

Field Guide

for the Small Business Trekkie

Christie Karis

Copyright © 2014 Christie Karis

ISBN: 978-0-9905466-0-3

All rights reserved.

Overview

The Field Guide for the Small Business Trekkie is a development reference for starting a small business. The Field Guide is dedicated to the real small businesses of America – the establishment with 1 to 4 employees and the owner operated service business.

The Field Guide is filled with sound examples of market research, financial modeling, marketing strategy and business plan coaching. The Field Guide follows a common sense path beginning with validating market need and developing a needs-based offering before spending money to organize the business. The Field Guide includes an array of examples and stories that will help you grasp the issues and get prepared for launching their new business.

There is treasure to be found when working with the Field Guide – market perspective. A sustainable enterprise flows from decisions that are driven by our perspective of the market place. Market intelligence can tell us what to do and why. The market perspective gained from working with the Field Guide is gift that keeps on giving.

Content

Market Analysis

- Market Area
- Demographics
- Market Needs
- Competition
- SWOT Analysis
- Industry Analysis
- Market Potential

Product & Services

- Offering Description
- Features & Benefits
- Supplemental Options
- Pricing
- Competitive Edge
- Resources

Financial Model

- Start-Up Funding
- Fixed Expenses
- Cash Receipts
- Sales Forecast
- Cost of Sales
- Financial Performance

Marketing Plan

- Market Niche
- Marketing Strategies
- Sales Strategy
- Milestones

Management

- Management
- Personnel
- Administrative

Organization

- Ownership
- Legal
- Location

Keys to Success

Travel Gear

About the Author

Market Analysis

When considering the launch of a new enterprise, seasoned business owners will advise that we find a need and fill it. However, the marketplace is not a twenty-six piece wooden puzzle for children. Given the complexities of potential customers, competing for market share and developing a sustainable business model is challenging.

If a new small business is going to compete effectively for market share, the owner will need to understand the nuances of the market place as well as the manager of the primary competition or local chain store. Unfortunately, this is where a new business owner can be at a real disadvantage.

The marketing professionals behind sophisticated competition probably did a market analysis before they signed a lease. They know who the target market is and what they need. They also know what they expect which is something small business owners often don't think about. The good news is that none of this is rocket science. With a little effort, you can come pretty close to matching their endeavors.

The trail to Independence Valley begins with validating market need, assessing how we compare with the competitive field and searching for evidence of market potential. If you are going to compete with locals for market share, it is entirely possible they have never heard of such wizardry.

Market Area

Validation of target markets and market need begins with clarifying where the customers are located. When it comes to defining the boundaries of a market area, proximity tends to be the first consideration because convenience is an important purchase value of a busy customer.

Shopping center developers and leasing agents often use concentric circles to define the value of a location in terms of proximity and population. However, a broad overview can be misleading to the small enterprise. There may be 10,000 people who reside within a two mile circle around your business but if there is a river in between with no convenient bridge crossing, one has to consider if the mail boxes on the other side represent meaningful potential.

Another influence that can define a market area is consumer traffic patterns. In a rural county, shoppers may have a habit of traveling from a small outlying town to the county seat where a wider selection of stores, services and employment is available. As such, a small town may be in the market area of a business located in the county seat. However, even though the drive time is the same, the county seat may not be in the market area of the small town business unless there are commanding reasons for people to shop in the outlying community.

Consumer patterns can also be evident in large population centers because shopping venues, roadways and traffic congestion can affect how people traditionally gravitate toward one area or another. It is important to recognize that a small business will find it difficult to alter consumer shopping patterns.

The definition of a market area can be influenced by operating logistics. If intending to operate an e-commerce business, the broad market area accessible via the internet may require some refining based on transaction variables such as shipping costs, state sales taxes, language and monetary conversion.

If operating a local service business, is it worth your time to burn gasoline and 30 minutes one-way of your day for a one hour service call? Will the market allow you to offer prices that are based on travel zones? When considering logistics, the proximity and convenience factor can work both ways.

The definition of a Market Area needs to be consistent with where we intend to spend advertising dollars cultivating market awareness. It doesn't make much sense to consider an area as potential if we don't employ a marketing strategy that lets them know we exist. However, there may be reasons to consider a Primary and Secondary Market Area.

The Primary Market Area is where our most important customers are located and where we intend to spend money cultivating market awareness. The Secondary Market Area, while not considered as an advertising priority because of distance and the presence of valid supply alternatives, may offer a reason or two that suggests some potential. For example, a roadway may bring consumers from an outlying area to or through your community on a daily basis for employment. If selling convenience related products, personal time constraints may suggest your business as actually being more convenient than the one close to where they live.

Finally, defining a market area is somewhat like the chicken and egg story. What comes first? Do we define the geography or the customers? In truth, the process tends to go hand-in-hand. We start with a broad or macro area, perhaps a zip code or county, and make adjustments as we study and learn about the demographics of the area. If your market area is local, it's a good idea to drive the area to get a feel for access from the customer's perspective, especially during some of the busy times. Distance may be one thing but time is another. At the end of the day, customer perceptions do play a role in defining a market area.

Demographics

Measurable statistics that identify characteristics of the general population are known as demographics. The characteristics of the general population can suggest who is more likely to have a need for services. For example, if one is planning to offer residential lawn maintenance services, it seems logical that the owner-occupied housing units in an area are more likely to have a need for these services than renter-occupied units. If offering day care services, the number of families with children is certainly more important than the total number of households, which would include singles, seniors and other unrelated groups.

Because demographic reports focus on population, the data is an indicator of market potential, or the lack of it. If considering several market areas as possibilities, demographics can suggest which area is the stronger market.

The US Census provides a substantial amount of demographic data at the American FactFinder website. <http://factfinder2.census.gov>.

Consumer demographics are sorted by:

- Population
- Age range
- Sex
- Households
- Family size
- Income
- Occupation
- Education

The US Census also provides detailed demographic data grouped by:

- Population
- Business & Industry
- Education
- Housing
- Income
- Origins & Language

- Poverty
- Veterans

Research Process

When browsing through demographic data to identify potential customer groups, it is best to start with a broad brush and make notes about data that piques your interest. Printing data tables and highlighting interesting data can be an effective method for capturing information.

The following is an example of demographic research and owner comments for a retail pet supply business.

Demographics	Burien	Sasquatch Haven
Total population	42,731	24,092
Ages 20-60	24,213	13,459
Households	15,127	8,668
Family households	9,706	5,720
Family w/children	4,439	2,497
Single households	5,421	2,948
Private wage & salary workers	15,618	8,452
Median family income	\$59,966	\$67,697

Summary: Our Primary Market Area will be the Burien zip code. Our Secondary Market Area will be the eastern half of Sasquatch Haven because people commuting to major employment centers must drive within a few blocks of downtown Burien on a daily basis. It will be easy for them to pick up pet food at Maddy's when their supply is running low.

The demographics most important to the Maddy's Paw business model will be.

- Age 20 to 60
- Family households
- Families w/ children under 18
- Employed, self-employed; professionals
- Average income

Maddy's will focus on family households, especially those with children, because they are more likely to consider their pet as a member of the family. When pet owners consider their pet as family, they tend to purchase high quality pet food and products that contribute to their pet's health and well-being.

Market Segmentation

When perusing demographics, we need to become selective about which customer groups are important to the business model. The selection of customer groups is often referred to as target marketing.

In corporate circles, identifying target customer groups has evolved into a concept known as market segmentation. The segmentation process divides a broad market into subsets of target customers who have common characteristics and common needs. The commonality among potential customers in the market segment suggests the possibility of going to market with a common message and possibly a common media.

The segmentation process groups potential customers based on geography, demographics or other attributes relating to their purchasing or consumption behavior. The bottom line of the segmentation process is our selection of a target market and our reasons why the selected customer group is more interesting than the ones we are passing over. Market segments subsequently become the strategic focus of the marketing plan.

Segmentation Examples

The following are examples of market segments in the small business environment.

The owner of a pet supply store chooses families with pets as a market segment because pet owners that consider their pet as a family member tend to purchase premium brand pet food and pet supplies that enhance the health and well-being of their pet.

A sport shoe proprietor decides to segment the “weekend warrior” runner because they are likely to buy higher quality running shoes, value personal service and have an ongoing interest in running socks, apparel, accessories and supplements.

A duplex contractor selects upper middle income seniors as a market segment because boomer generation retirees represent a rapidly expanding market that is likely to be in a downsizing mode with a preference for efficient space and distinctive features that allow them to stay close to home and forego the retirement home environment.

Segmentation can be a sophisticated process and it is not applicable to every small business. An owner operated service businesses or a small establishment with a few employees may find that a more generalized approach such as identifying customer groups as a marketing target is sufficient.

Free market segment data sorted by zip code is available at:

<http://www.claritas.com/MyBestSegments/Default.jsp>

Commercial Markets

In terms of numbers, small establishments and service businesses are generally the dominant group of a marketplace. However, the collective revenue of the independents is generally less than 8% of total market receipts. The benefit of serving the smaller independents is in spreading the commercial business over a large number of accounts. Imagine the risk if you are doing \$50,000 a year with a local manufacturer and they move production to Singapore.

If dollars are in your viewfinder, the corporate market is certainly worth considering. However, while corporate clients have needs that are similar to small independents, they are likely to have very different priorities when it comes to purchasing product and services. The following are two examples. The following are two examples.

Example A: The corporate client will usually evaluate an offering in much more detail than the independent. Their evaluation may consider product specs, purchase amount requirements, volume pricing, delivery time, payment terms, special allowances and a purchasing process that may involve more than one individual. A corporate client may also require a proposal in writing.

Relationship building can be challenging because a corporate client may change buyer responsibilities from time to time. In some cases this may be a deliberate tactic that is designed to put pressure on vendors that over rely on a personal relationship with a buyer.

Example B: The owner of Hugo’s Hardware found the excitement of large orders began to wane when faced with cash flow pressures that accompanied their supplier relationship with the Bluto Box Company:

- Hugo pays for 2 hour power lunch at The Crab Bucket to cultivate Bluto’s business;
- Bluto buyer insists on a 5% discount on pneumatic staples;
- Hugo pays for another lunch with buyer and the boss to discuss Bluto’s need for an additional 2% cash discount and free delivery;
- Hugo gets the business and Bluto places an order for \$1,100;

- Hugo ships and pays Krypton Staples to replace the inventory;
- Bluto pays late because packaging cardboard arrived soggy due to a monsoon in Borneo;
- Bluto buyer and VP of Marketing want Hugo to pop for lunch at The Crab Bucket to discuss the \$5,000 green sponsorship they are saving for Hugo Hardware at The Friends of Bluto Golf Tournament.

The above is not meant to dim your enthusiasm about the commercial market. The examples are only meant to make sure you have a realistic perspective of the supplier relationship. In the final analysis, some commercial clients may work for you and some may not.

Finally, when considering commercial opportunities, it's a good idea to think about your personal comfort level. Are you okay with ditching the sweatshirt and gelling up to call on a corporate buyer? Or, does talking face to face with another small business owner sound a little more like you? In the end, doing business with a commercial client is about forming relationships and your personal comfort zones are worth considering.

Commercial Data

If serious about the commercial market, characteristics or attributes can be used to define potential customer groups. The following are examples of considerations that can be used to sort out your options:

- Type: retail; wholesale; hospitality; etc.
- Geography: accessibility; shipping cost;
- Size: revenue; number of employees;
- Purchasing: requirements; buyer access.

The Censtats Database on the US Census website provides a substantial amount of data for establishments with employees and nonemployers. These are two very different markets. <http://censtats.census.gov>

Establishments

The County Business Patterns should be useful and you may find that local zip code and Metro Business areas are especially interesting. The Detail link gives you access to industry subset data. The table headed Number of Establishments identifies industries based on their number of employees.

Nonemployers

The majority of businesses in the US are actually establishments without employees. Most of them are self-employed individuals operating unincorporated sole proprietorships. The Census indicates the number of establishments in the economic group and total receipts.

When viewing County data, the Detail menu provides industry subset information. The key data is the number of firms in the category and the annual receipts in the market.

Note: The North American Industry Classification System (NAICS) has replaced the Standard Industrial Classification (SIC) as the current standard for the purpose of collecting, analyzing and publishing data. However, there is a substantial amount of SIC data still present on the web. Industry codes can be converted at: <http://www.naics.com/search>.

Commercial Targets

For some, it will make more sense to focus on a specific commercial client instead of an industry group. While the CenStats website doesn't provide names, detailed business information may be available through your local library. Ask your Reference Librarian if the library subscribes to Business Insights, Reference USA or a similar database. If so, a library card can be used to access online information about local business listings and industry reports.

The Reference USA business listings will generally include the following:

- Company name
- Address

- Phone
- Website
- NAICS/SIC Profile
- Nr. Employees
- Sales
- Years established
- Size
- Credit rating

Market Needs

If we accept that satisfying customer needs is central to the sustainability of a small business, it follows that we should do everything possible to determine:

- Who the customers are
- What they need
- How they make a purchase decision

We can use demographics to define who the customers are. Our personal experience and logic will often tell us what they are likely to need. Purchase decision values however are much more esoteric and can vary depending on demographics, location and business type.

In retail, purchase values can include brand names, product selection, quality, competitive pricing, convenience and customer service. If providing services, engagement decisions may include expertise, reliability, quality, price and others. With a little imagination, the purchase value concept can be adjusted to align with a broad array of small business venues.

Because purchase values contribute directly to sales, it's a good idea to consider the income level and demographics one is dealing with. It is entirely possible that a target customer profile may have a much different set of purchasing values than the business owner.

Customer Expectations

The business advice to “find a need and fill it” makes a great deal of sense on the surface. However, customer needs are not the only issue. Consumers for instance, come to the market place with expectations that are influenced by their experiences with major retailers and grocers. They also come to the market with attitudes and personality profiles that affect their shopping environment preference.

There is nothing scientific about this, but have you ever noticed that some of your relatives have deeply ingrained ideas about where they like to shop? Is there any chance your Thanksgiving table looks like this?

Warehouse Willy is really into the big box store; likes the hustle and bustle; not interested in getting help; rarely considers a small business for anything; good for thirds on the turkey and a quick hop to the TV after dinner;

Boutique Bertie is enraptured with quaint and intimate environments; will only go to the mall on Tuesday morning when it's very quiet; gets very anxious when things are moved around; more loyal than a Corgi; has a great cranberry recipe and can definitely be counted on to help with clearing the table and doing the dishes;

Discriminating Dan has mutable shopping environment preferences depending on needs; wants the best selection for barbecues and patio furniture; most convenient for beer; lowest price for a new washing machine; potent gas for dental work; loves the carrots but not into asparagus, cauliflower or helping with the dishes;

Comatose Cass is not interested in shopping or even thinking about it; tends to remain motionless and stare at the TV for extended period of time; good for three servings of mashed potatoes; will quickly nod off after dinner and entertain you with musical digestive tones;

Nerdy Norm is unfortunately missing from the table; not much is known about the mysterious hoody clad e-commerce buff that dwells in a room with *Zombie Alert* painted on the door.

So what is the morsel so neatly tucked away in this little trip to the family zoo? Only this - each of the personality types mentioned represents a personality profile of consumers and how they approach shopping. While the numbers would vary among communities, it would not be surprising for the Warehouse Willies to represent 35 to 45% of a marketplace with Boutique Bertie representing another 20 to 25% and Discriminating Dan about 30%. As for Comatose Cass, possibly a 5% share because he does have to eat. When it comes to Nerdy Norm - only the Shadow people know.

Personalities

Customers also come to the market place with personalities, values and lifestyle traits. For example, Gertie Wunderkind drives to work because the bus route is not convenient. One day Gertie's vehicle starts spewing blue smoke so she decides it is time to buy a car. This seems like a straight forward need but the model Gertie is attracted to, where she will buy the car and the sales person of choice quickly gets into the shades of Gertie's personality.

The marketing term that deals with personalities, values and lifestyle traits is known as psychographics. While some may consider this a bit of woo-woo, understanding, or at least respecting the personal, esoteric and otherwise mysterious nuances of customers does help with the marketing. The following are illustrations that point to complexities that can affect customer needs.

Example A:

Maureen and Tom need affordable day care for little Alfie who just turned two. Maureen and Tom are enlightened parents and value single-grain cereals, soy milk, pureed strained fruits, organic snacks, intimate story time, child safety and TLC. It is safe to suggest that Maureen and Tom have underlying psychographic needs.

Further, while Maureen and Tom need day care services, what they really want is a service provider that will help them feel good about their parenting choices. Of course, they won't tell that to the person behind the desk at the local day care center.

The owner of Heavenly Annie's markets her team of "Annie's Angels" using a picture of Annie's mom when she won the Betty Crocker look-alike contest in Pawnee, Indiana.

The Heavenly Annie's website features a picture of an innocent cherub with sparkling happy eyes sitting on a soft puffy cloud being fed nibbles by three Annie's Angels, one of whom is wearing a sparkling tiara and has an armful of classic story books.

In contrast, the local Go Kid Go Day Care runs ads that features their team of Go-Go Grannies and cute little yellow chicks that are cleverly peeping "cheep-cheep" which we all know is code for "why pay more."

Because of their focus on low prices, the Grannies are pretty much minimum wage temporary help and the snacks are bought online from TheCrackerBarrel.kr. As for story times, the Grannies have an endless supply of tales they can spin about their husbands and the good old days.

When considering Maureen and Tom, what are their needs and expectations? Who has the best chance to become their day care of choice and why?

Example B:

Sometimes life just won't bring your customers a box of chocolates. When responding to his mother's plea for help, Mortimer came to the rescue to fix her leaky toilet.

Being the consummate techy, Mortimer did a web search with Prowler and quickly discovered all that was needed was to replace a \$1.98 wax toilet ring. Unfortunately he would have to remove the toilet to get at the ring. But not to worry! It was all there in big letters – 5 steps to a happy flush. Voila!

Mortimer, with wax toilet ring in hand from his jaunt over to Hugo Hardware, did know enough to turn off the water supply. However, the bolts holding the toilet to the floor were corroded to the max and wouldn't budge. So Mortimer decided to improvise by using a hammer to give his wrench a little tap that would surely loosen the rusty bolt.

Unfortunately, his bifocals got sweaty and began slipping off his nose. To make matters worse Hiroshima, the family Rottweiler, got loose from the dog house tether and was looking someone to play with. Our Morty was his favorite because he had a more interesting scent than other family dwellers. Hiroshima bounded through the yard, shredded the screen door, ran up the stairs, skidded into the bathroom and for reasons known only to dogs, said woof-woof by sticking his nose you know where at exactly the wrong time.

Alas, the young lad missed his target and a horrific {{{WHACK}}} echoed through the house as the toilet bowl split asunder into three chunks and no less than 583 shards of porcelain. Because of gravity reported to us by Newton, the toilet's contents flooded the bathroom and quickly ran down the stairs to where the mom was sitting in her new Dearfoams munching on truffles as she leafed through the feature article on the front page of True Tales – Shocking Alien Abductions! There is more to the story but a market needs lesson does beckon.

Clearly, we have a variety of needs percolating here. Mortimer has the wax toilet ring but he will need a big sponge and a pail, a new toilet, a bolt cutter, new toilet bolts, caulking and a new screen door. Anything else you can think of?

When it comes to customer satisfaction and developing a return customer if you are so inclined, what do you think it will take to satisfy his expectations? Hint: He is in a hurry! And then, there is Mortimer's mom who is about to be diagnosed by the EMT's with Stage 4 Hysteria. Her needs could be a bit more complicated.

The idea behind understanding market needs is simply that we are more likely to find success when we design a business model and create advertising messages that focus on the needs of our target market. And remember, sometimes needs are buried underneath the tummy.

If there are enough people in your market area, any one of the above personality types discussed can be a market unto themselves if you have a message that speaks to their real need. Going to market as a generalist with a one-size-fits-all sales & marketing strategy is not always the best way to a happy retirement.

Competition

If serious about capturing market share, it helps to consider what the competition is up to. In competitive markets, chain stores make a regular practice of shopping competition. The mystery shoppers try to be non-conspicuous but pushing a shopping cart around with one can of soup is a dead give-a-way.

As sound as the idea of gathering market intelligence seems, eyeballing the competition is probably the single biggest weakness of the small business owner. We seem to have an innate disconnect with the idea. Perhaps we are just too honest or have a fear that we will be discovered and escorted out of the building by a baton toting security guard.

However, if one is willing to consider the process, the competitive survey should focus on what is

important to the customer with respect to the business type. Customers are likely to have one set of values for a restaurant and another for the auto parts store.

Market Survey: Service Business

Customers considering a service provider are generally thinking about competence, reliability and price, although not necessarily in that order. For some, quality, reputation, appearance and respect for diversity may also be a factor. As such, a subjective strength (+) and weakness (-) comparison will usually suffice. One can also use a numerical rating with 1=Poor or Non-existent and 5=Excellent or Strong Market Position. The following is an example of a market survey and summary for plumbing services.

Customer Values				
	Joe the Plumber	Drain King	Clog Busters	Big John
Expertise	+	+	+	+
Reliable	+	+	-	-
Quality	+	+	+	+
Price	+	-	+	+
Appearance	+	+	-	-
Diversity	+	-	-	-

Summary: Overall, everyone in the market has the certifications and expertise. However, while Big John and Clog Busters both feature low prices for drain work, both of them have sloppy employees who tromp on carpets with gunky shoes and are condescending to women. As such, our real competition is Drain King. The business is well established and has a good reputation.

However, some people are complaining because Mr. King is over reacting to the eco movement. He recently decided to drive a green van, wear a green cap and don green overalls. He also painted his plunger green and lectures everyone on how to manage their waste. This seems like a bit much for a wad of hair stuck in a pipe.

We should be able to capture attention with ads featuring Joe the Plumber in clean jeans and shiny boots waving hello. Our ad will also emphasize our competence and reliability.

Market Survey: Establishment

When surveying establishments, the process should focus on what is important to the customer for the business type. In an electronics store, the issues are likely to be product selection, informed sales people and price. If the survey were for a hair salon, customer values would not only be different, they would probably vary by type of salon and the demographics. Customer values may not resemble yours so you have to do some thinking here. If selling products, the following describes how a competitive survey works.

PRODUCT SHOPS observe the breadth and depth of the inventory. One of the first considerations when needing a product is availability. Since consumers don't take notes when shopping, their perspective of where they can best fill a need is usually cultivated over time by how they mentally absorb the presence of inventory in a store. A well-organized inventory selection is much easier to mentally digest than a selection that is loosely organized or scattered. The on-site product shop gives you a feel of how customers are likely to perceive the competitors product offering as compared to yours.

It will help to have some understanding of the product departments and categories being observed before proceeding with the product shop. If shopping pet supply stores, the product departments could be – pet food, treats, supplies, toys, pet care, meds and accessories. If focusing on one very important competitor, you could break down some of the departments into product categories to get a deeper look. In the case of

the pet food department, the product categories might be dry food, wet food, dog or cat food, fish food, gerbil food, ferret food, bat treats, zombie zits, hedgehog bites, prairie dog treats and some others depending on where you are inclined to hang your hat.

It is best to conduct the survey with a small note pad that includes the names of the departments or categories you want to focus on along with a column to record the space allocation. Stealth 101 teaches us to always know what we are looking for. You can also use a small voice activated recorder to remain non-conspicuous as you capture info. They cost about \$29 and you will probably be doing this again. If concerned about visibility, pushing a basket with some baby food is always a good divergent. The store fuzz is not likely to after you if they think you are a responsible parent with a hungry baby at home.

To illustrate how the shopping list might look, the following is a sample for a pet supplies survey.

Shopping Guide		
	Sam's	Pete's
	Grocery	Pets
Dry food	84	42
Canned food	28	14
Treats	4	8
Litter	20	8
Supplies	4	20
Specialty	6	12
Meds	4	8
TTI Linear Ft	150'	112'

Products are often displayed on fixtures with 3 or 4 foot sections. If a pet store has twenty two 4 foot sections of dry food, they are allocating 88 feet of space to the product. While we may be inclined to think in terms of the competitors over all product selection, if properly organized and presented, a singular product category can make a powerful impression. Imagine if you were to observe 80 feet of rat bait in the local hardware store. You would probably have an out-of-body experience or start talking in tongues.

Finally, the strategy behind the competitor's departmental layout tells you something about how they are likely to be perceived by customers. The next time you are shopping for groceries, you might think about this as you traverse the aisle. There are some good lessons to be learned here. Why does a grocer display the pricier soup at eye level and the cheap stuff on the bottom shelf? Why do grocers place the milk at the back of the store? And, why do they feature low priced candy and incidentals next to the checkout lane? Could there be some science behind shelf placement and departmental layout?

CUSTOMER SERVICE is usually measured in terms of customer recognition, personal attention and employee competence. A business that stresses customer service usually has a policy of greeting the customer. If you are in a store and the store clerk won't look up from their clip board to say hello, you probably don't want to give them a gold star.

You might find it interesting to ask an employee a question and note their response. Some stores do not have much of a customer recognition strategy but they train their employees to be extra responsive and mobile when asked for help. They don't just point to Aisle 12; they do the stroll thing, like some of your relatives did in the fifties.

CONVENIENCE depends on the customers a business serves. For the ordinary consumer, some of the more important convenience issues are proximity, easy access, traffic congestion, drive time and parking.

For some, especially families with children, issues like safety, easy access and well-lit parking lots come into play.

For many, convenience is simply about accessibility. If out in your RV looking for Alpine Soda and your GPS keeps telling you to make U-turns, no convenience coppers for the bubble boys.

PRICE SHOPS assess how the competitor's prices are perceived by the public. If there is no evidence of promotional pricing on feature ends, it is safe to presume they are not number one on the retail hit parade. If their products are dusty or if the price tags appear old and worn, it's a pretty safe assumption the store is not competitive. Conversely, if you find that your inner child wants to grab a cart and start shopping, gold stars are in order.

If shopping a particular department, you might consider checking prices on some highly visible promotional items along with a list of less frequently shopped and hard-to-find service items. This tactic refers to what is known as price sensitive and blind item pricing.

Comparing several competitors on the same basis will give you a good idea of how they price. When comparing, it is fair to assume their cost is the same because vendor discounts for volume purchasing are often manifested in some other way than lower prices on an invoice. The price shop can take some time so you may want to do this over a couple of trips.

Example Survey

The following table illustrates how a Market Survey of two competitors could be tallied and compared. For this survey, a matrix system works well. The subjective comparison can be numerical or descriptive as illustrated in the example below. If using numbers, think in terms of the following: 5 = strong market position and 1 = weak or non-existent. Sometimes it is a good idea to put a ruler over the number 3 to force a more critical evaluation.

Market Survey			
Customer Values	Maddy's	Wiggly Piggy	For Pets Sake
Pet food brands	5	3	4
Product selection	4	2	3
Service	5	1	2
Convenience	4	3	4
Price	3	5	3

Summary: Maddy's Paw will serve an upscale pet supplies market. Wiggly Piggy is a grocery supermarket that features traditional pet food brands and a limited assortment of pet supplies. They are not likely to be factor with pet owners looking for organic food products and upscale pet supplies.

For Pets Sake, while on the edge of our market area, will compete with Maddy's for market share. For Pets Sake has a good natural food selection but their pet supplies product selection is suspect because of off brand products that are being imported from who knows where.

While their pricing seems to be competitive, whatever statement they are trying to make is lost in a rather bizarre customer service strategy. The clerks are required to wear dog or cat ears and greet customers with a "woof" or a "meow." We saw a small beagle that was cowering behind the owner's leg and growling.

We believe the For Pets Sake strategy of importing off brand products is unsettling and their customer service is too off-the-wall for this market. The pet supplies business is a very family oriented market and their 24-7 Halloween strategy is going to freak out the little kids, not mention to scare the dickens out of the poodles

SWOT Analysis

The SWOT analysis helps you identify your *strengths* so they can be used in your marketing message. The analysis also identifies your *weaknesses* so you can find a way to neutralize them. Once you assess strengths and weakness, you can reflect on emerging market *opportunities* and economic or competitive *threats*.

SWOT Analysis	
Strength	Weakness
Unique	Inexperienced
Convenient	New in market
Premium brands	Team needs training
Quality products	
Special needs	
Opportunity	Threats
Area underserved	None visible
Good demographics	
Limited competition	
Family programs	
Diverse community	

The analysis is usually focused on the marketing side of the business but may include some reference to organization and operational issues. The end result is an objective look at your business model. The following table illustrates the model.

Industry Analysis

A market analysis is not complete until one takes the time to assess industry growth and trends. However, the approach to the industry analysis varies depending on whether the research is for a service business or an establishment. The following explains approaches for both. Select the one that is appropriate for your business mod

Service Business Analysis

A Service Business Analysis allows you to take stock of how business is done in your respective field. The considerations are:

- Type of services provided
- Degree of market need
- Local service providers
- How services are bought and sold
- How services are billed
- Supplies needed to deliver service

Competition & Buying Patterns

It is possible that you may be competing in a market where services similar to yours are already provided. If so, it is important to assess your understanding of about what is important to customers:

How do they choose one service provider over another?

- Word of mouth
- Reputation
- Internet presence
- Advertising

- Other

What factors make a difference in choosing service providers?

- Competence
- Reliability
- Quality
- Appearance
- Diversity
- Price

Establishment Industry Analysis

If operating an establishment with employees, an industry analysis will give you a better insight into market growth, trends, distribution and buying patterns and primary financial benchmarks.

Industry reports can be accessed on the web or through your local library. First Research, IBISWorld and Business Insights: Essentials are reliable sources for accurate industry reports. The ABI/INFORM database provides access to First Research industry reports which include financial data and statistics.

Industry reports can be lengthy and the entire report is not needed in your business plan. However, it is important to read the report because you will learn some things. A few pages of summary are usually enough for a business plan so you will need to do some editing. There are free and easy to use file conversion programs on the web that allow you to convert PDF files to Word documents for editing purposes.

Market Potential

Once the market analysis has been completed, it's time to think about market potential. The answer to the market potential question is usually found in the market data.

Industry Data

The US Economic Census/Industry Snapshots provide substantial data on traditional industries, including all personal services. Market data can define the economic substance of your market area.

Traditional industry reports generally include a reference to "Sales per capita." The per capita reference refers to "by head" or "for each head." The Sales per capita indicates the amount of dollars the average person spends on products. Total Sales reveals the size of the market.

Traditional industry reports generally define the Number of Establishments, Sales per establishment, and Sales per employee, Employees per establishment and Population per establishment. With this data, one can reason how much of the market is accounted for and how much may be considered available. We will work through this exercise shortly.

Personal Services are included in the Other Services group. The data here is somewhat different and generally include references to Receipts/Revenue per capita instead of sales per capita. The Receipts reference tells us the size of the services industry in terms of revenue. The reports may also reference the Number of Establishments, Total Revenue and Revenue per establishment, Revenue per employee, Population per establishment and what portion of Total Receipts is made by businesses with no employees.

Assessment

Once we understand the size of a marketplace, we can assess market potential subjectively based on our knowledge of the market area or in terms of data that supports deductive reasoning. The approach tends to be dictated by the size and complexity of the market place.

Subjective Overview: When summarizing market data subjectively, a market area can generally be described by one of the following:

Ideal: High in business opportunity; low in competitive or economic threats; promise for success with little risk;

Speculative: High in business opportunity; high in major competitive or economic threats; risky with potentially large returns;

Mature: Low in business opportunity; low in competitive or economic threats; limited potential and low risk;

Risky: Low in business opportunity; high in competitive or economic threats suggesting reconsideration.

In the above, opportunity refers to evidence of population, market need and a light to moderate competitive situation. Threats refer to strong or emerging competition, a poor economy and uncertain or downward economic trends.

Reasoning

The deductive reasoning process is based on statistics and interpretation. While the statistics are accurate, the process for developing them is not always explained and the interpretation of data is subjective. As such, it is best to be conservative.

The following is an exercise to help you understand the deductive reasoning process. The first step is to look at data that tells you the size of your marketplace.

1. Go to <http://www.census.gov/econ/snapshots/index.php>
2. Enter hardware stores In NAICS Search Window
3. Click on the first listing - Hardware Stores NAICS 44413
4. Become familiar with data on the Industry Snapshot page

Of particular interest is the Sales per capita reference. In this example the data points to \$64 for 2007. We need to determine if there a growth trend over several census years?

In this example, based on Sales per capita of \$64, the hardware store market for an area with a population of 30,000 would be \$1,920,000 annually (Sales per capita of \$64 x 30,000). The Industry Snapshot page also includes graphic illustrations that reveal industry growth.

The Industry Snapshot page also indicates the Sales per Establishment and Sales per Employee. These are important measures for estimating the market share when looking at others in the marketplace. In this example, Sales per establishment in 2007 is \$1,223,000 and Sales per employee is \$140,000.

With the above in mind, one has to consider the following:

- Will I compete in a growth market?
- Who will I compete with for market share?
- What is their annual revenue?
- How much market is available to a new entry?

The following is an example that explains the how one might explore the questions.

Reasoning Process

The Robinson family wants to open a hardware store called Iron Mongers in Greenfield, a market area of 30,000 people. The Total Market for hardware stores in Greenfield is \$1,920,000 based on Sales per capita of \$64 reported by the US Census.

Iron Mongers will have to compete with Jones Hardware and the Nuts & Bolts Emporium for market share. Along with gathering market data from the US Census, the Robinson's decided on the following strategy to estimate market potential:

- Drive the market area to assess customer convenience
- Do an on-site evaluation of both competitors
- Assess the competitions coverage of local market area
- Use the Reference USA database to access competitor data

Given the US Census report of \$1,223,000 in annual sales per hardware store, the Robinson's have to determine if the competing hardware stores should be considered average, above or below average and why. Further, they need to asses if the competitors are 100% effective in the market area or something less and why?

The following table is a recap of the Robinson research project and an explanation of their logic.

Issues	Measures	Reference Notes
Per capita sales	64	US Census
Market population	30,000	Zip code 48720
TTL Market	1,920,000	
Jones Hardware	10,000 sq. ft.	Decent size
Nr. Cash registers	3 computers	Onsite survey
Inventory selection	Average	Onsite survey
Customer service	Good	Onsite survey
Nr. Employees	9	Reference USA
Est. Annual Sales	1,260,000	Avg US \$140,000 per emp.
Market coverage	0	in another zip code
Effective sales	550,000	Slightly overstated
Nuts & Bolts Emporium	1,800 sq. ft.	Small
Nr. Cash registers	1	Onsite survey
Inventory selection	Limited	Onsite survey
Customer service	Good	Take a number
Nr. Employees	2	Onsite survey
Est. Annual Sales	280,000	Avg US \$140,000 per emp.
Market coverage	100%	Local
Effective sales	\$300,000	Slightly overstated

A visit to Jones Hardware indicates it is a good store that seems to be average in both in breadth and depth. Local queries and the Reference USA database both indicate 9 employees. Jones Hardware is considered to be a good but average hardware store.

Based on the US average of \$140,000 in sales per employee for hardware stores, the Jones Hardware annual revenue is about \$1.2 million which aligns with the national average of \$1,223,000 for hardware stores reported by the US Census.

However, Jones Hardware is located in another zip code about 5 miles from our market area. After driving the main arterials and looking at the normal flow of traffic from one zip code to the other, we believe it is safe to presume the Jones Hardware coverage in our trade area is no greater than 40%. As such, we estimate that Jones Hardware could account for sales of \$550,000 in our market area.

The Nuts & Bolts Emporium is a small and dated store with a potbelly stove and at least five fat cats on the prowl. The inventory is strong in basic hardware, plumbing and electrical but limited in paint. There are no garden products. The store has an old cash register and queries suggest there are only two employees. They are not listed in Reference USA.

Overall, the store has 100% coverage in the market area. The sales estimate of \$280,000 is based on the sales per employee of \$140,000. The estimate could be overstated because of their limited inventory. This store does not advertise and does not appear to be a significant factor in the market place.

After adjusting for the competition's market share, the market data suggests an available market of \$1.1 million annually which is more than ample for our 5,000 square foot store with projected annual sales of \$500,000.

Product & Services

When considering market share and sustainability, the Product & Services Offering represents the substance of the business. If seeking funding, a lender wants to be assured the business model provides compelling solutions to market need. Once market need has been validated by research, it makes sense to focus on the offering.

Offering Description

When developing an offering, it helps to understand that a purchase decision, while contemplated because of a perceived need, is stimulated by product or service attributes. The following are some of the usual considerations when making a purchase or vendor decision.

- Product & brands selection
- Services menu
- Quality/Reliability
- Competence
- Convenience
- Warranty
- Packaging
- Price

Depending on the customer and the product or service needed, purchasing values will vary in both consideration and priority.

Beyond customer needs and purchase values, it serves us well to also consider what the target customer expects from their vendor of choice. You may need an aspirin for a headache but what do you expect from the drug store experience? You may need someone to repair a fence but what do you expect from the handyman experience? Satisfaction is the key to a repeat customer.

While the strategy behind fulfilling customer satisfaction is often left to the marketing plan, at the very least, it may be worthwhile to reflect on the tactic when considering the offering.

While an offering is usually clear in the seller's mind, it is important to consider the offering from the customer's perspective. This task is more difficult than it may appear but the effort is worth your while. The following is an example of an Offering Model.

Example Offering Model

Our first consideration in developing an offering is to make sure our offering provides a clear solution to market needs. Maddy's Paw will market to pet lovers that consider their pet as family. They will prefer to buy pet supplies that contribute to the health and well-being of their pet. Their primary need is the availability of premium brand natural and organic pet foods and treats.

However, in addition to satisfying product needs, we want to make sure we satisfy their expectations. Given their interest in healthy pet foods, satisfaction can be expected when the customer feels confident in our brand choices and our ability to provide reliable product information. Given that pet ownership is a family experience, they will also appreciate a retail environment that is both pet and family friendly.

From personal experience, pet owners tend to think of products in broad categories. The following describes how they are likely to see Maddy's Paw.

- Premium brands of natural pet food
- Good selection of healthy natural treats
- Broad selection of pet supplies

- Competitive prices
- Helpful employees

In terms of our offering, the *Maddy's* inventory will include the following:

- Pet Food: premium organic brands of dry, canned, raw & dehydrated;
- Treats: organic biscuits, meat jerky, chew, catnip, bonito flakes;
- Supplies: collars, leashes, harnesses, litter, carriers, beds and bowls;
- Toys: unique fetch, chew, tug, snuggle, chase toys;
- Pet care: brushes, shampoo, flea control, skin & nail care, cones;
- Accessories: ID tags, rain wear, outfits;
- Family: T-shirts, magnets, key fobs, pet memorial items.

Customers will find Maddy's Paw in the heart of the Burien business district. Our brand and product selection, convenient location, store ambiance and helpful employees are core elements of the Maddy's Paw offering.

Features & Benefits

An offering may have important features that can be perceived as customer benefits. At times, the customer is already aware of product benefits because of extensive marketing. For example, in the tech world, product features and benefits are usually well known but not by everyone. My wireless provider is marketing a 4G network that is 100% LTE. Everyone knows the benefit of that one except for me. What's an LTE? All I know is that my son is always going over his gigathingy limit. I know this because I signed up for the "alert" feature because I was told that is a benefit. But, I am not so sure about that.

And what's this stuff about the benefits of more Cloud Storage? How much more can we put up there? We've had 18 inches of cloud stuff on our lawn all winter and our 500 foot driveway was like a bob sled run.

However, there is one thing I do know about benefits. When my Maine Coon sticks his claws in my thigh it is either time to pick him up and give him a hug or open another can of cat food. Since I have been properly trained to do both, we are both happy with the benefits.

So what is the point you groan? Only this: It is a good idea to define the features and benefits of your offering so you can find a way to market them to potential customers. And remember, some of us are still trying to figure what's up in the cloud. Do you really want to leave it to people like me to figure out why we should want your product?

Supplemental Options

It may be possible that supplemental goods, services or after sale services can add dimension or enhance your offering. For example, an upscale pet store could take photos of a family with their kids with pets and post them on their website so Grandma in Amsterdam can see them on her GX63 thing-a-bobby. No names of course.

Pricing

Your selection of target customer groups and the competitive research should begin to give you some idea about how you will go to market in this important area. While the pricing strategy is usually defined in the Marketing Plan, the offering work needs to consider if the prices are best presented at market level, below market or at above market levels. If planning to sell at above market prices, it is wise to consider how to provide a "value added" benefit.

If operating a more complex business model such as a retail store, you may want to consider where to get some guidance on retail price points. It is not unusual for suppliers to maintain a price point database.

However, you want to make sure the supplier is focusing on market level pricing in contrast to simply relying on mathematical formulas.

Consider the concept of the manufacturer's suggested list price (MSRP). The amount of money for which the company that produces a product recommends that it be sold in stores does not necessarily correspond to the price that retailers actually use or to the price customers are willing to pay. Retailers may need to set their prices below MSRP to move inventory, especially for items with low demand or in a sluggish economy. Some pricing information is worthwhile and some is literally fictitious.

Competitive Edge

The market analysis work helps us better understand our target market needs and how their needs are being filled in the marketplace. As we develop and refine our offering, we need to seriously think about manifesting and clarifying our advantage in the marketplace. In other words, we need to find out where we clearly shine.

In this regard, the Value Proposition is a promise of how the offering will be attractive to the customer. The following offers an example:

Nathan's will provide customers with nutritious custom made sandwiches, salads and desserts at prices that compete directly with fast food delicatessen chains.

Here is what Nathan's competitor is thinking about.

The Big Brat will sell salami, brats, polish sausage, knackwurst and kielbasa because the mark up is good.

One value proposition is focused on market need and the other on the owner's pocketbook. Which makes the most sense to you? Musing on your Value Proposition will help to make sure your offering is all it can be.

Resources

It is likely that you will need resources to develop and take your offering to the marketplace. Resources can include products, materials, equipment, supplies, design help, consulting and labor. If you have multiple supplier needs, it may take some time to sort everything out.

It may be a good idea to initiate a little research to identify potential sources. The initial considerations usually include the following: location; reputation; supply & services menu; accessibility and start-up support. If needing products, thought should be given to the supplier's selection, prices, volume discounts, credit terms and delivery policy. A good supplier can also often provide counsel on opening inventory assortments and retail pricing.

[End Sample View]

The following topics are included in the purchased version of the Field Guide.

Financial Model	Marketing Plan	Management	Organization
Start-Up Funding	Market Niche	Owner Background	Ownership
Fixed Expenses	Value Proposition	Personnel	Legal
Sales Forecast	Positioning Statement	Payroll Model	Licensing
Financial Performance	Marketing Strategies	Administrative	Location
P & L Statement	Web Strategy		Keys to Success
Cash Flow Projection	Sales Strategies		
Balance Sheet	Milestones		