

Project Objectives

- Analyze information about potential customers and competitors of your business
- Write the marketing plan for your business

Getting Started

Read the Project Process below. Make a list of any materials you will need.

- Think about your business idea. If you were to start this business, who do you think your customers and competitors would be?
- As you develop a marketing plan, carefully analyze your marketing goals. Where do you see this business in one year? five years? ten years?

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Project Process

4.1 Identify your target market and market segments. Use secondary data sources that could help you assess demand for your product or service. Develop a customer profile for your business.

4.2 Conduct primary data research. Define the question—what it is that you want to learn from your research. Develop a survey and have at least 30 people in your target market fill it out. Analyze your results, and determine if your idea is feasible or if you need to make changes to it.

4.3 Determine your competitors, both direct and indirect. Prepare a chart and analyze each competitor in terms of price, location, facility, strength, and weakness. Develop a customer loyalty plan.

4.4 and 4.5 Write your marketing plan for the product, price, distribution, and promotion elements of the marketing mix.

Chapter Review

Project Wrap-up Using a word processing program, key all the information that you have prepared in an attractive format. Add this to your business plan.



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GOALS

Explain the importance of marketing a business

Identify a target market by analyzing the needs of your customers

Describe how to conduct market research

KEY TERMS

marketing, p. 88

marketing mix, p. 89

target market, p. 89

market research, p. 92

**JUMP START**

Cheryl had always dreamed of having her own day spa business. She enrolled in the cosmetology program in high school, completed her training at the local technical college, and then got a job at a spa. After working for ten years, she told her friend Sergio about her idea of starting her own business. Sergio was very interested and told Cheryl that he and several of their coworkers would be interested in joining her. Cheryl realized that most of her clients would follow her to the new spa, but she didn't know if that would be enough to support the new business. She believed the spa would appeal to women and men between the ages of 23 and 50. They would be people who are concerned about their appearance, willing to pay extra for quality service, and have an average income of \$35,000. She wanted to locate the spa in her community but was not certain there would be enough demand there. Why do you think it is important for Cheryl to know exactly who her customers are?



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What Is Marketing?

As defined by the American Marketing Association, marketing is “an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.” To simplify this definition, **marketing** is all of the processes—planning, pricing, promoting, distributing, and selling—used to determine and satisfy the needs of customers and the company. This definition demonstrates the importance of the customer.

It is important to conduct market research to discover what products or services customers want to buy. Using data that is gathered through market research helps entrepreneurs develop a marketing concept for the business. The *marketing concept* uses the needs of customers as the primary focus during the planning, production, distribution, and promotion of a product or service. To use the marketing concept successfully, businesses must be able to

- Identify what will satisfy the customers' needs and wants
- Develop and market products or services that customers consider better than other choices
- Operate profitably

An important part of implementing the marketing concept is developing a marketing mix that helps meet customer needs and enables the business to earn a profit. The **marketing mix** is a blending of the product, price, distribution, and promotion used to reach a target market. For example, once you have determined what product or service meets customers' needs, you must determine the right price for it, make it available to the customers in the right places, and then let your target market know about it.

CheckPOINT

How does the marketing mix for consumer products help meet consumer needs?

Target Market

As an entrepreneur, you will need to estimate the demand for your products or services by identifying your primary customers. The **target market** includes the individuals or companies that are interested in a particular product or service and are willing and able to pay for it. Identifying your target market helps you reach the people to whom you most want to sell. Target customers are the customers you would most like to attract. A car dealer selling moderately priced minivans would target middle-class families with children. A car dealer that offers expensive sports cars might target single people with high incomes.

To identify the target market for your product or service, you will need to answer the following questions.

1. Who are my customers: individuals or companies?
2. If my customers are individuals, how old are they? How much money do they earn? Where do they live? How do they spend their time and money?

TEAMWORK

Working with team members, look through magazines for an advertisement of a new product. Based on the type of publication and the material contained in the advertisement, answer the eight questions starting on this page about identifying a target market. Can you determine who the target market is for the product?

3. If my customers are companies, what industries are they in? Where are those industries located?
4. What needs or wants will my product or service satisfy?
5. How many potential customers live in the area in which I want to operate?
6. Where do these potential customers currently buy the products or services I want to sell them?
7. What price are they willing to pay for my products or services?
8. What can I do for my customers that other companies are not already doing for them?

Understand the Competition

Knowing a lot about your competition will help you define your target market. Businesses enter into areas where there is competition all the time. However, they have to identify some special customer need or want that is not being met. Customers may be happy with the products or services being offered, but they may be unhappy with the prices being charged. Customers might be willing to pay more for better quality. In either case, a customer need is going unmet by a competitor, indicating a possible opportunity for an entrepreneur.

Market Segments

To further define your target market, you need to identify market segments. *Market segments* are groups of customers who share common characteristics. Segmenting, or dividing your target market into several small groups, can help you develop a product or service that will meet customer needs. Market research can be used to identify market segments.

The process of market segmentation is important because most products and services only appeal to a small portion of the population. The leisure services market is a large market that includes many segments, such as outdoor adventurers, people who vacation frequently, and couples who eat at restaurants. Targeting the entire leisure market would not make sense. You would never be able to meet the needs of the entire market.

Creating a customer profile can be very useful in market segmentation.

A customer profile is a description of the characteristics of the person or company that is likely to purchase a product or service. A customer profile can help you meet customer demand. Customers may be profiled based on many types of data, including demographics, psychographics, use-based data, and geographic data.

SAMPLE CUSTOMER PROFILE FOR A SPORTING GOODS STORE

- Individual 23 to 52 years of age
- Participates in sports
- Wants good-quality sport equipment
- Looks for good prices
- Lives in city of Blanchester
- Average household income of \$42,000 per year



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What kind of customer profile could you create from this group of people?

Demographics Data that describe a group of people in terms of their age, marital status, family size, ethnicity, gender, profession, education, and income are called *demographics*. An example of a market segment based on demographic data is women business owners between the ages of 25 and 40 who earn at least \$50,000 per year.

Psychographics Data that describe a group of people in terms of their tastes, opinions, attitudes, personality traits, and lifestyle habits are called *psychographics*. An example of a market segment based on psychographic data is people who prefer to live in a downtown setting and whose musical preference is jazz.

Use-Based Data Data that help you determine how often potential customers use a particular service are called *use-based data*. If you were starting a travel agency, you would want to know how often potential customers travel.

Geographic Data Data that help you determine where your potential customers live and how far they will travel to do business are called *geographic data*. If you were thinking of opening a coffee shop, it would be important for you to know that people are not willing to drive more than one mile for coffee.

CheckPOINT

How can creating a customer profile help entrepreneurs identify their target markets?

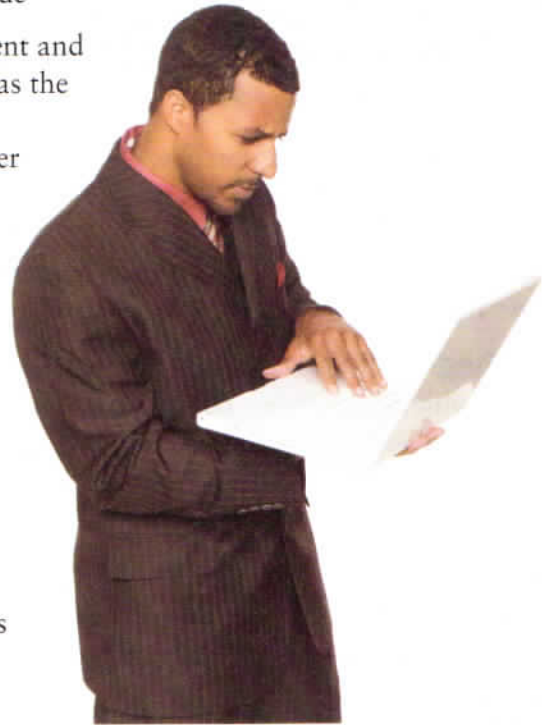
Role of Market Research

For your business to succeed, you need to find out who your customers are, what they want or need, and how much they are willing to pay for your product or service. To collect this information, you will perform market research. **Market research** is a system for collecting, recording, and analyzing information about customers, competitors, goods, and services. You will draw on secondary data and primary data as you gather your information. Both types will help you identify ways to meet customer needs.

Secondary Data

Entrepreneurs usually begin research of their target market by using secondary data. *Secondary data* is data found in already published sources. Information on population, family size, household income, economic trends, industry forecasts, and other information can be found in secondary data resources. Places to find secondary data include

1. Publications issued by government and community organizations, such as the U.S. Census, the Small Business Administration, and the Chamber of Commerce
2. Books about specific industries
3. Information on websites for government and businesses
4. Books about other entrepreneurs who set up similar businesses
5. Specialized magazines and journals devoted to particular fields
6. Newspaper articles and statistics



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DID YOU KNOW ?

Many retail stores collect primary data through the use of scanners. The salesperson scans the universal product code (UPC) on each item purchased. The store owner can then determine the best and worst selling items and adjust inventory based on this information.

Primary Data

Most market researchers also collect primary data. *Primary data* is information collected for the very first time to fit a specific purpose. A researcher collects primary data to help identify and understand the target market. There are a few ways to collect primary data, such as through surveys, observation, and focus groups.

Survey The most common type of primary market research is a questionnaire or survey. A *survey* is a list of questions to ask your customers to find out demographic and psychographic information. A survey can be conducted by mail, over the phone, on the Internet, or in person.

What websites might you visit to conduct market research for a new business?



Cross-Cultural Relationships

GLOBAL MARKETING

When planning to market products in other countries, it is important to be familiar with the values and practices of people in other cultures. It is also important to be sure that information is not translated incorrectly. Coca-Cola in China was first read as “Ke-kou-ke-la,” meaning “bite the wax tadpole.” Coke then researched 40,000 characters to find a phonetic equivalent, “Ko-kou-ko-le,” translating into “happiness in the mouth.”

Think Critically

How can you familiarize yourself with different cultures?

Observation Market research can also involve observation. If you are considering opening a juice bar in a shopping mall, you might want to see how many customers you could attract. You could go to the mall and count the number of people purchasing drinks at various food outlets. An entrepreneur interested in starting a motorcycle shop might count the number of motorcycles going through a busy intersection.

Focus Groups Another way in which you could find out about the market is by conducting *focus groups*, which are in-depth interviews with small numbers of people. Groups of target customers are interviewed to gain valuable ideas on products or services. You can ask the same kinds of questions in a focus group that you would in a survey or questionnaire. The benefit of focus groups is that they allow for more in-depth discussion about a topic than a questionnaire does. Focus groups usually are led by a moderator who asks questions about buying habits, likes and dislikes, and interest in particular products and services. The focus group session is recorded so that the comments can be reviewed carefully after the session ends.

Disadvantages of Primary Data While primary data can provide the most up-to-date and useful information, it can be time-consuming and more expensive to gather than secondary data. You will need to determine how much secondary and primary market research data you need to collect.

CheckPOINT

What is the difference between primary and secondary market research data?
