 for a single cupcake to over \$80.00 for specialized cakes. Though Sweet Mandy B's has not been professionally rated, it has received a 4.5 star rating on user-based rating sites containing over 600 reviews. Many consider Sweet Mandy B's as having the "best cupcakes in Chicago" and as having a "grandma baked" appeal.

The owner of Sweet Mandy B's, Cindy Levine, believes that although her shop continues to be profitable, its consumer base has peaked due to a lack of advertising and promotions, as well as due to a lack of an online presence. She provided our team with the following mission:

Mission: To develop an effective marketing strategy that will increase sales and expand the customer base of Sweet Mandy B's.

b. Description of the Community

Economic: The Lincoln Park neighborhood of Chicago has an extremely diversified economy which thrives on the prosperity of small businesses and retail chains, especially upscale clothing boutiques, bookstores, restaurants, cafes, and nightlife facilities. It is recognized nationally as one of the most exclusive and affluent neighborhoods in Chicago. Chicago as a whole is a global economic and financial center. Its greatest strength is that its multifaceted corporate presence: its strong government agencies, the presence of several public and private universities, Midwestern offices of global financial firms, and retailers. Due to its positive economic climate, Chicago is by far the leading metropolitan entity in the Midwest, and is one of the largest economic centers in the world.