

New Shoes Income Planning

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- Print Out Your Income
- Study Your Income Statement
- This is Your Basic Report on **“What Happened Last Period?”**

Quantity Sold		150,000		
Selling Price	\$100			
Cost/Unit	\$60			
Dollar Markup	\$40			
Revenue		15,000,000		
CoGS		9,000,000		
Gross		6,000,000		
Advertising	1,500,000			
Cons Promo	750,000			
Sales Force	400,000			
Dealer Promo	250,000			
Total Promo		2,900,000		
Promo/Unit	19.33			
Net Profit		3,100,000		

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Note the classic product/production orientation

- Marketing Expenditures Cause Sales!!
- Consider What Decisions Your Marketing Plans Involve For The Market:
Price
Promotion

Quantity Sold		150,000		
Selling Price	\$100		Decision	
Cost/Unit	\$60			
Dollar Markup	\$40			
Revenue		15,000,000		
CoGS		9,000,000		
Gross		6,000,000		
Advertising	1,500,000		Decision	
Cons Promo	750,000		Decision	
Sales Force	400,000		Decision	
Dealer Promo	250,000		Decision	
Total Promo		2,900,000		Decision
Promo/Unit	19.33			
Net Profit		3,100,000		Goal

- Marketing Causes The Sales Volume
- When You Change The Price, Promotion, then You Change Sales Volume
- Planning a Decision Implies You can Forecast The Quantity Sold

Quantity Sold		150,000		Forecast
Selling Price	\$100		Decision	
Cost/Unit	\$60			
Dollar Markup	\$40			
Revenue		15,000,000		
CoGS		9,000,000		
Gross		6,000,000		
Advertising	1,500,000		Decision	
Cons Promo	750,000		Decision	
Sales Force	400,000		Decision	
Dealer Promo	250,000		Decision	
Total Promo		2,900,000		Decision
Promo/Unit	19.33			
Net Profit		3,100,000		

- When You Implement Your Plan,
- The Quantity You Sell Determines Every Thing in the Income Statement

Quantity Sold		150,000		Forecast
Selling Price	\$100		Decision	
Cost/Unit	\$60			Result
Dollar Markup	\$40			Result
Revenue		15,000,000		Result
CoGS		9,000,000		Result
Gross		6,000,000		Result
Advertising	1,500,000		Decision	
Cons Promo	750,000		Decision	
Sales Force	400,000		Decision	
Dealer Promo	250,000		Decision	
Total Promo		2,900,000		Decision
Promo/Unit	19.33			Result
Net Profit		3,100,000		Goal

Quantity Sold		150,000		Forecast
Selling Price	\$100		Decision	
Cost/Unit	\$60			Result
Dollar Markup	\$40			Result
Revenue		15,000,000		Result
CoGS		9,000,000		Result
Gross		6,000,000		Result
Advertising	1,500,000		Decision	
Cons Promo	750,000		Decision	
Sales Force	400,000		Decision	
Dealer Promo	250,000		Decision	
Total Promo		2,900,000		Decision
Promo/Unit	19.33			Result
Net Profit		3,100,000		Goal



Planned Income Statement

- Your Decisions on Marketing Mix
- +
- Your Forecasted Sales From the Mix
- =
- Your Planned Income Statement (Budget) is the key component of your Marketing Plan

Example

- You are changing your marketing mix to increase your profit
- Decrease Price
- Increase Advertising
- Reduce Total Promotion

Quantity Sold		150,000		Increase
Selling Price	\$100	down	\$95	
Cost/Unit	\$60			
Dollar Markup	\$40			
Revenue		15,000,000		
CoGS		9,000,000		
Gross		6,000,000		
Advertising	1,500,000	up	1,600,000	
Cons Promo	750,000	down	600,000	
Sales Force	400,000	down	320,000	
Dealer Promo	250,000	down	180,000	
Total Promo		2,900,000	down	2,700,000
Promo/Unit	19.33			
Net Profit		3,100,000		Goal

Quantity Sold		150,000		Decrease
Selling Price	\$100	down	\$95	
Cost/Unit	\$60			
Dollar Markup	\$40			
Revenue		15,000,000		
CoGS		9,000,000		
Gross		6,000,000		
Advertising	1,500,000	up	1,600,000	
Cons Promo	750,000	down	600,000	
Sales Force	400,000	down	320,000	
Dealer Promo	250,000	down	180,000	
Total Promo		2,900,000	down	2,700,000
Promo/Unit	19.33			
Net Profit		3,100,000		Goal

- The amount you change in your recipe for maximizing sales is part science and part art.
- Pillsbury coined the concept of a marketing mix when making plans to sell cakes and cookies.

Quantity Sold		150,000	Increase	160,000
Selling Price	\$100		\$95	
Cost/Unit	\$60			
Dollar Markup	\$40			
Revenue		15,000,000		
CoGS		9,000,000		
Gross		6,000,000		
Advertising	1,500,000		1,600,000	
Cons Promo	750,000		600,000	
Sales Force	400,000		320,000	
Dealer Promo	250,000		180,000	
Total Promo		2,900,000		2,700,000
Promo/Unit	19.33		down	16.88
Net Profit		3,100,000		Goal

- Given the new sales volume that results from your new mix everything else on the income statement is determined and calculated
- Sales Volume is also changed by growth in the total market and the amount of your marketing effort compared to the Competition's effort.

Quantity Sold		150,000		160,000
Selling Price	\$100		\$95	
Cost/Unit	\$60	down	\$45	
Dollar Markup	\$40	up	\$50	
Revenue		15,000,000	up	15,200,000
CoGS		9,000,000	down	7,200,000
Gross		6,000,000	up	8,000,000
Advertising	1,500,000		1,600,000	
Cons Promo	750,000		600,000	
Sales Force	400,000		320,000	
Dealer Promo	250,000		180,000	
Total Promo		2,900,000		2,700,000
Promo/Unit	19.33	down	16.88	
Net Profit		3,100,000	up	5,300,000

Differences, Growths are Calculated and Included

- Total Market Size (growth)
- Market Share (change)
- Revenue Growth
- Change In Gross Profit Contribution
- Gross Growth
- Effort to Sales Revenue Ratios

Quantity (share)	(10%)	150,000	(11%)	160,000
Total Market Size		1,500,000	+18%	1,776,000
Selling Price	\$100	-5%	\$95	
Cost/Unit	\$60	-25%	\$45	
Dollar Markup	\$40	+25%	\$50	
Revenue		15,000,000	+1.33%	15,200,000
CoGS		9,000,000	-20%	7,200,000
Gross (Markup)	(40%)	6,000,000	(53%)	8,000,000
Advertising (%Rev)	1,500,000	(10%)	1,600,000	(11%)
Cons Promo (%Rev)	750,000	(5%)	600,000	(4%)
Sales Force (%Rev)	400,000	(2.7%)	320,000	(2%)
Dealer Promo (%Rev)	250,000	(1.67%)	180,000	(1.18%)
Total Promo		2,900,000	-6.9%	2,700,000
Promo/Unit	19.33		16.88	
Net Profit (ROS)	(20.67%)	3,100,000	(34.9%)	5,300,000

- Some marketing managers would even argue that the income statement should be reorganized to have the Marketing effort subtracted from sales before the manufacturing cost (cost per good sold).

Conventional Type Home Market	Marketing Type Home Market
• $PxQ = \text{Revenue}$	• $PxQ = \text{Revenue}$
• $VxQ = \text{CoGS}$	• Total Promotion Exp
• $V = \text{Manf cost per unit}$	• Promo Exp per unit
• Markup %	• Contribution per Unit
• Total Gross or Manufacturing Contribution to Firm	• Total Marketing Contribution to Firm
• Total Promotion Exp	• $VxQ = \text{CoGS}$
• Net Contribution to the Firm (ROS)	• Net Contribution to the Firm (ROS)

Quantity (share)	(10%)	150,000	(11%)	160,000
Total Market Size		1,500,000	+18%	1,776,000
Selling Price	\$100	-5%	\$95	
Sales Revenue		15,000,000	+1.33%	15,200,000
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Sales Force (%Rev)	400,000	(2.7%)	320,000	(2%)
Dealer Promo (%Rev)	250,000	(1.67%)	180,000	(1.18%)
Total Promo		2,900,000	-6.9%	2,700,000
Promo/Unit	\$19.33	-12.7%	\$16.88	
Marketing Contrib		12,100,000	+ 4.13%	12,500,000
Marketing Profit/Unit (MROS)	\$80.67	-2.54%	\$78.13	
	80.67%		82.24%	
CoGS		9,000,000	-20%	7,200,000
Net Profit (ROS)	(20.67%)	3,100,000	(34.9%)	5,300,000

There are Many Potential Spreadsheets

- You want one that is easily shared and has conventional definitions
- Allows for key ratios and the rates of change from period to period
- Provides a simple structure for adding notations and discussing implications