

Marketing Plan

Market research - Why?

No matter how good your product or your service, the business cannot succeed without effective marketing. And this begins with careful, systematic research. It is very dangerous to assume that you already know about your intended market. You need to do market research to make sure you're on track. Use the business planning process as your opportunity to uncover data and to question your marketing efforts. Your time will be well spent.

Market research - How?

There are two kinds of market research: primary and secondary.

Secondary research means using published information such as industry profiles, trade journals, newspapers, magazines, census data, and demographic profiles. This type of information is available in public libraries, industry associations, chambers of commerce, from vendors who sell to your industry, and from government agencies.

Start with your local library. Most librarians are pleased to guide you through their business data collection. You will be amazed at what is there. There are more online sources than you could possibly use. Your chamber of commerce has good information on the local area. Trade associations and trade publications often have excellent industry-specific data.

Primary research means gathering your own data. For example, you could do your own traffic count at a proposed location, use the yellow pages to identify competitors, and do surveys or focus-group interviews to learn about consumer preferences. Professional market research can be very costly, but there are many books that show small business owners how to do effective research themselves.

In your marketing plan, be as specific as possible; give statistics, numbers, and sources. The marketing plan will be the basis, later on, of the all-important sales projection.

Economics

Facts about your industry:

- What is the total size of your market?
- What percent share of the market will you have? (This is important only if you think you will be a major factor in the market.)
- Current demand in target market.
- Trends in target market—growth trends, trends in consumer preferences, and trends in product development.
- Growth potential and opportunity for a business of your size.
- What barriers to entry do you face in entering this market with your new company? Some typical barriers are:
 - High capital costs
 - High production costs
 - High marketing costs

- Consumer acceptance and brand recognition
- Training and skills
- Unique technology and patents
- Unions
- Shipping costs
- Tariff barriers and quotas
- And of course, how will you overcome the barriers?
- How could the following affect your company?
 - Change in technology
 - Change in government regulations
 - Change in the economy
 - Change in your industry

Product

In the Products and Services section, you described your products and services as you see them. Now describe them from your customers' point of view.

Features and Benefits

List all of your major products or services.

For each product or service:

- Describe the most important features. What is special about it?
- Describe the benefits. That is, what will the product do for the customer?

Note the difference between features and benefits, and think about them. For example, a house that gives shelter and lasts a long time is made with certain materials and to a certain design; those are its features. Its benefits include pride of ownership, financial security, providing for the family, and inclusion in a neighborhood. You build features into your product so that you can sell the benefits.

What after-sale services will you give? Some examples are delivery, warranty, service contracts, support, follow-up, and refund policy.

Customers

Identify your targeted customers, their characteristics, and their geographic locations, otherwise known as their demographics.

The description will be completely different depending on whether you plan to sell to other businesses or directly to consumers. If you sell a consumer product, but sell it through a channel of distributors, wholesalers, and retailers, you must carefully analyze both the end consumer and the middleman businesses to which you sell.

You may have more than one customer group. Identify the most important groups. Then, for each customer group, construct what is called a demographic profile:

- Age
- Gender
- Location
- Income level

- Social class and occupation
- Education
- Other (specific to your industry)
- Other (specific to your industry)

For business customers, the demographic factors might be:

- Industry (or portion of an industry)
- Location
- Size of firm
- Quality, technology, and price preferences
- Other (specific to your industry)
- Other (specific to your industry)

Competition

- What products and companies do you compete with?
- List your major competitors. Include names and addresses
- Do they compete with you across the board, or just for certain products, customers, or locations?
- Do you have important indirect competitors? (For example, video rental stores compete with theaters.)
- How do your products or services compare with the competition?
- Use the Competitive Analysis table below to compare your company with your two most important competitors. In the first column are key competitive factors. Since these vary from one industry to another, you may want to customize the list of factors.
- In the column labeled **Me**, state how you honestly think you will stack up in customers' minds. Then check whether you think this factor will be a strength or a weakness for you. Sometimes it is hard to analyze our own weaknesses. Try to be very honest here. Better yet, get some disinterested strangers to assess you. This can be a real eye-opener. And remember that you cannot be all things to all people. In fact, trying to be causes many business failures because efforts become scattered and diluted. You want an honest assessment of your firm's strong and weak points.
- Now analyze each major competitor. In a few words, state how you think they compare.
- In the final column, estimate the importance of each competitive factor to the customer. 1 = critical; 5 = not very important.

Table 1: Competitive Analysis

Factor	Me	Strength	Weakness	Competitor A	Competitor B	Importance to Customer
Products						
Price						
Quality						
Selection						
Service						
Reliability						
Stability						
Expertise						
Company Reputation						
Location						
Appearance						
Sales Method						
Credit Policies						
Advertising						
Image						

Next, write a short paragraph stating your competitive advantages and disadvantages.

Niche

Now that you have systematically analyzed your industry, your product, your customers, and the competition, you should have a clear picture of where your company fits into the world.

In one short paragraph, define your niche, your unique corner of the market.

Strategy

Outline a marketing strategy that is consistent with your niche.

Promotion

- How do you currently get the word out to customers?
- Advertising: What media do you currently use and why?
- List all low-cost/free marketing methods you are willing to consider and why.
- List all paid advertising, such as trade shows, catalogs, dealer incentives you are willing to use and why.
- What image do you want to project? How do you want customers to see you?
- Does your logo truly explain who you are and what you do?
- Should you have a system to identify repeat customers and then systematically contact them?

Promotional Budget

- How much will you spend on the items listed above?

- Before startup? (These numbers will go into your startup budget.)
- Ongoing? (These numbers will go into your operating plan budget.)

Pricing

- Explain your pricing in writing. For most small businesses, having the lowest price is not a good policy. It robs you of needed profit margin; customers may not care as much about price as you think; and large competitors can under price you anyway. Usually you will do better to have average prices and compete on quality and service.
- Does your pricing strategy fit with what was revealed in your competitive analysis?
- Compare your prices with those of the competition. Are they higher, lower, the same? Why?
- How important is price as a competitive factor? Do your intended customers really make their purchase decisions mostly on price?
- What will be your customer service and credit policies?

Sales Forecast

Now that you have described your products, services, customers, markets, and marketing plans in detail, it's time to attach some numbers to your plan. Use a sales forecast spreadsheet to prepare a month-by-month projection. The forecast should be based on your historical sales, the marketing strategies that you have just described, your market research, and industry data, if available.

You may want to do two forecasts: 1) a "best guess", which is what you really expect, and 2) a "worst case" low estimate that you are confident you can reach no matter what happens.

Remember to keep notes on your research and your assumptions as you build this sales forecast and all subsequent spreadsheets in the plan. This is critical if you are going to present it to funding sources.