

KNOWING YOUR MARKET

Successful small business expansions and new formations lead the way in creating new markets, innovations and jobs that fuel economic growth and prosperity.

Understanding Your Market:

Your business will not succeed just because you want it to succeed. Determining if there is a market for your products or services is the most critical item of planning. Once you decide on your product or service, you must analyze your market; a process involving interviewing competitors, suppliers and new customers

However, before you begin researching your market, you should take a brief, but close, look that at your product or service from an objective standpoint. In terms of a checklist, you should ask yourself the following questions:

- Is this product or service in constant demand?
- How many competitors provide the same service or product?
- Can I effectively compete in price, quality and delivery?
- Can I create a demand for my product or service?
- Can I price my product or service to give me the projected profit?

Once you are satisfied that these questions are answered, move on to performing your research.

Market research is extremely beneficial; the information gathered can increase your profit potential.

Market Research:

- Shows alternative approaches to your market.
- Provides a more accurate base for making profit assumptions.
- Aids in the organization of marketing plans.
- Assists in the development of critical short/mid-term goals.
- Breaks down your market's profit boundaries.

Unfortunately, many entrepreneurs fail to complete this critical section of their business plan. Collecting research data can be frustrating unless you have defined your goals and organized the collection and analysis process. To prevent this from happening, you must plan how you will collect, sort and analyze the data and information. Maintain a notebook and file in which to store, organize and retrieve data as needed.

Questions To Ask:

Your research should ask these questions:

- Who are your customers?
- Where are they located?
- What are their needs and resources?
- Is your service or product essential in their day-to-day activity?
- Can the customer afford your service or product?
- Where can you create a demand for your service or product?
- What areas within your market are declining or growing?
- What is the general economy of your service or product area?

Evaluating Your Marketing Plan

Periodically you should evaluate your marketing plan. Ask the following:

- How can you test your marketing ideas?
- What has worked effectively?
- What was the cost compared to sales?
- What is your cost per customer?
- What different methods of marketing might work to bring in new customers?
- What marketing tools can you implement within your budget?

Market Data:

Knowing your market not only requires an understanding of your product, but also an understanding of your customers' socio-economic conditions. This information will serve as a map in letting you know what is ahead. More market information can be found in:

- Library listings of trade associations & journals.
- Regional planning organizations'/studies on growth trends.
- Banks, realtors and insurance companies.
- Competitors.
- Customer surveys in your market area.
- U.S. Government publications.

Once you have obtained and analyzed this information, it will become the foundation of your business plan. Research data is important because it supports the basic assumptions in your financial projection...your reason for going into business.

How to Get More Information:

Information is power! Make it your business to know what business information is available, where to get it and most importantly, how to use it. Sources of information include:

State Economic Development Agencies

Chambers of Commerce

Local Colleges

The Library

Manufacturers and suppliers of small business technologies and products.

Summary:

To be successful, a small business owner must know the market. Market research is simply an orderly, objective way of learning about people...the people who will buy from you.

. The above was taken from the SBA publication "Focus on the Facts: Knowing the Market"