

SESSION 7: MARKETING ANALYSIS

CHART IT BEFORE YOU START IT!

Basic Information-Gathering Questions

Before you can start researching your market, you have to be able to answer some basic questions about your business. Write brief answers to the following four questions, just to get you thinking about some of the areas of research you will need to expand upon later.

1. Will you run a retail, manufacturing, or service business?

2. What type of business is it (hairdressing, cosmetics, auto repair, gardening, etc.)?

3. Where is your market (neighborhood, city, county, state, regional, national, international)?

4. Who is your customer (children, teens, women, minorities, men, men and women, ages 13-25, ages 35-50, etc.)?

Now that you've thought about some of these basic marketing questions, we can continue with the following areas of marketing research and analysis:

- *WHERE* can you find market research information?
- *WHAT* do you sell (features and benefits)?
- *WHO* is your customer?
- *WHO* is your competition?
- *WHEN* do they buy?
- *WHAT* is your market potential?

Sources of Information Worksheet

Source	Information this source could provide	Need to contact
Survey of potential customers		
Small Business Development Center/ Women's Business Center		
Community or Economic Development Organization		
Chamber of Commerce		
Library		
Commercial sources (local utility company, market research companies)		
Trade associations		
Stock Brokers		
Internet		
Phone Book		
Competition (visit, review advertising materials, buy their product)		
Census information		
Local zoning plan		
Suppliers		
Test Market		
Other:		

1. Which resources will work best for you?

2. From which of these resources have you already tried to get information?

3. Do you think you might need help using some of these resources? Which one(s)?

Product Description Worksheet

It's important to be able to describe your product clearly (remember, a service can be a product too). It's also important to understand the features of your product, and how they benefit your customer. (If you're selling a service—or offering a service along with your product—describe your services.)

Complete these three steps. Make extra copies of the worksheet for additional products.

- 1. Identify the products your business will offer.** Write a brief description of the product in the space provided. *Example: custom-crafted beaded earrings.*
- 2. List product features, including size, quality, varieties, materials, etc.** What features make your product unique, and special? *Example: one-of-a-kind handmade earrings made of the finest silver and beads.*
- 3. Identify the benefits of each feature.** Remember, the benefit is what your product will do for your customer. *Example: Customers will be able to choose unique, one-of-a-kind designs for their own use, or to give as a gift. They will feel stylish, beautiful, and special wearing unique jewelry.*

[illegible]

Product Description Worksheet—continued

Try to answer the following questions about your product(s). You won't have all the answers at this point, but that's okay. The aim of these questions is to get you thinking about the additional information you need.

1. **How do you think your products compare to those of the competition? (Consider price, quality, availability, etc.) .**

2. *(For services only)* **Can you deliver on your promises to your customers? Are your qualifications and skills equal to, or better than your competition?**

3. **Now see if you can complete the following sentences:**

My product is _____

The unique features of my product are _____

The benefits of those features to the customer are _____

I'll be able to sell my product better than my competition because _____

Customer Profile Worksheet

It's critical to analyze who your customers are, how much and how often they buy from you, and why they do business with you rather than the competition.

Individual Customers

Physical characteristics of your customers (age, gender, occupation, etc.) are called *demographics*. Some common demographic characteristics include:

- Gender* Men and women have different buying habits.
- Age* Different age ranges have different buying habits.
- Income* Income level tells you whether a customer or household has the financial ability to buy your product, especially if it's a nonessential item (e.g., jewelry).
- Occupation* Occupation relates closely with age, income and education, and again may indicate customers' financial ability to buy.
- Location* This includes how near the customer is to your business, as well as regional or national location.
- Marital status* Customers' needs and desires vary based on whether they're single or married.
- Children* Households with children have very different buying habits than those with no children or grown children.
- Education* Education may be an indicator of reading comprehension, interest levels, etc.
- Ethnic Origin* People from different cultures have different values and needs, which may influence their buying habits.

Values, lifestyles and attitudes that motivate people to buy are called *psychographics*. Do customers value image, appearance, security, price, function, or quality? Do their cultures (conservative, liberal, religious, artistic, environmental) influence their buying habits? Are hobbies or interests a factor in what they buy?

Developing your customer profile based on both demographics and psychographics will help you identify the people who are most likely to buy .

Your Customer Profile—continued

Looking at the *expectations* of your customer groups will help you think like a customer. What do customers want and expect from your product when it comes to quality, price, service, convenience?

Use this worksheet to profile at least two customer groups. Customer Group A should be the one you think is the strongest market for your product. This is your *primary* customer group.

Individual Customer Profile Worksheet

Demographic Characteristics	Customer Group A Primary Customers	Customer Group B Secondary Customers
Gender (male, female, both)		
Age (range)		
Income Level (range)		
Occupation (blue-collar, professional)		
Location (neighborhood, town, etc.)		
Marital status (single, married)		
Children (none, at home, grown)		
Education Level		
Ethnic Origin		
Other:		
Other:		
Psychographic Characteristics		
Where do they shop? (malls, boutiques, in town, catalogs)		
When do they shop? (am, pm, holidays, weekends)		
Why do they buy? (motivations)		
How do they shop? (in person, phone, Internet)		
Other:		
Other:		
Expectations		
What do buyers want and expect from your product?		

Your Customer Profile—continued

If you're going to be marketing your product to other businesses, use this worksheet to research your potential business customers. Otherwise, skip to Question 1, below.

Business Customer Profile Worksheet

Characteristics	Business Customers		
Fill in the names of potential business customers and research the following information about them.	A.	B.	C.
Annual Sales			
Number of Employees			
Location (town, region, country)			
One site, or multiple branches?			
Who handles purchasing?			
Where do they get info to buy?			
Procedures for buying?			
What do they expect from your product?			
Prequalification requirements:			
Other:			

1. Based on your customer profiles, who are your target customer groups? Where did you get the information about your individual and business customers?

Competitive Analysis Worksheet

Compare your business to those of at least three major competitors. Use the form on the following page to record the rankings. Be honest—the purpose here is to identify areas where you have a competitive advantage, as well as areas in which you can improve. Remember, there’s no such thing as “no competition”!

Consider the following issues when looking at your competition:

1. **Products:** How well do the products they provide meet customer needs? How satisfied are customers with the products?
2. **Price:** Do their prices match customers’ expectations, and their assessment of value?
3. **Quality:** How high is their quality?
4. **Selection:** How many choices do they offer? How wide and deep is their product line?
5. **Customer Service:** How well do they meet customers’ needs for attention, timeliness, information, knowledgeable assistance, ability to solve problems?
6. **Product Service:** If customers have problems, are they fixed correctly, quickly, and to the customers’ satisfaction?
7. **Reliability:** How dependable are their products? Do they require frequent repair or replacement? Are services timely and as expected? Do they keep their promises?
8. **Expertise:** Are the owners or staff knowledgeable about their products? Do they answer questions well?
9. **Image/Reputation:** What is the business’s image or reputation in the area? In the region? Nationally?
10. **Location:** How well does accessibility, parking, visibility, and convenience of each competitor’s physical location meet customers’ needs?
11. **Store Layout:** Is merchandise displayed in a manner that makes shopping easy and convenient? Is space efficiently used?
12. **Appearance:** How well does the appearance of the product, store, and personnel match the expectations of the customers?
13. **Sales Method:** Are sales approaches effective, and in keeping with customers’ expectations (e.g., polite, avoids high pressure tactics, ethical, etc.)?
14. **Credit Policy:** Do customers have a variety of ways to pay for purchases (e.g., cash, store credit, credit card, layaway)?
15. **Availability:** Are customers able to get the desired products in a timely fashion? How often and how long must they wait to get what they want?
16. **Management:** Is the business clean and organized? Has the staff been trained? Is customer billing correct? Is customer service efficient? Is the owner involved?
17. **Longevity/Stability:** Has this business been open long enough to prove it has staying power?
18. **Advertising:** How frequent and effective is advertising? Is this business’s visibility a result of advertising?

Competitive Analysis Worksheet—continued

Identify three of your major competitors and write their names in the spaces below.

Compare your business to the competition. Rank yourself and your competitors honestly for each factor using 1, 2, 3 or 4 (1 is best, and 4 is worst). Write “NA” (not applicable) if the factor doesn’t apply to your business, or to your competition. This process may take some research, such as going into your competitor’s store.

Now determine how important each factor is to your customer. Write “high,” “moderate,” or “low” for the level of importance, based on what you assume is your customer’s perspective.

Factors	You	Competitor A _____	Competitor B _____	Competitor C _____	Priority
1. Products					
2. Price					
3. Quality					
4. Product Selection					
5. Customer Service					
6. Product Service					
7. Reliability					
8. Expertise					
9. Image/Reputation					
10. Location					
11. Store Layout					
12. Appearance					
13. Sales Method					
14. Credit Policy					
15. Availability					
16. Management					
17. Longevity/Stability					
18. Advertising					
19. Estimated sales volume					
20. Other:					

Competitive Analysis Worksheet—continued

Using your worksheet research, answer the following questions.

1. **Who are your strongest competitors, and where are they located? (Close to your business? In another state?) Is their location a strength or a weakness? What type of customer are they targeting?**

2. **How do your strongest competitors' products meet consumer needs? What other strengths and weaknesses do they have? How do you know this?**

3. **How do their prices compare to yours? Are they lower or higher? Why?**

4. Go back to the chart on page 7-9, and look at the areas you ranked as 1 or 2. What are your key competitive advantages? How will your products better meet the needs and wants of your customers? How are your products different from those of the competition? What can you do better than your competitors, and how do you know this?

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

5. Looking again at the *Competitive Analysis Worksheet*, note the factors with “high” and “moderate” priority where you ranked 3 or 4. List changes you can make to improve your competitive position.

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

Market Potential Worksheet

Now that you've looked at your customer and your competition, it's time to see if there are enough of your target customers to support your business. As you work through this worksheet, refer to our example on page 8-10 of the text.

- 1. What is the geographic territory of your business area?** List the cities, zip codes, states, etc. (Consider including a map of the area in the Attachments section of your business plan).

- 2. How many people in your target market live or work in this geographic area?** (See the *Customer Profile Worksheet*. You'll probably have to do some more research, using census data or other resources).

- 3. Is the size of your target market growing, staying the same, or getting smaller?** (Discuss the trend.)

- 4. How many members of your target market do you expect to buy your product per year?** (You'll need to calculate a percentage from your response to Question 2.) **How did you estimate this amount?**

- 5. What is the average dollar amount each customer will spend per year on your products?** **How did you estimate this amount?**

6. What are some of the largest basic expenses for your business, per year?

Rent/utilities	_____
Inventory/raw materials	_____
Equipment	_____
Employees' salary	_____
Owners' draw (salary)	_____
Vehicle/gas	_____
Other	_____
Total Per Year	_____

7. How many products can you produce—or units of service can you deliver—per year? How did you estimate this amount?

Now, you're ready to estimate your annual sales amount. This will give you a first look at whether your business can generate enough sales to be worth pursuing. Use the worksheet below, and remember to be conservative in your estimates.

A.	Number of customers who will buy from you each year (answer from question 4):	
B.	Average amount they will spend each year (answer from question 5):	
C.	Total estimated sales amount each year (multiply A x B)	
D.	Estimated basic expenses each year (answer from question 6)	
E.	Difference between sales and expenses (subtract C - D)	

Is Line E a positive number, or a negative one? It should be positive, because your estimated sales should exceed your estimated expenses. If it's negative, what can you do (if anything) to fix this? Are you satisfied with these initial findings? Do you think it's worthwhile to move forward with your idea?

If not, do you have another idea that seems worthwhile? If so, repeat the analysis above with your new business idea.



Your Worksheets Assignment Due for Session 8

Make sure you complete the following Session 7 Worksheets before trying to write the sections of the business plan:

- *Customer Profile Worksheet*
- *Competitive Analysis Worksheet*
- *Market Potential Worksheet*

Review the other worksheets that we worked on during Session 7 class time. Write down questions you might have on any of the worksheets so we can discuss them at the start of Session 8.



Writing Your Business Plan

Using the information you've gathered, and the worksheets found in this session, write the following sections of your business plan. Follow the headings and subheadings as they appear below.

Section V. The Marketing Plan

A. Product Description

Product Description

*Review your work in the **Product Description Worksheet**. Write this section as if the reader knows nothing about your business or your products. Describe the types of products you sell. Include everything your first-time reader needs to know about what your product offers to the customer, and why it's different from, or better than, similar products.*

Features/Benefits

*Review the **Features and Benefits** chart. Summarize the features and benefits of your products. Explain what your products do, why people should buy them, what features make them unique and special. Then, describe the benefits to the customer.*

B. Market Analysis

Customer Analysis

*Based on your research and the **Customer Profile Worksheet**, describe your target markets and their key characteristics. Include demographic characteristics and motivation for buying (values; interests; preferences; lifestyle; where, how, and when they choose to buy; and expectations). If you're targeting more than one customer group, explain why you chose each one.*

Competitive Analysis

Identify and briefly describe your major competitors. Include where they are located and whether their location is a strength or weakness. Then, summarize your competitors' strengths and weaknesses. Last, explain your competitive advantage by describing the aspects of your business or products that are superior to the competition.

Market Potential

Describe your geographic trade territory, and explain why customers within it will do business with you. Describe the size of your market, in terms of the number of potential customers. Summarize the trends for this market, including whether the market is growing, stable, or declining. Then, present your estimate of your total potential sales for your first year of business.