

How to Write a Marketing Plan: Identifying Your Market

(Part 1 of 5)

Sherry Shafer, Mid-Iowa SBDC

Any good marketing student will tell you that marketing consists of the four functions used to create a sale: The right product to the right place at the right price through the right promotion.

But at the heart of good marketing campaigns are simple communications principles involving a message (what you're selling), an audience (your potential customers), and a medium (the link between the two). All three pieces are important in a successful marketing campaign, but most people have trouble identifying their market.

Markets are made up of consumers, businesses, organizations that have a need or desire for your product or service. However, sometimes it is just not enough that they have a need or desire—what you really want are customers who are willing and able to pay for them.

To find those customers, you'll have to stop thinking of your market as one big group of buyers, but rather as several individuals or smaller groups. For example, if you're a mechanic, your market doesn't just include the large group of the general public that owns cars; it should target those specific people who have something wrong with their car right now. These potential customers have to want to get their car fixed AND they have to be willing and able to pay to have the work done by someone else...So, your potential market has shrunk substantially and is much smaller than simply all car owners.

This is not necessarily a bad thing. By focusing on this small group you will find motivated buyers. So the trick of identifying your market becomes the trick of identifying a particular market niche.

Once you've identified your strengths and weaknesses and determined your market niche, you can begin trying to identify your best potential markets/customers, as well as those markets that you probably will want to leave to someone else.

Here are some questions to ask yourself when determining your market niche:

1. What products/services do you plan to offer? Why did you pick those?
2. What aspects of your business do you enjoy doing most? Least?
3. What is unique about your business compared to the competition?
4. What are your strengths? Weaknesses?
5. Who are your customers? Are they groups, individuals or both?
6. Where do you intend to market your products/services?
7. Describe the business you're in, as opposed to the products or services you offer.

If you need assistance in identifying your market, contact your local SBDC.

How to Write a Marketing Plan: Analyzing the Competition

(Part 2 of 5)

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Knowing who your competition is and what they're doing is an important key to the success of any business—big or small. There are really two kinds of competition in business: competition that exists and competition that doesn't exist...at least it doesn't exist yet. Let me explain.

If your business is entering an established field, like accounting for example, you'll be facing the first kind of competition mentioned above; You'll be competing against other accountants.

However, if you're introducing a completely new product or service, then you won't have to worry about direct competitors. You will have to work harder to develop your markets, but you may have them all to yourself...at least for a little while.

Just because you don't have any direct competitors doesn't necessarily mean that you don't have to face other kinds of competition. It will take education first to convince buyers they will benefit from your new product or service before you can sell to them. Sometimes a market's reluctance to accept your new idea can be a form of competition, for example.

So, once you've identified the competition, what do you need to know about them? As much as you can. Below are just a few suggestions for topics you might want to cover:

- Who are your competitors?
- How many of them are there?
- Where are they?
- How successful are they?
- Which ones are the main players and which ones are just barely hanging on?
- How long have they been around?
- What is the perception of them in the marketplace?
- How do they charge for their products or services?
- Which ones are seen as providing the best quality? Lowest cost? Fastest? Best value for the money?
- Which ones are the most successful?
- What niches do they each fill? What are their specialties?
- How much territory do they cover?
- Who do they use as suppliers?
- What are their strengths? Weaknesses?
- What credentials do they have for doing what they're doing?
- What professional groups and organizations do they belong to or participate in?
- How do they market their products or services?
- Are they growing, shrinking, or remaining about the same size? Where can you beat them? Quality? Price? Speed?

There's so much more that you'll probably want to find out about your competition—this list should just be the tip of the iceberg. Of course, the next question is where do you go to get the answers to all of these questions?

The easiest place to start your research is the telephone book. Pick up the phone and call your competition and ask them some of the questions above. Or you can call the appropriate trade associations to see if they have any industry statistics available. Another excellent resource is your area Small Business Development Center. Contact us for assistance.

How to Write a Marketing Plan: Market Research

(Part 3 of 5)

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Large companies with plenty of resources have made market research into a very sophisticated process, learning everything that is possible about their consumers. For example, Coke knows that we put 3.2 ice cubes into a glass, see 69 of their commercials every year, and vending machines cool our cans to 35 degrees.

However, many smaller companies cannot afford a separate marketing research department to gather and monitor information. But that's no reason to forget about market research all together. It's not enough to know the answers to the basic questions about your business, you also need to know WHY people buy your products and services.

The first step in market research is identifying what you really need to find out. That is, do you need to obtain general information about how your target market thinks about your product or service or will a simple confirmation of the general trends in your industry do? The type of information you are seeking will shape how you approach your research.

Generally market research can be categorized as primary or secondary. Primary research involves the actual data gathering of specific usage patterns, product feature likes and dislikes, etc. Secondary research includes the research most of us are used to doing—library research with books, periodicals and on-line on the internet. With secondary research, someone else has done the primary research and has written it up in a form that's easier for you to use. Many reports are available on line now.

There are several places you can look for information for your market research, a few of which are outlined below:

- Public libraries. The reference section of your local public library usually will have a collection of indexes and directories that contain detailed information you can use in your research.
- Government publications and information services. Government census data can be broken down into all kinds of categories—race, age, sex, family income, employment, education, and housing, just to name a few. These data also can be mapped for you according to very specific location criteria.
- Trade associations. Trade associations are an invaluable source of data on everything from salary surveys and market trends to company profiles and the key players in the industry.
- Internet research. Today, you can find data, information, secondary market research and industry reports on most products and services. It takes time, but is well worth the effort.
- Small Business Development Centers. Your local Small Business Development Center can assist you with your market research.

How to Write a Marketing Plan: Determining Your Market Share

(Part 4 of 5)

Sherry Shafer, Mid-Iowa SBDC

When starting a business, one of the most important questions you'll face is whether your market is large enough to support your business.

To make this determination, it's helpful to know how many customers you'll need to be successful. One of the first things you'll want to do is identify your "break-even" point—how much money your business has to generate to cover your expenses and pay you enough to make it worth your while to stay in business.

You'll also need to analyze your market to determine things like market potential, market size, and market share.

Market potential is how much potential demand is out there for your product or service. Market size is related to the current demand for your product or service, and, of course, market share is how much of that potential and current demand you can expect to capture.

When you compare your estimated market share to your break-even figure, you should be able to tell if the risk of going into business is worth the potential rewards. To determine market potential, size and share, you can look for customers in four basic places:

- You can create a market or a demand where none existed before. This might include customers for a new product or service you're bringing to the area or it may include bringing new customers to an established product or service.
- You can serve those customers who are not already being served. When the demand for your product or service is greater than the existing supply, it means that there are customers out there who want your product or service, but can't get it because there aren't enough providers to meet the demand. You can fill in the gaps.
- You can take customers away from your competitors. If you can provide customers with a better deal, your competition deserves to lose them. That's what free enterprise is all about.
- You can expand the geographic area you serve to cover a larger number of customers.

If you need assistance in understanding how to determine your market share, call your area Small Business Development Center.

How to Write a Marketing Plan: Putting It All Together

(Part 5 of 5)

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Whether your business is small or large, it will be more successful if you have a business plan. A key component of that plan is the marketing plan, which summarizes the Who, What, Where, When and How Much components of your annual marketing and sales activities.

Your marketing plan should address the following questions:

- Who are our target buyers?
- What niche can we serve?
- Where will we implement our marketing spending plans?
- When will marketing spending plans occur?
- What sales, spending, and profits do we expect?

Once you've answered all the questions above, you can begin putting it all down on paper in your marketing plan.

The marketing plan is made up of five major sections:

1. The Situation Analysis. This describes the total marketing environment in which the company competes and the status of company products and distribution channels.
2. The Opportunity and Issue Analysis, also known as a SWOT analysis. This examines the major internal Strengths and Weaknesses of the company and the external Opportunities and Threats to the company.
3. The Goal and Objectives section. This outlines major company goals, marketing and financial objectives.
4. The Marketing Strategy section. This lays out your company's marketing strategy statement. It should describe your key target buyers, your company's competitive market segments, your company's niche, and how your company compares to the competition. You should also cover your pricing strategy, a marketing spending strategy with advertising and promotion, and market research expenditures.
5. An Outline of Marketing Events. This is an action plan to increase sales and may include a summary of quarterly promotional and advertising plans, with spending and timing for each program.

If you need help writing your marketing plan, contact the Small Business Development Center in your area.