



# Hands on Business Planning

## Session 3

### Your Market



# The Business Plan..

<p>(1) <b>Executive Summary</b></p> <ul style="list-style-type: none"> <li>• Compelling</li> <li>• Clear</li> <li>• Concise</li> <li>• Last Section Completed</li> <li>• Limit To One Page</li> </ul>	<p>(2) <b>Description of Company</b></p> <ul style="list-style-type: none"> <li>• Name</li> <li>• Mission Statement</li> <li>• Vision</li> <li>• Intentions</li> </ul>	<p>(3) <b>Description of Product or Service</b></p> <ul style="list-style-type: none"> <li>• Describe In Detail</li> <li>• Unique Attributes</li> <li>• Rules and Regulations</li> </ul>	<p>(4) <b>Your Market</b></p> <ul style="list-style-type: none"> <li>• Industry</li> <li>• Customer Base</li> <li>• Competition</li> <li>• Price</li> <li>• Distribution</li> </ul>
<p>(5) <b>Marketing Plan</b></p> <ul style="list-style-type: none"> <li>• Market Analysis</li> <li>• SWOT Analysis</li> <li>• Product Positioning</li> <li>• Forecasts</li> <li>• Marketing Budget</li> </ul>	<p>(6) <b>Operations Plan</b></p> <ul style="list-style-type: none"> <li>• Business Location</li> <li>• Type of Facility / Equipment</li> <li>• Type and Qty of Staff</li> <li>• Inventory</li> </ul>	<p>(7) <b>Management Team</b></p> <ul style="list-style-type: none"> <li>• Who</li> <li>• Qualifications &amp; Experience</li> <li>• Roles &amp; Responsibilities</li> </ul>	<p>(8) <b>Financials</b></p> <ul style="list-style-type: none"> <li>• Income Statement</li> <li>• Cash-Flow Projections</li> <li>• Balance Sheet</li> <li>• Assumptions</li> <li>• Historical Records</li> <li>• Plan/Use of Financial Assistance</li> </ul>

What are some key external drivers that impact your industry?	Other than price, what determines demand for your product or service?	Who or what is your customer base (target market), and how do you know they are, in fact, your customer base?
Who is your competition? Do you know their strengths, weaknesses, market share, etc?	What cost factors do you consider when determining the price of your product or service?	Are you a product or service <u>producer</u> ? Or are you an <u>intermediary</u> between producer and customer?





# 1. The Industry...

Define the industry in a broad sense, specifically its history and how it's described by the North American Industry Classification System (NAICS).

<https://www.naics.com/search/>

Include information that answers the following about the industry:

- Industry Performance
- Product and Market
- Competitive Landscape
- Operating Conditions
- Industry Outlook

## *Sources for Industry Profiles:*

*Dun & Bradstreet - [www.firstresearch.com](http://www.firstresearch.com) (\$150)*

*IBIS World - [www.ibisworld.com](http://www.ibisworld.com) (\$990)*

*Report Linker - [www.reportlinker.com](http://www.reportlinker.com) (\$100+)*

*Research & Markets - [www.researchandmarkets.com](http://www.researchandmarkets.com) (\$199+)*

*SBA - [www.sba.gov/business-guide](http://www.sba.gov/business-guide) (free)*

*AND/OR Industry Association Websites, Google, etc.*





# 1. The Industry cont...

## Product and Markets

- What products and services are produced?
  - List as a percent share of the industry, pie chart most common
- Demand determinants?
  - Factors other than 'price' that change demand
    - Consumer preference, income levels, amount of advertising, size of target market, supply levels
- Major markets and segments?
  - Geographic areas and customer types
- Current business locations?
  - Location of existing industry providers
    - Manufacturing, warehousing and retail locations



# 1. The Industry cont...

## Competitive Landscape

- Market share concentration?
  - 'diverse & spread out', 'dominant & concentrated', 'dominant & spread out' or 'diverse & concentrated'
- Key success factors?
  - Unique to the industry that determine success or failure
    - Examples: experienced workforce, technology, proximity to customer, quality control
- Cost structure?
  - Acceptable profit levels, costs, wages, rent, etc.
- Basis of competition?
  - Specialty or general businesses, brick & mortar, e-commerce, outside sales, etc.









## 2. Customer Base cont...

Only fact based information is useful and considered trustworthy

- Existing and available data
  - Census data, industry reports for purchase
- Primary research
  - Research that you conduct yourself (surveys, interviews, customer databases, etc.)
- Secondary research
  - Existing research collected from a different entity on your behalf

NOTE: Not everyone is your customer, just because people eat food does not mean they eat spinach





# 3. Competition cont...

## Competitive Analysis

An in-depth investigation and analysis is one of the most important components of your plan, allowing you to implement strategies to improve your competitive advantage

*Type of information to gather:*

- *What products and services they offer?*
- *Do they satisfy similar target markets?*
- *Are my competitors profitable?*
- *Are they expanding? Scaling down?*
- *How long have they been in business?*
- *What are their positive attributes?*
- *What are their negative attributes?*
- *Do they have a competitive advantage? If so, what is it?*
- *What is their marketing strategy?*
- *What is their promotional strategy?*
- *What are their pricing structures?*
- *Do they operate in the same geographic area?*
- *Have there been any changes in their targeted market segments?*
- *What is their size? Revenues?*
- *What is their percentage of market share?*
- *What is their total sales volume? What is their growth rate?*



# 4. Pricing...

Price is the value that is put to a product or service resulting from a complex set of calculations, research, understanding and risk taking ability

A pricing strategy takes into account customer segments, ability to pay, market conditions, competitor actions, trade margins and costs.

In setting prices, a plan will take into account all kinds of costs such as: materials, labor, warehousing, commissions, shipping, *plus a markup to cover overhead and profit margin*

Understanding the pricing of your industry will determine whether your business can compete and be profitable.



# 4. Pricing cont...

## Price Analysis

Often conducted as part of a larger business analysis, determines whether your plan's pricing strategy is viable. Essential for a business plan, the process usually includes identifying competitors and uncovering their pricing and terms.

### Informal Analysis

As simple as going into a store and checking the prices on comparable products or by researching via the Internet. Or request information by phone or mail, sometimes by posing as customers or by hiring individuals to do so as "secret shoppers."

### Formal Analysis

Carried out according to a specific plan where results are carefully documented and, when possible, more details are elicited and recorded. Details include warranty terms, return options and pricing for add-on or auxiliary products and services.



## 5. Distribution...

**A distribution channel is the path by which all goods and services must travel to arrive at the intended consumer.**

It can include wholesalers, retailers, distributors and even the internet itself.

Distribution channels can be short or long, and depend on the amount of intermediaries required to deliver a product or service.

While increasing the number of ways in which a consumer can find a good can increase sales, it can also create a complex system that sometimes makes distribution management difficult.

In addition, the longer the distribution channel, the less profit a manufacturer might get from a sale due to the fact each intermediary charges for its service.





# 5. Distribution cont...

There are three main types of channels, all of which include a combination of a producer, wholesaler, retailer and end consumer.

1. The first channel is the longest in that it includes all four, from producer to the end consumer – 2 intermediaries
  - *The wine and adult beverage industry is a perfect example of this long distribution channel. In this industry, thanks to laws born out of prohibition, a winery cannot sell directly to a retailer. It operates in what is known as the three-tier system, meaning the winery is required by law to first sell its product to a wholesaler, who then sells to a retailer. The retailer, in turn, sells the product to the end consumer.*
2. The second channel is one where the producer sells directly to a retailer, who then sells the producer's product to the end consumer – 1 intermediary
  - *Dell, for example, is large enough where it can sell its products directly to reputable retailers such as Best Buy.*
3. The third and final channel is a direct to consumer model where the producer sells its product directly to the end consumer – 0 intermediaries
  - *Amazon, using its own platform to sell Kindles to its customers, is an example of a direct model, which is the shortest distribution channel possible.*



## SIZEUP – START MY OWN BUSINESS IN FORT WORTH AND TARRANT COUNTY



Where should I start my own business in Fort Worth, Arlington or Tarrant County? How can I find more customers? Who are my competitors, and how do I perform compared to the them? How do I identify the best places to locate and advertise my business? These are just a few questions that SizeUp can help you answer. It doesn't cost anything for you to create and download reports customized to your needs.

Even if you've already [scheduled an appointment](#) with a business advisor, we encourage you to the use the SizeUp tool to help plan questions and thoughts for your session.

### Benchmark Performance

Enter your business information and gauges show how much of your competition you are outperforming. Charts and maps show you how you compare to those businesses near you.

### Competitive Intelligence

Map your competitors, along with potential buyers and suppliers. Determine areas with many potential customers but little competition.

### Advertising Analysis

Assess the market conditions in your area, and identify the best places to advertise.

### Demographic Analysis

Interactively map demographic, labor force, and consumer expenditure data for your area. Tailor your analysis to a place, around an address, or a custom boundary.

<http://www.tarrantsbdc.org/sizeup/>



# Hands on Business Planning

## Next Session

## Marketing Plan



# Questions...

<p><b>What are some key external drivers that impact your industry?</b></p> <ul style="list-style-type: none"> <li>Global and domestic economy</li> <li>Finance</li> <li>Weather</li> <li>Infrastructure</li> <li>Laws</li> <li>Trends</li> <li>Customer base</li> </ul>	<p><b>Other than price, what determines demand for your product or service?</b></p> <ul style="list-style-type: none"> <li>Consumer demand</li> <li>Competition</li> <li>Price of related goods</li> <li>Amount of advertising</li> <li>Income levels</li> <li>Size of target market</li> <li>Expectations</li> </ul>	<p><b>Who or what is your customer base (target market), and how do you know they are, in fact, your customer base?</b></p> <ul style="list-style-type: none"> <li>Market research</li> <li>Past experience</li> <li>Customer data</li> <li>Surveys</li> <li>Interviews</li> </ul>
<p><b>Who is your competition? Do you know their strengths, weaknesses, market share, etc?</b></p>	<p><b>What cost factors do you consider when determining the price of your product or service?</b></p> <ul style="list-style-type: none"> <li>Materials</li> <li>Labor</li> <li>Shipping</li> <li>Rent</li> <li>Overhead</li> <li>Commissions</li> </ul>	<p><b>Are you a product or service <u>producer</u>? Or are you an <u>intermediary</u> between producer and customer?</b></p> <ul style="list-style-type: none"> <li>Wholesaler</li> <li>Retailer</li> <li>Agent / Broker</li> </ul>



# 6 Sessions...

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