

How To Conduct A Market Analysis For Your Business

The term "market analysis" is often confusing to entrepreneurs, especially for people who focus on a specific niche or market segment.

In fact, many small business owners don't understand the process or complain that conducting a market analysis is too complicated or too expensive and wonder why or if it is necessary.

What is market analysis? In the most basic terms, a market analysis is an assessment of:

- A particular problem or opportunity in a market.
- The needs of the target market relating to the problem or opportunity.
- Ideas for marketing a particular product or service that fills the needs of the target market.

When should you conduct a market analysis?

- When you are starting a business.
- When you are entering a new market.
- When you are considering a new product or service.

Why should you conduct a market analysis?

- To minimize business risks.
- To understand the problems and opportunities.
- To identify sales opportunities.
- To plan your marketing/sales approach.

The process of conducting a market analysis can be divided into three parts:

Part 1 - Understanding Market Conditions

This gives you basic information about your entire market – the size, the competition, the customers.

Part 2 - Identifying Market Opportunities

This gives you more targeted information about potential problems or opportunities in the potential market, and includes information about growth, current and future trends, outside factors and more information about specific competitors.

Part 3 - Developing Market-Driven Strategies

Here is where we get into what market research does for you. It helps you to pinpoint opportunities to grow your business. By understanding the market and knowing what opportunities are available you can create a marketing strategy that leaves your competitors in the dust!



Here are 10 questions that can help you get started:

1. What is the market I want to reach?
 - Who are they? (Basic Demographics)
 - What is their biggest problem in relation to this market?
 - Are their needs being met by the products or services provided in this market?
2. Who is my competition in this market?
 - Are they successful in this market?
 - Are they marketing a similar product or service?
 - What is the market share of the three biggest competitors in this market?

3. Is there room for growth in this market?

4. What is the size of this market?

- Is the industry growing? Stable? Saturated? Volatile? Declining?

5. How is my product or service different from the competition?

6. How can I reach this market?

- How is my competition currently reaching this market?
- Is it the most effective way?
- What are the alternative ways of reaching this market?

7. What are the business models of my competition in this market?

- Are they effective?
- Is there a way to do it differently or better?

8. What do customers expect from this type of product or service?

- What are the core competencies of this product or service?
- What would make the product "new" "different" or "better" for the customer?

9. How much are customers willing to pay for this product or service?

10. What is our competitive advantage in this market?

Knowing the answers to these questions will not only help you figure out if there is a need for your product or service, it will help you figure out the best ways to reach your customers, price your products or service and ultimately make more sales!

Apply for your free market analysis from one of our independent marketing specialists.
Call us now.

Marketing - Back to the Basics

Too many entrepreneurs and small businesses dive right into the thick of operations without following basic marketing principles. In business, as in most things, it pays to occasionally take a step back and evaluate the bigger picture. Drafting a very basic marketing plan can help you focus on the right activities, target the right customers and set the best prices.

The STP Process

STP is an acronym for Segmentation, Targeting and Positioning. It represents the highest level of your marketing plan. Ideally, you should start this process before your product or service is ever brought to market. It can still be a worthwhile exercise for an existing product though.



Segmentation

Segmentation is simply a fancy way of saying that you need to identify your customer. Think of every possible customer. Now, start slicing that population into smaller, more defined segments (thus the name segmentation). It's best to start big here – for example: split individuals from businesses. Now, go into each segment and divide it further. You could split individuals further by sex, age, socio-economic status, geographic location, interests and hobbies and so on. At this point, try not to pigeon-hole yourself by prematurely selecting segments. Remember, you're trying to find meaningful groups of potential buyers that will exhibit similar buying behaviour.

Your goal is to identify opportunities.

Once you feel that you have subdivided the market finely enough, then you need to evaluate those segments. Try to quantify how large those segments are, how reachable they are and how unique they are from one another (i.e. is there considerable overlap from one to the next?).

Targeting

The next step in the process is to look at the segments you've created and make some decisions about which segments of the market you are going to go after. One of the first decisions you will have to make is whether to target a "mass" market or instead whether your marketing efforts will be more focused. That is to say, are you going for a larger, less defined segment or a smaller more defined segment. The general trend over the last decade has been to go after more defined segments. The extreme here would be to go after a "niche" market which is just a fancy term for a highly defined, fairly small segment. The reasoning being that there will be less competition for those segments.

The segment you choose will have a profound effect on everything else you do. You need to carefully evaluate the most appropriate route for your business. When deciding between different market segments, you will want to try and identify the competition for that segment, the potential value of the segment (i.e. how large is it, how expensive will it be to reach it with advertising, etc.).

Positioning

You've segmented the market and you've chosen the segment that you are going to go after. The last part of your marketing plan will help you define how you are going to "position" your product or service to your selected target market.

This is where you will invoke another handy acronym called the 4P's - Product, Price, Promotion, and Place.

Product

You need to focus your product towards your selected target. What do the people/firms in your segment want or

need? If you are working with an existing product, you need to make sure it fits your intended target market. If it doesn't, can it be altered so that it does? It's critical to match the right product with the right customer.

Price

Pricing your offering is an art. You must consider many factors, such as the stigma different price points carry - for example, being too inexpensive sends a message that your product may be junk. It's also critical to consider the competition here. It makes little sense to target the same market with a similar product at the same price as your competitors. Entire books have been written on the subject of pricing. The important thing to keep in mind is that you can't lock yourself into a cost plus profit margin way of thinking. Instead, consider the price independently at first in terms of your competition and the value your offering brings to the customer.

Promotion

This is what most people think of when they hear the word marketing. As you can see though, it takes a fair amount of work before you get to this point. Promotion is simply how you intend to get the message to your customers about your offering. Will you use commercials, magazine advertisements, radio, the internet, mass mailings?

Place

Lastly, you need to think about how you will bring your product to market. This is sometimes referred to as marketing channels. That is to say, will you sell directly to the customer or will you sell to distributors or retailers who will then sell it to customers? Where geographically will you sell your product? Will you sell entirely on-line or in a traditional brick-and-mortar location?

Bringing it all together

You probably already have some or most of your marketing plan in your head. However, following this tried-and-true process can help you formalise your marketing strategy and can help you to identify holes in your business and it sometimes can help you identify opportunities that you might not have thought to exploit.

Harry Goldstein, East Coast Consulting Pty Ltd, P.O. Box 402, Belmont, NSW, 2280
Tel: 02 4945 2285 Fax: 02 4945 4228 Mobile: 0420 941 043
harry@yourvirtualboard.com.au www.yourvirtualboard.com.au

Don't waste time wishing for less competition - instead: Seek greater insight for your business!

Your Virtual Board
East Coast Consulting Pty Ltd